

"There are certain static advantages to be derived from nature, from climate, from the soil. But, in general, what have been called comparative advantages are in reality achieved by human ingenuity."

Sepúlveda also insisted that infrastructural development had to go in tandem with industrial development, and proposed the construction of east-west highways and railways to break through the three mountain ranges that divide the nation lengthwise. Currently, Colombia only has north-south transportation. In addition, he urged the development of the largely uninhabited Pacific coast of Colombia, which has only one maritime port of importance.

Hernando Arciniegas, an economist who spoke on the lack of physical infrastructure in the country, responded to a question from *EIR* by acknowledging that Colombia's railroads and rivers had been abandoned despite the fact that they provided the cheapest means of transportation in the country. "I don't know if the fault lies with [World Bank theorist] Lauchlin Currie or with the World Bank, as you suggest, but that is a reality."

A government 'disappearing act'

The organizers of the forum complained of the lack of collaboration on the part of government officials, and indeed the absence of a government presence at the event was striking. At least one forum participant suggested that the government's failure to endorse a sane economic policy for the country had to do with an "implicit" pact with the drug traffickers.

Félix Moreno, president of the Colombian-Venezuelan Chamber of Commerce, explained that the only reason Colombia has been able to claim a better economic situation than the rest of Latin America is due to the infusion of \$2 billion of drug money.

Even while the April 11-15 conference was taking place, the government of Virgilio Barco announced that it would extend a tax amnesty for two more years, to permit the holders of "obscure" monies to legalize their capital without being subject to investigations from the state. Similarly, in a clear retreat from its initial impulse to close Colombia's notorious tax evasion loopholes, the government has announced that it will exempt from investigation all bank accounts which contain a maximum of 50 million pesos.

Felix Moreno explained in an interview to *EIR* that "a very important Liberal leader, a politician" had privately proposed that the Establishment forge an official alliance with the drug traffickers. (See *Documentation*.)

While the government is trying to capture narco-dollars to pay the foreign debt, despite the important anti-drug battles being waged by the Fourth Army Brigade in the city of Medellín, the same government is putting innumerable obstacles in the way of the real economy.

On the one hand, the government has decided to shrink public investment drastically. According to reports from the national comptroller's office, public investment this year will

be reduced by 41%. First semester investment in the electricity sector will be carried out in the next semester. The government has withdrawn its financial support for the ongoing construction of a Medellín metro. It has also taken measures to restrict the money supply, which is leading to a rise in interest rates and to a considerable increase in inflation, which surpassed 10% in the first three months of 1988.

On the other hand, the government has decided to slash the military budget by 5 billion pesos despite the fact that the armed forces are taking increasing responsibility for the war against both terrorism and drugs. "If the means of production must continue under the anxiety and worry caused by such destructive phenomena as subversion, terrorism, intimidation, and violence, then very soon the economic indicators will be negative and the country's problems will worsen," said Senate President Pedro Martín Leyes.

The Colombian political class seems unprepared, perhaps unwilling, to launch the industrialization of Colombia and to abandon the "artificial oxygen" represented by the money of the drug trade. "This Establishment is incompetent," declared Félix Moreno. Even so, the majority of Colombians still hope for change.

Interview: Félix Moreno

'Drugs are fueling Colombia's economy'

Interview granted by Félix Moreno, president of the Colombian-Venezuelan Chamber of Commerce, to EIR's Javier Almario, on April 13, 1988.

EIR: Colombia is considered by the international banks as a model nation in debt repayment, and as one of the few Ibero-American nations to claim continued economic growth. Do you have any comment?

Félix Moreno: What is fueling the Colombian economy at this time is the entrance of funds from the drug trade. This is acknowledged by the economists, by the businessmen. Of course, it is very hard to say that such and such a percentage of the country's growth rate is due to the drug trade. It is very difficult to calculate that. One could say, very well, of the 5% that we have grown in recent years, so much is due to the healthy economy and so much to the drug trade. . . . Nobody knows. But I would say that when people talk about how more than \$1 billion a year are entering the country from the drug trade, dollar-laundering, the "sinister window" of the

central bank, all these kinds of things could mean 25% of exports. This is equal to—and there are people who say that it is \$2 billion which is coming in—the equivalent of two “Concord” loans.

