not become a conditionality. We should not accept conditionalities such as those proposed by the International Monetary Fund through recipes that are always recessionary. . . . Our economic situation is very grave; currently we are in a severe recession and I don't know how we can continue this way. In any case we will never accept a solution that implies a greater recession.

We have contracted a fabulous debt. But a good part of that [is the product of] international usury.

The following statements by Spanish president Felipe González were made in a Jan. 9 interview with the Colombian radio station, Radio Caracol.

In 1983, I will insist that the industrialized nations [consider] the necessity of seriously proposing a renegotiation of the debt and a new effective North-South dialogue; and I will insist on the absolute necessity of a security and cooperation plan for the Central American and Caribbean region.

Spain has been doing the calculations and will soon propose to the great powers the possibility of converting the debt of the countries of the South to development aid.

Everyone talks of democratic freedom and respect for human rights. However, this reality appears to be further and further away. Methodologically, I don't believe in violence to change a situation or a political structure. Violence doesn't lead to the liberaton of peoples. Sometimes, unfortunately, it leads to the substitution of one tyranny by another.

The following is the text of an aricle entitled "Debtors of the World Unite" published by Agence France Presse (AFP) in the Jan. 11 edition of the Mexico City Daily Ovaciones.

Caracas—The Latin American Economic System today proposed a meeting of finance ministers and presidents of the Central Banks of Latin America and the Caribbean to consider the possibility of renegotiating the region's foreign debt as a bloc. The 26 Latin American and Caribbean nations which form part of SELA should work hard to consider and agree to jointly negotiate their foreign debt, amounting to $300 billion, affirmed SELA's president, the Peruvian Carlo Alzamora. The declarations of SELA's president contrasted with those of David Rockefeller who during his visit to Caracas, proposed that Latin American countries negotiate their debts separately.

Alzamora sent a letter today to the Peruvian Finance Minister who presided over the first meeting of finance ministers and Central Bank presidents that took place in Lima in 1980, asking him to call a second meeting whose topic would be the region's foreign debt. According to Alzamora, the [gravity] of the current situation makes it advisory that the region jointly analyze its debt and strengthen its ability to renegotiate it.

Finally, he announced that SELA had called experts on the question to a Jan. 17 meeting in Caracas which would make its conclusions available to the 26-member governments.

Colombia

Debt burden requires still bolder initiatives

by Valerie Rush

In the last two months, the Colombian government of Belisario Betancur has led a near revolution in the country's financial management. The question is, has he gone far enough?

When, last fall, Betancur announced that the fiscal deficit inherited from the previous Turbay administration was so huge as to make it subversive to cite the true figures, Colombians began to suspect that their President was getting serious. On Oct. 8 he declared a 24-hour emergency in an executive decree imposing drastic new lending limits on the runaway banking system and giving himself the power to nationalize certain banks. That power he immediately put into practice, nationalizing the Banco del Estado, whose prestigious offices had been captured by unscrupulous swindlers, and dissolving the Banco Nacional, which had built itself up as a laundering service for Colombia's drug-running elites. Both banking directors currently face hefty jail terms.

The majority of the Colombian population was delighted; the banking community waxed indignant at the "generalization from a few isolated cases"; and the so-called "emerging class" of newly rich began to wonder if Colombia was such a perfect haven after all.

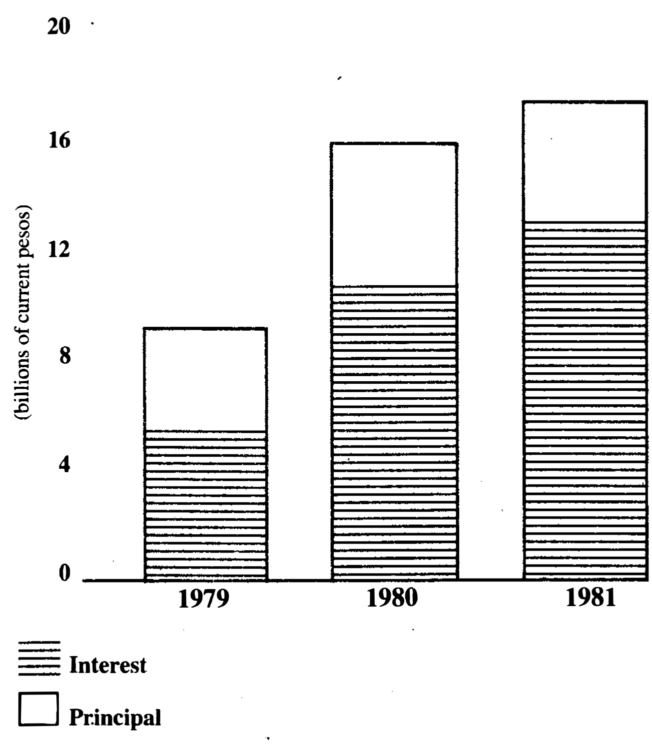
On Dec. 23, President Betancur greeted the holidays with a second "economic emergency," this one designed to last through Feb. 10 and to finish the job begun in October. The keystone of the second emergency is the "patrimonial amnesty," whose announced purpose is to "open a broad avenue for reincorporation of all the wealth which has been on the margin of the national economy, so that it can be a link to the development effort," according to Finance Minister Gutiérrez Castro. (The significance of the *amnistia patrimonial* is also intensely political, of course.)

