Food and fuel prices increased under IMF pressure on Colombia

by Valerie Rush

The International Monetary Fund won another round against Colombia on Nov. 3 with the announcement by its agent, Finance Minister Roberto Junguito, that transport and fuel costs would be hiked between 15% and 20%, exactly as the IMF had demanded. The decision, announced during a three-day holiday weekend, means that prices of all basic commodities will spiral upward between now and the end of the year, dashing any hopes by organized labor of keeping up with inflation by means of its regular New Year wage increases.

More than just another austerity burden oppressing Colombian living standards, this latest measure signals that the ongoing battle between President Betancur and his finance minister over whether Colombia will be ruled by a sovereign government or by the IMF has tilted in favor of the Fund.

Betancur's outspoken Oct. 31 denunciation of the "colonialist" multilateral credit organizations seeking to "keep us as perpetual raw materials producers" had been taken by some as a signal that Junguito's usefulness to the IMF might prove short-lived. Only days earlier, Betancur had leaked to the press a lengthy "confidential memo" prepared by Junguito for the President in which the finance minister had urged full-scale adoption of the IMF's austerity demands under an "economic state of emergency" which could bypass congressional approval. Betancur's move was universally interpreted as presenting Junguito as a target for the public outrage preliminary to his ouster from the finance ministry.

However, over the next several days, the monetarist finance minister appeared to have again captured the upper hand. The fuel and transport increases decreed are aimed primarily at consumers, and will have a multiplier effect on the prices of food and other basic commodities. With Junguito's announced pledge to keep 1985 wage increases to under 10%, the buying power of the labor movement has effectively already been gouged by as much as 10%.

The austerity measures to which the Betancur government has thus far acceded are going to take a heavy toll on the President's popularity as well as endanger the chances for success of his delicately balanced peace program, which depends on a rapid re-incorporation of the country's abandoned rural areas into a revived national economy. But, as *EIR* has pointed out in previous reports, Betancur's uneasy concessions to the International Monetary Fund are intended as holding actions for lack of the much needed backup of a unified Ibero-American economic defense posture.

The concession which could, however, shatter Colombian national sovereignty irrevocably is the IMF's number-one demand. Namely, that the Betancur government assume official responsibility for an estimated $4 billion in foreign debt owed by a handful of private Colombian banks and corporations.

If he were to accept such a burden on top of the government's official $7 billion foreign debt and nearly $2 billion fiscal deficit, Betancur would not only be bailing out the worst gangster elements in Colombia's mafia-tainted banking sector, but would be forced as well to finally legalize the billions of "narco-dollars" currently stashed outside the country, as the only means of meeting the country's drastically increased new debt payments.

One of the debts the government is being asked to assume is that of the Bank of Colombia, which is currently going through its *n*th series of negotiations to try and refinance $550 million currently due its foreign creditors. The Bank of Colombia, brainchild of fugitive drug banker Jaime Michelsen Uribe, has a rumored total debt of some $1 billion, most of it acquired through its offshore branches in violation of Colombia's exchange statutes. At the most, its primarily U.S. creditors appear willing to concede the troubled bank a three-month rollover, the better to keep the pressure on the Betancur government, which has been told it cannot get its own debt refinanced until the private-sector debt—long in arrears—is resolved.

Journalist Marcela Giraldo of the daily *El Espectador* describes the government's dilemma in an astute Nov. 5 analysis:

> Between today and tomorrow, a delegation of the government's economic team, headed by Vice-Minister Maria Mercedes Cuéllar de Martínez, will head for Washington to determine its position before the international institutions on whether Colombia will or will not assume the payment and registration of foreign private debt contracted outside the law.
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> The matter involves nothing less than speaking for the exorbitant sum of $4 billion (400 billion Colombian pesos) illegally contracted by four national banks and five private conglomerates. . . .
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> The government's principal dilemma rests on ob-

taining the good will of the Fund and its intercession before the international banks to grant eventual new credits [to Colombia], but on condition that the nation assumes unregistered debts contracted by the private sector; should the government reject assuming these obligations the doors to foreign loans will be shut.

