Andean Report by Javier Almario

Barco hands Colombia to its creditors

Even Colombia is imposing the austerity demanded by the IMF, to the benefit of the narco-terrorists.

Despite the official propaganda that Colombia does not share the foreign debt problems of its Ibero-American neighbors and that the economy is in excellent condition, President Virgilio Barco's administration is hastening to take drastic economic measures which could cause revolts like those have which erupted in Venezuela, Argentina, and Brazil, as well as economic paralysis and the gutting of national security.

After a year and a half of pilgrimages by Finance Minister Luis Fernando Alarcón Mantilla, sitting in the waiting rooms of foreign bankers' offices, Colombia has received only $1.65 billion in credits, at an interest rate of 1.5% above the London Interbank Overnight Rate. Also, these loans are conditional upon the country's complying with the conditionalities set by the World Bank and the International Monetary Fund (IMF).

Also, although Colombia did everything it could to attack Panama and its Defense Forces commander Gen. Manuel Antonio Noriega, just as the United States asked, the colossus of the North refused to prolong the International Coffee Pact, which caused the prices of Colombia's main legal export product to fall sharply, with a consequent reduction to be expected in its export earnings.

As if that were not enough, the pro-Castro National Liberation Army (ELN) terrorist group has sabotaged petroleum production, causing Colombia to lose 20% of its oil exports, and the dollar revenues it brings in.

In the face of that situation, the government is already studying the "adjustments" it will make to the economy: brutal cutbacks in central government and state sector enterprise investment programs.

It plans to suspend construction of an oil pipeline, a gas pipeline, and the Bogotá subway. The state petroleum company Ecopetrol, and telecommunications company Telecom will have their investments cut. The funds saved will go to the central bank's Fund for the Service of the Foreign Debt, FODEX, which will use the money to make on-time payments to foreign creditors.

The government will create new taxes and increase others to finish financing the construction of the Medellín subway. This project was left half-finished because the creditor banks threatened not to participate in the $1.65 billion jumbo loan if the nation did not give its full guarantee to the debt already contracted by the city of Medellín. The government has already increased fuel prices 10% and will increase them even more to gain the revenues needed to comply with IMF conditionalities.

The government also will freeze the number of state employees and will reduce their real wages.

This program will provoke widespread discontent which could benefit Moscow-run terrorist groups. At the same time, the "adjustment" will dramatically reduce military budgets. The defense budget was called "unsustainable" in a document published by the National Economic and Social Policy Council, chaired by President Barco himself. The plan would limit arms purchases abroad, just when the terrorists have full logistical and financial backing from the cocaine mafias at their disposal. The Armed Forces will only have $200 million in 1989 and $180 million in 1990.

The country is already in an economic recession as a result of the monetarist measures taken by the Finance Ministry. A study by the National Merchants' Federation (FENALCO) shows that retail sales fell 6% in the first half, due mostly to government-imposed restrictions on credit card sales.

A study by the National Industrialists' Association (ANDI) suggests an end to industrial growth. Businessmen blame high interest rates, after the government ended controls on them. Imports of machinery fell 11%, after having increased 28% last year. Many factories have gone from three to two shifts. Total electrical consumption rose only 6.2%, compared to 6.8% last year.

The only legal sector which has grown is food production, up 40% this year, thanks to higher parity prices and better credit policies.

Such development credits will be drastically curtailed and interest rates on them elevated under the new conditions imposed by the World Bank. Colombia's economic restructuring also calls for ending all restrictions on imports, thus eliminating all protection of national industries.

The alternatives are quite clear: Either Colombia continues with the demonstrably successful agricultural policies set by Agriculture Minister Gabriel Rosas Vega in accord with farm organizations; or it follows IMF-World Bank monetarist orthodoxy, despite overwhelming evidence that this brings economic disaster. Barco's administration has chosen the latter path.