

# Ministers Samper and Hommes promote narco-economics in Colombia

by Javier Almario

The industrial sectors that will be hurt most by the "free market" economics imposed by the government of President César Gaviria Trujillo, are "steel, automobile, and sectors related to petrochemicals," according to Ernesto Samper Pizano, the perennial proponent of drug legalization who is currently Minister of Economic Development in the Gaviria cabinet. Samper made these remarks in an exclusive interview with *EIR*, which took place in his office in the capital city of Bogotá in early May.

These economic sectors, which will not resist the indiscriminate opening up of imports demanded of Colombia by the International Monetary Fund and the Bush administration, will simply disappear, and their bankruptcy will cause unemployment and a worsening of the living conditions of the Colombian population. "Those are the most sensitive sectors, and labor management schemes are being constructed and designed for them," Samper admitted.

Despite the social and economic consequences of this economic opening, the Colombian government is not willing to give in an inch, and is insisting that all of the monetarist demands of Colombia's creditors be fully satisfied. As a result of the opening, Samper told *EIR*, "The rights of workers will be hurt. Or, more than rights, the general conditions of the average worker." But the government will insist on going ahead with the program, and will seek "labor relocation, retraining, and skills enhancement," to try to absorb the unemployment through micro-businesses that will undoubtedly pay lower wages than the workers are currently receiving from the larger companies.

The destruction of national production which the free trade policy will bring about is not something which will occur sometime in the future, as Samper claims; it is something that is already causing huge losses and threatens to completely paralyze the country's economy. The invasion of imported goods, which has resulted from the total opening to imports and the reduction of tariffs decreed at the beginning of the Gaviria administration, has already damaged national production seriously.

According to the National Association of Industries (ANDI), industrial output dropped 3% in the first quarter of

1991, and sales dropped 1%.

The hardest hit sectors were

- petrochemicals, whose production fell by 20%;
- transportation equipment and materials, down 14%;
- metal products, down 12.4%;
- textiles, which fell by 12.3%; and
- non-metallic minerals, down 10.5%

However, it is not only Samper Pizano's trade opening, which is strangling national production. The monetarist credit policies being carried out by Colombia's Finance Minister Rudolf Hommes, who is Samper's colleague, have deliberately raised interest rates while simultaneously placing the country's entire credit system in the hands of the drug runners.

In point of fact, Hommes, who keeps using the excuse that it is necessary "to break the backbone of inflation," has destroyed the national credit system with a single stroke of the pen. At the end of last year, Hommes issued an order that all new banking deposits had to be shipped directly to the Banco de la República, the country's central bank—i.e., he established a 100% banking reserve. The result has been that the banks can't lend any of the money they receive in the form of deposits, but only the money that they take in as payments on earlier loans issued.

## Boom in the 'extra-banking market'

"The financial system so far this year has reduced loans by 300 billion pesos," said Flor Angela Gómez, the director of the Banking Association of Colombia (Asobancaria), on May 18. This, she said, "has caused serious traumas to companies and to the economy as a whole. In order to be able to get money, big and small companies alike have had to take recourse to the extra-banking market, getting involved in highly risky operations with interest rates above 60% effective annual rate."

It's an open secret that most of the extra-banking market is controlled by the drug runners. The switch-over from credit from the traditional banking system to the non-conventional extra-banking system "was foreseen in our plans. We knew that it was going to happen," Rudolf Hommes bragged before

television cameras on May 19.

All sectors of the economy are in trouble as a result of this policy. Cattle ranchers have cut back production so drastically that the price of meat has almost doubled this year. The National Federation of Rice Growers warned that if credit was not restored to the agricultural sector, production will be paralyzed and there will be a drastic shortage of food by the end of the year. Housing construction dropped 12% in the first quarter. The same is in store for fishing. Nobody is safe—except for the drug runners.

Meanwhile, President César Gaviria's government has suspended all payment to the contractors who build or repair highways, bridges, and other public works, which has brought the country's engineering sector to the brink, and paralyzed all works. Every month there is another announcement about the postponement of the construction of some hydroelectric dam or other project, citing two excuses: "there is no money," or "it's a way of freezing the money supply."

### Only the drug runners run free

Although the Gaviria government keeps explaining that the "monetary squeeze" is necessary in order to "restrict the money supply and thereby control inflation," the same government is allowing the drug runners an immense amount of liquidity that has turned them into the lenders of last resort. It should be noted that Gaviria is engaged in a series of negotiations with the drug runners designed to lead to their "surrender" to authorities, after which they would spend a few months in jail, they would be pardoned, and their assets would be legalized.

The infamous "sinister window" mechanism has been supremely active over the course of this year. This "window" or facility at the central bank was established under the presidency of Alfonso López Michelsen—who is known as the narcos' political godfather—and through it anyone can exchange unlimited amounts of dollars, with no questions asked as to their origin.

In the first four months of 1991, the window has bought \$1.033 billion, 125% more than during the same period last year.

Those selling the dollars assert that the money has come from income from services such as tourism—but no one has seen any enormous flow of foreign tourists into Colombia's cities, such as would account for this amount of foreign exchange, which is equal to about a third of the country's annual debt service.

In order to buy those \$1.033 billion, the central bank had to print more than 600 billion pesos. In other words, the government ordered 300 billion pesos worth of productive credits frozen, at the same time that it was handing over liquidity to the tune of 600 billion pesos to the owners of the extra-banking credit market—i.e., the drug runners! Not even from a strictly monetarist point of view can one argue that this is an anti-inflationary restriction of the money sup-

ply. Rather, it is a policy of handing all economic power over to the drug runners.

### Bush's 'Enterprise for the Americas'

In the first six weeks of application of the government's new law amnestying capital held abroad, 33 billion pesos have been amnestied and legalized. "That way we have gotten a billion pesos in taxes for the nation's treasury," Hommes bragged.

But this is no home-grown policy. Samper, in his interview with *EIR*, admitted that his office is coordinating and negotiating the country's economic policies directly with the government of the United States. He also conceded that, as part of President George Bush's Enterprise for the Americas initiative, which Samper endorses and is trying to apply in Colombia, they are implementing in Colombia a "free foreign exchange" policy, and the establishment of various international financial centers with flexible regulations, as in Panama, Uruguay, and the various Caribbean islands, designed to attract foreign capital. In other words, officially they are encouraging the formation of establishments to launder dirty money.

The creation of an international financial center in Bogotá, as demanded by Bush, "is one of the factors that the Finance Ministry will have to consider when it authorizes the creation of the international financial centers. Concretely, we have thought of establishing one on the island of San Andrés."

Under Bush's initiative, Colombia would be left with a fictitious, drugged economy, while the real physical goods, natural resources—such as oil, coal, and natural gas—industry and equipment, and utilities will end up in the hands of the international creditors and "foreign investors," be they multinationals, drug runners, or both, or in the hands of some ecologist foundation or other whose purpose is to reduce the Colombian population supposedly in order to "protect nature."

The Colombian government, Samper said, is willing to exchange "debt for nature" on the terms established by the Bush initiative. "For example, Carbacol commits itself to pay its debt in Colombian pesos to an ecological foundation and, in exchange for that pledge, its debt is reduced. Basically, the [U.S.] Export-Import Bank would hand the debt over to a foundation so that that foundation can live off the interest Carbacol would pay them." The foundation would buy national territory and prevent its use for any economic activity.

*EIR's* last question to Samper was the following: "There are a series of individuals and foundations in the United States that promote the legalization of drugs and they had great hopes that you, in the government, would do something for their cause. What message would you like to send them at this point?"

Samper's answer was: "Well, ask me that question when I leave the ministry."