Giraldo concludes that should the government opt to reject the IMF's demand, it will have no choice but to undertake "a major internal restructuring of the national economy with an inevitable declaration of cessation or postponement of payments on the foreign debt in question."

Labor mobilizes behind Betancur

A cessation of debt payments is not merely the "fate" of Colombia, but an absolute necessity, according to Colombia's labor movement. In response to the Nov. 3 fuel and transport rate hikes, Jorge Carrillo, first vice-president of the Union of Colombian Workers (UTC) federation, warned the President that yielding to Junguito's blackmail and "international usury" was not only placing an intolerable burden on Colombia's wage-earners but was placing his own much fought for peace program in jeopardy as well (see box).

As reported on the front page of the Nov. 5 edition of *El Espectador*, Carrillo called on Betancur to "play his last card: moratorium on payment of the debt in defense of the Colombian people's need to survive. . . . The President must also request the resignation of Minister Junguito because he is giving the country over to the IMF."

While most of the labor federations throughout the country gave Carrillo's proposal a ringing endorsement, provocateur elements within the left-dominated circles of the teachers' union and others were urging a national strike against the government's economic policies and other militant actions destined to provoke a hard-line response from a government already besieged by agents from within. Carrillo, however, made it very clear that labor's collaboration with the President against their common enemy—the International Monetary Fund—was a primary concern:

"We are certain that at this moment it would be an error to continue pulling the rug out from under the government. The best thing is for labor leaders and business leaders to work together to solve the current recession and economic crisis."

Carrillo also drew up a several point proposal for consideration by the President, behind which labor pledged its fullest support. The proposals include: 1) a price freeze on at least 20 basic food commodities for which there is no justification for a price hike, including domestically produced sugar, rice, meat, chocolate, milk, etc.; 2) at least a six-month freeze on public service rates; 3) intervention by the state sector's National Transportation Institute to fix cargo transport costs and to protect the rural farmers from speculation; and 4) an end to the government's continued acceleration of the "crawling peg" system of daily peso devaluations.

Colombian trade unions oppose IMF 'blackmail'

The following are excerpts from a document submitted by the Union of Colombian Workers (UTC) federation to President Betancur, entitled "International Monetary Fund, the Worst Threat to Peace."

The recommendations of the IMF are nothing less than a scheme to destroy the Colombian economy, destroy the leading trade unions, [and] destroy the incipient peace process and provoke conditions for a violence worse than the country has ever known. . . . Although the IMF alleges that it is only making "recommendations," the truth is that we are in fact dealing with crude blackmail. The banks have already admitted in confidential documents that have surfaced publicly that if Colombia doesn't impose the IMF's recommendations, not a single peso of new loans will come to the country. . . .

Instead of a sterile class struggle that only favors the designs of the IMF, the productive industrial sectors and the working class represented by the democratic labor federations should form a patriotic alliance, a harmony of interest of all the productive sectors capable of defeating the policies imposed by the IMF. . . .

Toward creating a patriotic alliance, the UTC proposes the following emergency economic program:

1) the finance ministry and the central bank must be nationalized, dislodging the technocratic servants of the international banks who look more to their own bureaucratic careers than to the national interest; . . .

2) unilateral moratorium on debt service . . . organizing the other countries to do the same, thereby putting into effect a debtors cartel;

3) creation of an Ibero-American Common Market for industrial development of the region, . . .

4) this common market should be regulated by a Latin American bank and a Latin American peso to trade among our own nations without having to use the dollar or other foreign currency for transactions; . . .

6) reform the Colombian banking system to favor heavy industry with long-term, low-interest credit; . . .

9) the state should have the right to issue money for the purpose of financing great projects required by the nation. . . .