Andean Report by José Restrepo

Bank wants drug money repatriated

The World Bank's call for an "economic opening" by Colombia disguises an itch for drug dollars.

The World Bank is demanding the repatriation of capital to Colombia as part of its program for "opening" the economy. This is a euphemism for the influx of millions, even billions of drug dollars into the country. President Virgilio Barco's government, desperate for new credit from foreign private and multilateral institutions, is trying to apply that "conditionality," which could well be the reason why the war against the drug cartels has slowed down.

Any decision on the repatriation of capital depends on "the policy the government decides concerning the drug trade," said Alejandro Linares, head of the foreign investment staff of the National Planning Department. In a speech before a conference organized by the Bogotá stock exchange, Linares suggested that the government's decision has already been made: "The question today is: If there are some frozen accounts outside the country, why don't we repatriate capital? I will let you answer this question."

The World Bank has been demanding the opening up of the Colombian economy since at least 1988. Although implementing the "opening" slowly and in stages, the Barco government has nonetheless been reluctant to fully comply, aware that such a policy will destroy Colombia's developing industrial sector. In August 1989, after the drug mafia hired assassins to kill presidential frontrunner Luis Carlos Galán, President Barco called a halt to the "opening," declaring it "politically inappropriate." He also declared total war on the drug traffickers in his country.

However, in January 1990, under the pressure of insufficient foreign exchange to service the foreign debt and a fall in income due to the collapse of coffee prices, Barco resumed talks with the World Bank.

That same month, former President Alfonso López Michelsen issued a statement, in the name of a group of prominent individuals modestly calling themselves "Notables," which promised the drug cartels "benign treatment" by the terrorized Colombian justice system. López also helped edit the mafia's response letter, in which they claimed to acknowledge the government's victory over the cartels, and offering to surrender. Of course, not one drug trafficker has surrendered, and narco-terrorism has continued unabated.

López's action, however, has served to swing the political pendulum in favor of negotiations with the drug cartels, precisely as intended.

In addition to demanding changes in Colombia's foreign investment laws in order to attract capital, the World Bank program includes the free-market recipes that have already wreaked havoc in such countries as Argentina: freeing imports (which would bankrupt local industry), privatization of state companies, deregulation of exchange control, opening to foreign investmment, deregulation of the banking system to allow secret accounts, etc.

Barco's government, aware of the unpopularity of such measures, has attempted to sell the World Bank program as the "modernization" of the Colombian economy, while promising that it will be applied "gradually," over a five-year period.

Almost all of the economic sectors of the country, from labor unions to business associations and farmers, have opposed the plan. Only the bankers and merchants' assocations have publicly supported the "opening."

The cattle-growers' research institute said April 23 that the "opening" will cause not only the destruction of national production, but a 15% increase in imports against the backdrop of a stagnant export sector. This, said the institute, would cause a trade deficit and force the country to search for new credits, creating the ironic situation of making Colombia "contract new credits, in order to import, to meet the requirements of the foreign banks that will give credit to increase the foreign debt."

In the meantime, an International Monetary Fund mission to Colombia is demanding a government cutoff of credit to industry, because there is "too much liquidity" in the economy. Instead of urging a clampdown on the real source of "excess liquidity"—drug money—the IMF would instead choke Colombia's productive sector, forcing it to become indebted further to foreign creditors, or to go bankrupt. The Barco government is obediently postponing state investment and trying to collect funds through issuance of new internal debt bonds. However, the IMF insists that the only way to reduce liquidity is by freeing imports.

The "opening" will also cause an increase in unemployment, now at nearly 10%. The National Association of Manufacturers is already saying that if the government continues to push for the "opening," labor laws will have to be changed, starting with the one which obliges employers to get ministry permission for layoffs.