In the period preceding the second emergency, the financial sector had besieged the Betancur administration with demands that an "amnesty" for the illegal (read, drug economy) be declared. In one particular gathering of bankers and businessmen in the city of Cali, at the yearly conference of the trade organization Fenalco, prestigious banker after banker rose to warn the government that unless the drug amnesty was granted, the banks were not going to lower domestic interest rates in accordance with a government decree.

The government responded with the patrimonial amnesty, but, contrary to the financial sector's expectations, it used the opportunity of offering a one-shot grant of forgiveness to tax evaders to create a series of legal precedents which—if enforced—could make Colombia quite uncomfortable for the drug financiers who have made Colombia their headquarters. Among other measures, the government has:

- established heavy fines and jail terms for anyone caught evading tax payments from fiscal year 1983 onward. Roving teams of specially trained government inspectors will be conducting regular spot checks of the accounting books of the more notorious individuals and enterprises in Colombia;
- ordered the lifting of bank confidentiality for any and all cases placed under investigation by the Colombian Attorney General's office and related judicial bodies;
- ordered an across-the-board property value reappraisement, which is expected to both dramatically increase the government's tax revenues while helping to eliminate the real-estate market as a shelter for illegal monies; and
- launched a major offensive against corrupt officials within the national tax bureau to eliminate many of the allies the drug industry has cultivated in official circles. Several have already been indicted.

Amount of interest and amortization of principal paid on Colombian debt, 1979-81



In a complementary move, the government has decreed a sweeping reform of the tax system designed to seal off gross loopholes established by the 1974 "reform" of former President and drug-runners' ally Alfonso López Michelsen. While broadening the tax base in this manner, the Betancur reform has simultaneously lowered income and sales taxes for the poor and middle classes, and eliminated some of the onerous taxes on industry and food production which have discouraged investment in those crucial sectors. As an immediate result of the reform, some 80,000 lower-income Colombians have been declared exempt from income tax payments

Getting to the root

Betancur's emergency measures have undoubtedly dealt a blow to the parasitic illegal economy which has sucked available liquidity out of production. They may also succeed in increasing the levels of reserves in the national Treasury to the point where Betancur's ambitious development plans—on hold since he came into office—may be unfrozen. However, both will be temporary victories unless and until the drug traffic itself is shut down.

The stronghold of the drug economy is not in the marijuana and cocoa fields which continue to compete with food crops for available hectarage, but in the established banking houses of the Colombian oligarchy who use their far-flung networks in Panama, Florida, the Cayman Islands, and elsewhere to shuffle narco-dollars around until they arrive, clean and pure, in New York, Bogotá, or Swiss bank accounts. While a useful intermediate step, banking transparency can only succeed if there is sufficient government muscle to follow through. The Betancur government, just six months old and far from homogenous in outlook, will lose its fight to rein in the powerful Colombian oligarchy—unless it nationalizes the banking sector and establishes a dirigist credit policy from scratch.

Key to such an effort will be backup from the labor movement, which has repeatedly demanded nationalization of the banks as a means of cracking the oligarchy's grip on the country's productive forces. The Betancur administration's initial response to a trade-union demand that the minimum wage in the country at least keep level with inflation was to reject the labor petition as "inflationary," thus seriously endangering the alliance of forces which put him in the presidency and which has supported his financial reform initiatives. A unified labor demonstration in Bogotá and elsewhere on Dec. 9 brought the crisis to a head, and within the week Betancur and labor reached an agreement providing for a 25 percent hike in the minimum wage—keeping even with the inflation rate. Betancur's success in cultivating the labor support he has won will be decisive for the outcome of his political initiatives both domestically and in the international arena.