Or one could say that the drug traffickers are, without intending to, making a contribution to the growth of the Gross National Product, a totally deformed growth, nearly equal to the \$2 billion a year which the international banks are lending to Colombia. And one must realize that Colombia is still growing based primarily, shall we say, on this “external savings” provided by the international banks and the drug trade. These are the two lungs which the country has at this time, because the internal savings of national capitalists is leaving as capital flight.

EIR: In other words, the country has been able to pay its foreign debt because of the drug trade. In the final analysis, the Colombian model of paying the debt to the banks is that of paying with the drug trade?

Moreno: Well, the foreign debt continues to grow. Colombia does have a debt problem.

EIR: Yes, but it is the reason that Colombia has not had to refinance the debt, for example.

Moreno: I believe something like that. That is to say . . . well, not only that. One must recognize that, fortunately, the country has had certain luck, for example, its oil. Among other things, we are surrendering the oil without negotiating. This week, for example, we decided not to go to the OPEC meeting, either voluntarily or even as observers, with the argument that we are very much on the margin of the international oil market. Well, if OPEC invited countries that were not members of the organization to observe the meeting, who will participate as observers to try to improve oil prices, it seems to me that it is suicidal that Colombia has olympically decided not to attend even as an observer. Mexico is going there, Mexico who is not a member of OPEC but nonetheless is accepting the invitation to go. But here, we have a reverent fear that that will make us bad boys, members of that oh-so-terrible cartel that is OPEC, when what we should be doing is drawing closer to them so as to better negotiate our oil. Perhaps we would be able to influence OPEC a little, as a marginal country. But from the outside, we aren't going to be able to do anything.

Now comes the nickel bonanza, which is truly an incredible miracle: Nickel is rising to \$7 and \$8, even \$10 a pound, when it was \$1.50. So, a little relief is presented to the nickel company of Cerromatoso. Mind you, Colombia's foreign debt has been shaped by four things: El Cerrejón, which spent \$1.8 billion; the Caño Limón and other oil exploitation projects of Ecopetrol, which go for \$2 billion; investment in electricity; and the Cerromatoso project, which has cost some \$600 million.

In those sectors alone we have spent at least a third of the

country's foreign debt. Those projects are going to yield foreign exchange that has been taken from us, but over the very long term: when oil prices improve, and who knows when that will be, given the very Colombian propensity for being spectators instead of actors on the oil market. And what is happening on the oil market clearly influences the coal market: We cannot have good prices for our coal if there are not good prices for oil.

So, what happens is that, while the bonanza reaches those export sectors to which Colombia is going to dedicate itself in the future, we are going to have to depend on money from foreign credits for even the most minimal investment program. Barco's rehabilitation program has no funds, and will have to be carried out with foreign credit, or with money that the country foolishly accepts. I heard from a politician the other day, whose name I am not going to mention, the most scandalous things I have heard in recent years . . . a politician, a very important Colombian Liberal leader, who told me, “Look, let's be honest. In this country, there are three factors of power: the Establishment, the drug trade, and the guerrilla. This instability of the country will not be resolved until two of these vertices of the triangle unite to do away with the third; and what I plainly propose is that the Establishment should join with the drug trade to put an end to the guerrilla. In this way, we will have resolved the problem.”

This guy completed his explanation by saying: “Look, we are taking money from the drug traffickers, but we don't want to acknowledge the sin. We receive their money, but we don't want to acknowledge the origin. This is a false virginity, an hypocrisy on the part of the Colombian ruling class, which knows that the drug traffickers are inflating the economy and which nevertheless don't want to make an open pact with them.”

This is what we could call a retrograde alliance that would probably lead to a state of force, to the elimination of all will for social change and participation. Of course, I don't believe that the Establishment would be so shameless as to make a pact with the drug traffickers, but basically we have such an implicit, tacit agreement.

EIR: Has the money from the drug traffickers enabled the country to feign growth without making any kind of scientific or technological progress?

