Colombia's Pastrana To Rob Pensions To Pay Debt

by José Restrepo

The International Monetary Fund (IMF), Wall Street bankers, and their accomplices in Colombia, headed publicly by Finance Minister and Inter-American Dialogue member Juan Manuel Santos, intend to use the pensions of Colombia's elderly to reduce fiscal deficit and increase the profits of the private pension funds at the same time.

In "Wall Street Looks at Colombia," a forum under the auspices of the National Association of Financial Institutes (ANIF) and the New York Council of the Americas on Aug. 3 in Bogotá, Santos explained that the Andrés Pastrana government has met all the conditions demanded by the IMF, with the exception of pension and labor reforms. Santos explained that all the other conditionalities—slashing financial transfers to the provinces, budget cutbacks, and so-called "tax reform"—had been fully complied with. He also offered assurances that the Pastrana government would soon be presenting Colombia's Congress with legislation for carrying out the delayed pension and labor reforms.

The Wall Street representatives at the event left it very clear to all those in attendance that these reforms are not merely the minister's whim, but an imposition accepted by President Pastrana himself. "The pension reform must be carried out before the end of the year," insisted Lacey Gallagher, research director on Latin America for the New York bank Crédit Suisse First Boston. "Colombia needs to reform its pension system, if it doesn't want to become another Argentina. Without that reform, the Colombian public debt is unsustainable," stated Rafael de la Fuente, economist from the bank BNP Paribas. "Wall Street looks with favor on Colombia, but . . . Wall Street is worried about the labor reform, pension reform, and other reforms that are missing," said Susan Kaufman Purcell, vice president of the Council of the Americas. Similar sentiments were expressed by Federico Kaune and Michael Gavin, of Goldman Sachs and UBS Warburg, respectively. Standing in for the City of London was Malcolm Deas of Oxford University, who claimed to be Great Britain's most important "Colombianologist."

'Reform,' Bankers' Style

In other words, the bankers' message was that the Colombian government must reduce wages, and reduce, suspend, or eliminate pensions, to continue payment on the foreign and domestic debt. According to their logic, everything can be cut except debt service.

To a sovereign nation-state, its defense forces and teachers are essential. For Colombia's creditors, these are the primary targets of the latest round of "reform."

Members of the Colombian military normally retire after 20 years of service, notwithstanding their age. It is understood that this special regimen is because the nation's soldiers must be available 24 hours a day, and are at constant risk in defending the nation. This has now come under attack. Although the legislation has yet to be officially unveiled, Santos has announced that a single, unified pension system will be established, doing away with the military exception.

According to *EIR*'s sources, the legislation would force all Colombians, men and women both, without exception, to retire at age 68. Currently, retirement age is 65 for men and 60 for women, and they are obligated to contribute to their pension fund for a minimum of 25 years. There are a few exceptions—for teachers, professors, the military, judges, and other public servants. The new norm would extend the mandatory years of contribution to the pension fund to 35, applicable to all.

DANE, the state statistical agency, reports that life expectancy for Colombians was, as of three years ago, 67 years of age. The new pension plan would mean that more than 50% of Colombians would be unable to enjoy the fruits of their pensions, because they will be dead by the time they attain retirement age. Further, any analysis of the crisis in the country would lead to the obvious conclusion that life expectancy in Colombia today has, in fact, noticeably declined. Some of the causes include: economic collapse and unemployment, decline in food consumption, deterioration and near paralysis of the health system, and the violence caused by the narco-terrorist groups that operate throughout the country. It is probable that life expectancy today is closer to 65 years, and that Colombia is fast approaching a demographic collapse, because of economic and social disintegration.

However, the government is busily fabricating new statistics. The planned increase in the retirement age is justified by claims of Colombia's "superior" economic performance, which has magically improved the quality of life and raised life expectancy from 67 to 72 years of age!

The labor "reform" is simple: reduce the salary of Colombians, including that of public employees. In fact, these cutbacks have been ongoing since the early 1990s. Over the past decade, the average salary has fallen 27%, and unemployment has risen from 12% to 21% of the workforce. Reality appears to have come smack up against IMF reasoning, as usual. According to the IMF, the lower the wage, the more jobs will be available. This, of course, was the "logic" behind Hitler's concentration camps: slave labor which requires little or nothing to maintain, and which can always be replaced by others.

No matter how much they massage the statistics, the policy of the IMF, London, and Pastrana, is clear. Juan Manuel Santos said it himself upon taking office a year ago, when he promised Colombians a lot of "sweat and tears."