

Andean Report by Javier Almarino

Squeezed between drugs and the IMF

Colombia's economic woes grow worse as 10 years of an increasingly drug-based economy take their toll.

Colombia's Congress convened the week of Aug. 10, hearing a detailed finance ministry presentation on the state's enormous fiscal deficit, expected to reach 190 billion pesos (nearly \$2 billion) by 1985. Congress also heard an explanation from the attorney general, justifying his clandestine meeting last May with the fugitive bosses of the Colombian drug mafia; the traffickers requested amnesty in return for surrender of their networks.

The connection between the two topics may not be immediately obvious, but it is well known that international banking circles, including those represented by the International Monetary Fund, have privately been pressuring the Colombian government to attract, legalize, and use drug revenues to "solve" its economic woes.

Writers for the journal *Consigna*, associated with former President Turbay Ayala, claim that the Turbay government (1978-82) and its predecessor, the López Michelsen administration (1974-78) handled the Colombian economy excellently, as proven by a manageable fiscal deficit then representing between 2% and 3% of the Gross National Product, respectively. It was 5% under today's Betancur government. What they don't mention, however, is that it was precisely that "excellent management" under López and Turbay which, in coordination with the drug mafia, set the Colombian economy up for its currently disastrous straits.

During the López Michelsen pe-

riod, industrial production and trade declined precipitously under the combined assault of the 1974 tax reform which favored speculation over production, and the high interest credit squeeze which Michelsen's banking associates imposed on the real economy. Tax revenues from industry and commerce collapsed and have not recovered to this day. The only significant source of government revenues came from the Special Exchange Account (*Cuenta Especial de Cambios*), which obtained funds through the buying and selling of foreign exchange and the yield on government deposits abroad. Then, too, López and his finance minister, Rodrigo Botero Montoya, created the infamous "Sinister Window" at the central bank, which laundered millions of drug dollars into government coffers.

Under Turbay, the situation continued as under López, with the added advantage of a multitude of international loans granted by foreign bankers all too happy to accept the proliferating drug trade as its future guarantee. The productive sectors of the economy continued in sharp decline.

Today, we can see the accumulated effects of these policies. The crisis-ridden industrial sector pays less taxes than ever due to either outright bankruptcy or miniscule profits related to high indebtedness levels. The collapse in international trade has wreaked havoc with Colombia's export revenues as well.

The debt service has mush-

roomed. From 1983 to 1984 the combined effect of new interest rates hikes and accelerated peso devaluation has increased debt service a whopping 41.5%.

The International Monetary Fund recently sent an "advisory team" to Colombia to quietly examine the country's books. According to a recent report published by the Antioquean Society of Economists, the IMF mission recommended "rapid reduction of the fiscal deficit by substantial cuts in public investment; severe restriction of private credit; increase in public service rates and elimination of subsidies; currency devaluation; free imports and exchange controls; and virtual salary freeze."

The Society suggests that such measures, if implemented, would increase already serious unemployment levels, reduce the population's purchasing power, trigger bankruptcies, and aggravate the balance of payments deficit.

And yet, Finance Minister Roberto Junguito Bonnet is proposing just such a plan. He will be presenting to Congress a number of "belt-tightening" initiatives, as he describes them, with a major emphasis on slashing workers' salary and benefit increases, which Junguito has specifically labeled a primary cause of the unmanageable fiscal deficit today.

Junguito's scheme has already run into trouble in Congress, where a spokesman of the New Liberalism faction of Luis Carlos Galán has demanded that the burden of the deficit be taken from the public and private workers who "represent the country's primary tax base," and be placed instead on the big-time tax evaders.

EIR suggests that a good place to begin the task of solving the fiscal deficit would be with a closer examination of the fortunes of the Michelsen cousins, Alfonso López and Jaime.