Whither Colombia's oil?

The issue is whether the nation gets the profits from its new deposits, or the creditor banks will be the beneficiaries.

Although the income expected to accrue to Colombia once its newest oil deposits are developed will be more than sufficient to assure the construction of modern transportation infrastructure for industrializing the country, the bureaucrats at the National Planning Department and the monetarists at the central bank and Finance Ministry have a plan to hand over future oil revenues to the international bankers instead.

By the end of June, the state oil company Ecopetrol will have declared the Cusiana and Cupiagua oil deposits in Casanare department ready for commercial exploitation. According to analysts at British Petroleum Colombia Exploration, the company which took on the association contract to develop the oil, the two deposits have combined petroleum reserves of 2 billion barrels.

The terms of the association contract are that British Petroleum will have 19% participation, the company Total will have 19%, and Triton 12%. The three multinationals will thus have a combined 50% share of the income. Ecopetrol will get the other 50%. Twenty percent of the total production corresponds to royalties which will, by law, go to the nation, the department of Casanare, and to Yopal, the township where the deposits are located.

According to plans presented by British Petroleum, the wells will be producing 80,000 barrels per day by the end of 1994. In 1995, production levels will reach 135,000 bpd, and by 1998, full production levels of 600-800,000 bpd are expected. Production at this scale is expected to remain constant for at least 10 years, after which the wells will run dry.

Presuming that the price of oil remains at $18 per barrel and production will be 600,000 bpd a year, Ecopetrol would annually receive $1.6 billion in revenues above what it currently receives. This oil income would go directly to the national coffers, while the nation, Casanare, and Yopal would get approximately $800 million in royalties. Combined, over ten years, this would yield $24 billion in oil income from the wells.

However, there is also a strong likelihood that the region is hiding a great deal more oil. In fact, there are rumors that another multinational has already discovered a deposit near Cusiana, with comparable reserves. For its part, British Petroleum has only explored a small portion of the land that falls under its association contract with Ecopetrol.

The opportunity such natural wealth offers Colombia to develop a modern transportation infrastructure comparable to Germany's—with canals, ports, railroads, highways, airports, etc.—is immense. According to a 1992 study by the Ibero-American Solidarity Movement, "No to the Narco-Economy: Let's Industrialize Colombia," the construction of an infrastructure project of this scope would cost $50 billion. That cost would include the construction of an inter-oceanic Atrato-Truandó canal. The $24 billion from Cusiana and Cupiagua, would finance half the cost of such a program.

However, the Planning Department appears instead to be following the recommendations of Health Minister Juan Luis Londoño, former deputy director at Planning, who submitted a study arguing that the way for Colombia to avoid monetizing the oil income, boosting inflation, revaluing the peso and destroying the non-oil economy is *by using the income to pay off the foreign debt!*

It remains to be seen whether Planning will be able to convince a nation which has suppressed such urgent needs for far too long, to hand over its oil wealth to the creditor banks. In early July, the Planning Department, the Finance Ministry, and the Bank of the Republic will be holding a conference, where "specialists" from Harvard, Chicago, etc. will be trotted out to warn of the supposedly grave dangers of massively investing oil revenues inside the country.

According to department "experts," the net income that Colombia will draw from the wells in the next ten years, minus the cost of developing the fields and constructing the pipelines, will be $17 billion, precisely the amount of Colombia's foreign debt. A likely scenario that Planning, the Finance Ministry and the central bank will follow is to use a third of the income to pre-pay the foreign debt, deposit a second third in foreign accounts to keep the money from coming into the country, and use the last third to finance a handful of small infrastructure projects, insufficient to move Colombia out of the 20th century.

Thus, if the Planning Department and its monetarist colleagues at Finance and the central bank have their way, two-thirds of the oil bonanza will end up in the hands of the creditor banks. The economy, straitjacketed by a rotting infrastructure incapable of meeting the needs of a modern nation, will remain permanently addicted to its one source of cold cash, narcotics.