World Bank demands more usury

Colombia gets its reward for being a "good" debtor—tougher loan conditions and credit suspensions.

In mid-May, the World Bank delivered to the Barco government in Colombia a memorandum establishing new preconditions for receiving credits. The memorandum demanded, among other things, the elimination of development credits to industry and agriculture, through the elimination of preferential interest rates to those sectors of the economy. It also demanded reductions in wages and in social benefits to workers; an increase in domestic interest rates; abolishing export incentives; increasing energy service charges; new currency devaluations; and the elimination of import tariffs which have served as some slight protection for the little domestic industry that hasn't yet been gutted.

The conditions were presented diplomatically, of course, but the World Bank nonetheless made it clear that if Colombia did not meet those conditions to the letter, all credits would be suspended. Perhaps to drive home the point, the long-awaited signing of $1.65 billion in new credit (the "Challenger" loan), scheduled for the last week in May, was indefinitely postponed.

According to Colombia's Comptroller General, the delay in receiving the new money will make Colombia a net exporter of capital for the first time, something the Barco government of President Virgilio Barco had pledged it would never permit to happen. As a result, the opposition has already begun to demand a renegotiation of the foreign debt.

The World Bank memorandum was issued as part of ongoing negotiations with the government, which is seeking still further credits. The memorandum, apart from setting out new conditions, warns that if Colombia does not meet its "recommendations," the country will face an exchange crisis in the course of the next decade, and its economic growth rate would fall below 4% a year. The bank has already suspended one important credit to the electrical sector, because the government failed to substantially raise interest rates.

President Barco's zeal to apply the World Bank's program—his ability to enforce it notwithstanding—has triggered widespread protests by the economic associations representing both agricultural and industrial producers. Such, for example, is the case of José Raymundo Sojo Zambrano, president of the National Cattlemen's Federation (Fedegan), who charged that Finance Minister Luis Fernando Alarcón Mantilla is a "minister of usury," because he refuses to intervene to reduce interest rates, which have already reached 50% a year.

Other associations, such as the Colombian Farmers Association (SAC) and National Grain Growers Federation (Fenalce), have demanded state intervention against usury. Food production will be endangered if the government eliminates development credits through raising interest rates, as the World Bank demands. Industrial leaders are saying that "there is no effective reduction in credit costs." Businessmen report that one cannot get credit in Colombia today for less than 36%.

In an attempt to defend the finance ministry's position, the banking superintendent "clarified" that usury doesn't begin until interests rates are above 60%!

In direct response to the World Bank, Fabio Echeverri Correa, president of the National Industrialists Association (ANDI), sent a letter to the economic cabinet, describing the bank's proposals as "irresponsible," since the memorandum "recommends a total opening and elimination of export incentives. . . . We do not share those opinions."

Despite the fact that the economic associations have not protested the "freeing of imports" demanded by the World Bank, this—in combination with reduced wages—could considerably affect Colombian consumption levels. Imports are controlled by the state as a means of preventing internal shortages, particularly of food. But if buying power continues to fall and international food prices continue to rise, starvation could become a serious threat.

Even the daily *El Tiempo,* which has always backed the monetarist policies of the International Monetary Fund, World Bank, and Colombia's procession of finance ministers, complained editorially, "The country is not ready nor can it tolerate such a strong dose of 'liberalization' as the World Bank proposes. A greater devaluation at this moment would only contribute to our further impoverishment." Nonetheless, *El Tiempo* proposes as an "alternative" that the World Bank program be applied little by little, instead of in a single blow.

The government has already announced, through a message delivered by the development minister, that this slower method of committing *hara-kiri* is, indeed, more to its liking. It remains to be seen whether the World Bank, IMF, and Colombia's other creditors will permit such deviation.