The drain on the national economy has come only in part from the drug trade. As pointed out in a startling year-end report from the Colombian Comptroller's office released this month, servicing the foreign debt has unexpectedly proven one of the Colombian economy's serious burdens.

Debt problem unveiled

According to the Comptroller's report, despite the fact that Colombia has one of the lowest national debts in absolute and per capita terms in South America, payments on that debt in 1982 actually exceeded the inflow of capital. The report explains that "in the first 11 months of 1982, $4.478 billion pesos more were spent on debt service than the total amount of foreign credits obtained in that same period." The report also points out that during the period from 1979 through 1982, nearly 74 percent of the foreign capital brought in went right back out again as debt service. "The expenses for service of the public debt will exercise in the coming years the greatest pressure on the funds of the national budget . . . and will impede the sufficient flow of public resources toward other areas of expenditure, such as those contemplated by the government's new policies.

In a year-by-year grid starting in 1979, the Comptroller's report demonstrates how the interest payments on the foreign debt have spiralled even though the principal charges remained moderately low. The accompanying chart shows how interest costs went from 5.6 billion pesos ($81 million dollars) in 1979 to nearly 13 billion pesos ($184 million dollars) in 1981 while amortization of principle over that same period went from 4 billion pesos ($58 million) to just 5.5 billion pesos ($80 million) in 1981. The tendency is expected to continue at an accelerated pace once the 1982 figures are in; already the Comptroller's office anticipates that 1982 interest charges on the foreign debt represented a full 70 percent of total service costs.

In an unusual departure from the restrained and technical reports the Comptroller's office usually publishes, its 1982 report acidly observes that the relatively short-term payments deadline and high interest charges imposed by Colombia's creditors have given them an extraordinary "high level of participation in the financing of the national budget." The report goes on to name those creditors, starting with Chemical Bank (which holds 60.6 percent of the Colombian public foreign debt), Ferrostaal A.G. of Germany, Bank of America, and Manufacturers Hanover.

The report concludes that Colombia's predicament "is explained by the pressing necessity of obtaining accelerating quantities of capital in order to inject liquidity into the Treasury, which could lead to a worsening of negotiating conditions."

The Colombian government's discovery that they, like the rest of Latin America, have a debt problem which can only be exacerbated by unilateral refinancing negotiations, could well lead the Betancur administration into the kind of "debtors' cartel" which the President's own advisers have been proposing.

India

Congress Party gets a jolt from the voters

by Paul Zykofsky in New Delhi

The ruling Congress Party of India, led by Prime Minister Indira Gandhi, suffered a major setback in state elections Jan. 5 when voters in the two southern states of Andhra Pradesh and Karnataka rejected the party's candidates by large margins.

In Andhra Pradesh, a traditional stronghold of the Congress, a new party formed only nine months ago by N.T. Rama Rao, the leading movie star in the state, won 198 of the state Assembly's 294 seats, reducing the Congress Party's share from 253 to a mere 59 seats.

In the neighboring state of Karnataka, a coalition of opposition parties reduced the Congress Party's strength to 80 seats from 152. In a third, much smaller, state of Tripura in northeastern India, Gandhi's party gained a few seats but still fell far short of the winning leftist coalition which held power before the elections.

Despite efforts to interpret these defeats as a rejection of Prime Minister Indira Gandhi's national government policies, most analysts here agree that the vote was largely based on a rejection of the way in which the Congress Party had been operating at the state level.

Regionalism

The vote in Andhra Pradesh turned into a regionalist wave which was so strong that it swept aside not just the Congress Party, but all other national parties as well. It is perhaps this trend that sounds the strongest warning to the Congress Party, which grew out of the struggle for India's independence and which has been viewed nationwide as *the* national party of stability and post-Independence leadership. Amid growing localist, and in some cases separatist, demands in other parts of the country, the Andhra Pradesh elections strike a warning that cannot go unheeded.

Political observers are quick to note that this new trend follows the script drawn by the British colonial office, which has always been dedicated to the proposition that India is not one nation but several smaller entities. Dismembering India through regional, communal (religious), and separatist movements in the face of the national parties' inability to rally the population around unified nationbuilding tasks, has been a longstanding British scenario.

As things stand now, the ruling Congress Party will have