An IMF trap

The effect of the banks' pressures on Colombia will be to bankrupt the country, making the economy easy pickings for the drug cartels. Even the initial freeing of imports will mean a loss of $114 million in 1990 tax revenues, according to the daily *El Espectador*. Further, as more and more tariff barriers to foreign imports are lifted, the central bank will have to release more foreign exchange to Colombian importers. In less than six months, $2.5 billion worth of international reserves will disappear from central bank coffers. This exhaustion of reserves would lead the country into a serious exchange crisis, likely forcing it to turn to the International Monetary Fund (IMF) and its "contingency loans."

Despite the objections of productive sectors of the economy, the country's creditors are forcefully arguing that Colombia must facilitate a repatriation of capital abroad, which, according to the banks, could reach as much as $18 billion. To accomplish this, they argue for an end to exchange controls and for "more attractive" conditions, such as an exchange and tax amnesty which would allow uncontrolled amounts of capital into the country. The banks, of course, do not address the likelihood that most of this capital would be drug money.

Policies come under fire

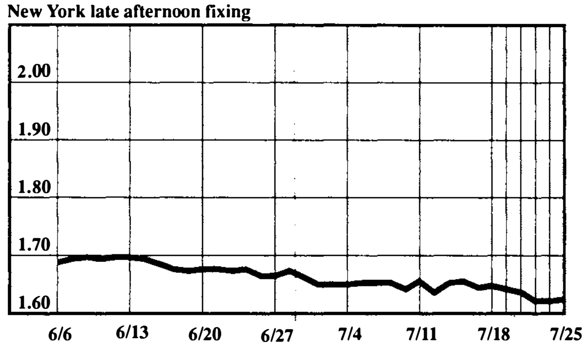
Resistance to these policies is growing. The July 3 editorial of the daily *El Espectador,* which speaks for an important sector of the political elites which has resisted the inroads of the drug trade, criticized the Bush "Enterprise for the Americas," the free-trade plan which dovetails with the *apertura:* "In truth, one doesn't actually know what the U.S. President is proposing with his initiative, and whether it means an opening for our products, or a new means of tying our interests to those of the superpower."

Economic analyst Fernando Plata Uricoechea wrote July 8 in *El Espectador* that the only thing President Bush wants to accomplish with his initiative is for Latin America to buy U.S. products. The Latin American market, the economist explained, was lost to the United States "because of the foreign debt crisis, which deprived us of foreign exchange to continue buying, which in turn caused 1 million unemployed."

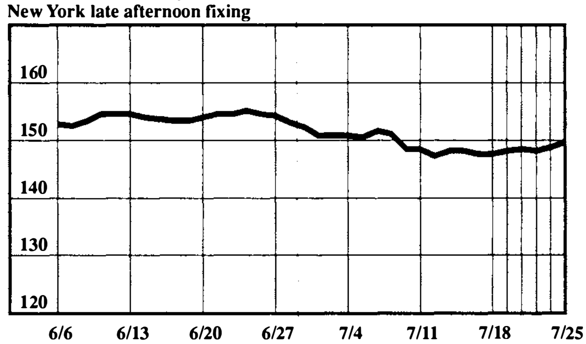
Although Gaviria has thus far shown himself a willing junior partner to the Bush scheme, he is apparently a cautious man as well. He has expressed serious interest in developing new trade relations with Europe and Japan, economies on the upswing, especially under the impetus of German reunification. According to the July 19 daily *El Tiempo,* Gaviria "outlined with the Ecuadorean head of state an original plan for integration, outside of the OAS [Organization of American States], of the Latin American countries. It excludes the United States and Canada, to be able to speak more calmly with the new partners that have appeared on the economic panorama—Europe and Japan. The idea is original. In principle, it could be seen as a new and subtle challenge to North America."

Currency Rates

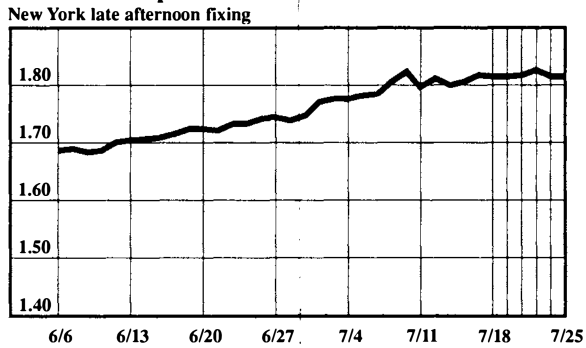
The dollar in deutschemarks
New York late afternoon fixing



The dollar in yen
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing