Andean Report by Valerie Rush

Gaviria floors free trade accelerator

Colombia is being offered as a flea market of cheap imports and cheaper labor to foreign investors.

Colombian President César Gaviria has floored the free trade accelerator in his program to "open up," of the economy, leaving the country's industrialists and agricultural producers gasping for breath, and the free trade maniacs at the White House and International Monetary Fund (IMF) grinning with delight.

According to an Aug. 27 communiqué from the presidential office, "The National Council of Economic and Social Policy decided today to accelerate and consolidate the process of internationalization and opening of the Colombian economy, advancing the schedule of decisions that were to have culminated in three years, so that as of this week, the tariff structure and levels planned for 1994 will be achieved."

Through dramatic tariff reductions, Gaviria has thrown open the floodgates to imports of every sort, from capital and consumer goods to agricultural products and raw materials. And to compensate for the lost revenue of import tariffs, the government is readying $665 million worth of new taxes, to fall most heavily on industry and agriculture.

Finance Minister Rudolf Hommes explained that his original approach of a "gradual" opening—or *apertura*—had failed because he hadn't anticipated the huge volume of "repatriated capital"—otherwise known as drug dollars—which had swelled the country's foreign reserves faster then the current level of imports could soak them up. Colombia's new-found appeal to narco-investors and flight capitalists is directly linked to the government's decision earlier this year to free exchange rates while authorizing the entire national banking system to conduct unregulated dollar/peso exchanges.

Former IMF economist Gaviria had already given a signal of his intentions in a speech during his Aug. 20 state visit to neighboring Ecuador, where he offered praise for the forces of supply and demand as "the most ideal instrument" for allocating economic resources. Gaviria characterized the notion of producing for an internal market as "obsolete," and insisted that opening up to foreign investment, trade, and technology, "which in the past were understood as factors of backwardness and poverty, are today the key to economic dynamism."

Colombia's producers are aghast at Gaviria's reckless drive to make the top of George Bush's hit parade. The National Industrialists' Association issued a press release stating its belief that "the increase in the international reserves is not only due to low imports, but primarily because the restrictive credit policy has prevented greater economic growth and encouraged the arrival of speculative capital, stimulated by high interest rates. Therefore, a mere reduction in tariffs will not imply a significant reduction in international reserves. Rather, it is necessary to retake the path of growth."

Similarly, the cattle and poultry industries are up in arms over the Gaviria government's decision to authorize the import of thousands of tons of meat from the European Community and United States, a decision curiously made by Finance Minister Hommes rather than the Agriculture Ministry. Analyst Ivan Escobar wrote in the Aug. 28 issue of *El Tiempo:* "To import meat instead of stimulating and protecting the growth of the Colombian cattle industry . . . is unforgiveable blindness. Prices of meat and chicken may possibly come down, but at a tremendous cost for the cattle and poultry industries, which have been [a source of] national pride because of the effort, technology and investments which have gone into them."

Gaviria's decision to drown Colombian industry and agriculture in with cheap imports will guarantee mass bankruptcies, and create a vast pool of unemployed labor. Colombia's Foreign Trade Institute has already anticipated this, with its Resolution 4405, decreed Aug. 29, which legalizes the Mexican-style *maquiladora* within the Colombian economy. The *maquiladora* plant—usually foreign-owned—imports raw materials and parts, to be assembled exclusively for export. The key to their profitability, of course, is cheap labor.

If there is any question as to who dictated Gaviria's accelerated "opening," one needn't look far. As journalist Jorge Child wrote Sept. 1 in the daily *El Espectador,* "President Gaviria's push to the *apertura* policy was very possibly influenced by the long visit of U.S. Trade Department representative Carla Hills. . . . The new measures adopted translate the policies of the IMF and World Bank much better than do the previous ones. These policies, in a moment of recession for the world capitalist system, seek a new distribution in the international division of labor or, better stated, a new map of the multinationals' production relations."