Moreno: In truth, the drug traffickers waste most of the money they get: They waste it on administrative corruption, which in the last resort is consumption; they waste it on luxury consumption for themselves, a ton of extravagances. Some of it is invested in productive activities. But in reality they have no business capacity. In other words, a drug trafficker is not normally a good industrialist, is not a good farmer. They do things Saudi-style: They think that if they put in a lot of money, things will come out well in the end. So their investments in activities that are not of the drug trade, these activities are tremendously inefficient. For example, to

set up a modern farm they spend millions and millions of dollars, pay million-peso salaries to the technicians, they bring in extremely costly equipment they don't even know how to use nor do they have skilled labor for this. So the "development" they carry out is Saudi-type development, in which they are pouring in floods of investment dollars without a corresponding capacity of skilled labor. So, the country is going to grow very little in the long term, based on money from the drug traffickers.

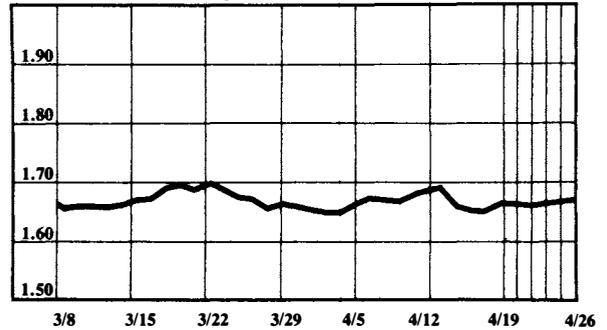
EIR: Then you think that Colombia should get used to living without this drug money? That it would be more beneficial in the end to abandon that money and dependency on the drug trade?

Moreno: Yes, I think that. The problem is that the Establishment is incompetent. If you take away from the Establishment that artificial oxygen which is drug money, the social conflict will become still worse. We are going to see much more social conflict, a much more radicalized population. Well, although the drug trade is also assisting social radicalization in the sense that the surplus they generate is invested in the countryside, for example—this is what the newspapers have said—they invest it in the countryside, then they see that the countryside has an enemy, which is the guerrilla, and then they say: "Okay, we know how to face violence with violence." So, they don't accept the extortion of the guerrilla, they don't accept "protection," they don't accept those kinds of things, they respond with violence and thus they exacerbate conflict in the countryside. . . . "We know how to do away with the guerrilla, we have experience in this," and so they carry out massacres. It would not surprise me if the Uraba massacres were financed in good part by the money of the drug traffickers, allied with certain capitalists who are a little angry with the labor movement and with some of the leftist movements in Uraba.

Currency Rates

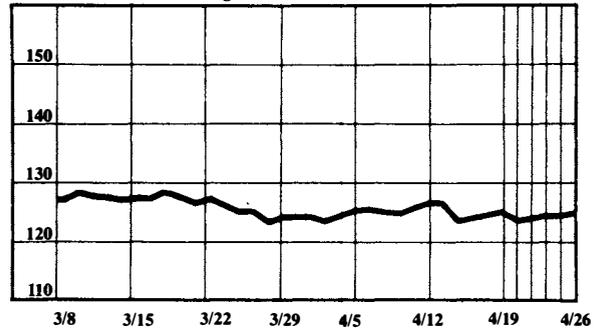
The dollar in deutschemarks

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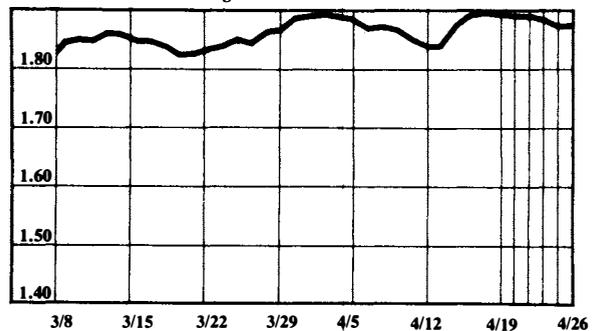
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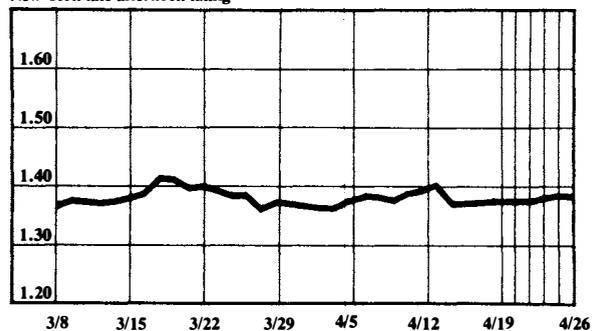
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