IMF sets the stage for dope lobby coup against Colombian President

by Valerie Rush

What the dope mafia couldn't accomplish in Colombia last summer with its bribes, the International Monetary Fund has determined to accomplish with its heavy-handed blackmail. A special IMF country study has just been released to the Colombian government and public whose recommendations have been presented as the country's only hope of retaining the favor of the international creditor community. If implemented, however, the IMF program would rapidly wipe out the last vestiges of Colombia's already staggering economy. Bankruptcies, mass unemployment, and hunger would plunge the country into political and social chaos.

The IMF's crushing austerity proposals have already met with considerable hostility from certain political and trade union layers and from the population at large, but have warmed the hearts of certain heavily guarded gentlemen hiding out in various regions of South America and the Caribbean. They know that once the country's remaining legitimate tax base has been driven into bankruptcy court, the Betancur government will be left with no option but to invite in and legalize the very drug trade it has so bitterly fought up until now.

Forced to contend with a less-than-patriotic economics team which has already endorsed the IMF plan, Betancur must additionally face the pressures of an electoral environment which is already threatening to turn him into a lame duck with a year and a half of his presidential term still to go. At stake are Betancur's celebrated peace program and the continued survival of Colombia as an independent republic.

Recipe for disaster

A look at the IMF's prescriptions for Colombia—the standard venal dose of "fiscal adjustment"—explains what the Betancur government is up against. The alleged target is reduction of Colombia's nearly $2 billion fiscal deficit, the result in large measure of a shrunken tax revenue base, capital flight, consistently negative trade balance, unwieldly debt burden, and a shut-out from the international credit markets. To cut that deficit in half in 1985, the IMF urges:

- Keep public sector wages "to well below the inflation rate." Finance Minister Roberto Junguito concurs, and has pledged to draw a wage hike ceiling at an insignificant 10% in 1985 for nearly one million workers. In addition, the Fund insists that any adjustment in the minimum wage, currently less than $150 a month, "be carefully limited." Colombia's union movement, will not tolerate such limitations.
- Taxes for the first time on non-profit organizations, such as the social benefit funds, which aid the families of workers, in particular by making medical care available. These funds, presently on shoe-string budgets, would not survive the proposed new tax regimen.
- A second tax, added to the standing income tax, which would take an additional percentage of income in the years 1985, '86 and '87, reimbursable five years hence. Also, a reduction of income tax deductions.
- An additional 7% tax on gasoline, to be followed by progressive increases thereafter.
- Increases in all public service costs and elimination of government subsidies for fuel, transportation, water, electricity, and other essentials.

In addition to targeting the Colombian working and professional classes with its anti-consumer "recommendations," the Fund would also crush Colombia's barely-surviving industrial base. Among other things, the Fund proposes:

- increasing domestic interest rates, which have already made credit inaccessible to most debt-strapped companies;
- shrinking the available amount of internal credit, including that of the central bank;
- ending all selective restrictions on imports;
- eliminating key aspects of Colombia's strict exchange controls; and
- accelerating the daily mini-devaluations of the Colombian peso.

For Colombians with a memory, these proposals will appear frighteningly familiar since they were implemented almost without exception by the 1974-78 López Michelsen administration with no other purpose in mind than to rip control of the country's productive sector out of the hands of the country's entrepreneurs and businessmen and turn it over to the drug-linked private banks and financial corporations for a thoroughly professional looting job.

The López and subsequent Turbay administrations sustained themselves despite the generalized collapse of industrial and agricultural production that followed with substantial inflows of drug money through the no-questions-asked "sinister window" established at the central bank, another innovation of the López "whiz kids" like his former finance minister Rodrigo Botero Montoya.

However, the looting process could not continue indefinitely. With President Betancur's crackdown on both the drug mafia and its banks, such as Jaime Michelsen Uribe's Banco de Colombia, the illusion of economic well-being has dropped away. A bankrupt economy, empty state coffers, a domestic banking sector hocked up to its ears, soaring unemployment, and a debt service-to-exports ratio spirally out of control has left the Betancur government with few options.

It is with this reality in mind that the IMF has moved in for the kill. When its program for Colombia was first unveiled to Finance Minister Junguito at last month's IMF assembly in Washington, D.C., an addendum was attached which warned the Colombian government that only full approval of such a program could reopen the world credit markets to Colombia.

When news of this "addendum" broke in the Colombian press, it not unexpectedly created quite a scandal. Since then, however, the public has been bombarded with the evaluations of various international "risk analysis" firms containing dire predictions for Colombia's future. Exemplary is the report just issued by the U.S.-based International Institute of Economics (IIE), which awarded Colombia a "black star" to indicate its current status with the world financial community.

The degree of psychological warfare involved becomes obvious with a glance at the IIE's "review," which ascribes to Colombia:

- an illiquid banking structure,
- a serious fiscal deficit,
- a drastic decline in reserves, leaving less than four weeks worth of imports by the end of 1984,
- significant internal indebtedness with its central bank,
- limited access to the international banks, and
- false optimism regarding its coal reserves as a big revenue generator.

The IIE study laments that not only is the real Colombian economy collapsing, but that the "illegal drug economy" has also entered into recession. IIE defines the illiquidity of the private financial institutions as the cornerstone of Colombia's troubles, hinting along with its IMF big brother that only a government-sponsored bailout will do. The implied solution: Bring home the drug money! Not accidentally, rumors have begun to circulate in Bogotá that the government is considering issuing dollar-denominated bonds designed to attract the narco-dollars currently stashed in Panama and other offshore banks.

Final options

The government's options—to either yield to the IMF or to declare a debt moratorium and organize the rest of the continent into an Ibero-American Common Market—are complicated by the opening of an especially explosive electoral season. Betancur, a conservative maverick who has cut his own nationalist pathway against the directions of the oligarchic controllers of his own party, is expected to begin ceding power to the party's hand-picked presidential candidate, a self-proclaimed fascist and bitter factional enemy of the president, Alvaro Gómez Hurtado.

A Gómez presidency would undo everything Betancur has devoted his administration to accomplishing. Gómez is an advocate of the Milton Friedman school of "free-trade economics," which sees cocaine, marijuana, and heroin as lucrative export products. Gómez is opposed to the negotiated truce with Colombia's guerrilla movements that Betancur has so carefully, painfully nurtured. Gómez objects to Colombia's membership in the Non-Aligned Movement.

To safeguard his administration's achievements and to see them furthered, Betancur would have to simultaneously defy the international financial institutions *and* Colombia's oligarchy, and that would require pulling together a powerful support apparatus in a very short period of time.

His dedication to establishing a lasting peace for Colombia, to driving out the drug mafia, and to replacing Colombia's tarnished image internationally with one as a Third World leader on the debt front has already brought Betancur unprecedented popularity. Dissident factions within the Liberal Party, such as that headed by Luis Carlos Galán, have indicated their willingness to ally with Betancur under the right circumstances.

On Oct. 15, former Armed Forces commander Gen. (ret.) José Joaquín Matallana presented a document to an academic audience which warmly praised Betancur's peace efforts and which called on the Armed Forces to give their fullest backing to the President's truce with the guerrillas while guarding against the provocations of Betancur's enemies. Matallana gave concrete form to his support call by proposing an urgent agrarian reform to increase food production through the technological up-grading of the agricultural sector.

Particularly important in the constellation of forces Betancur would have to drawn on is the Vatican. Pope John Paul II's recent visit to the Dominican Republic, where he described the developing sector's debt crisis as threatening to "engender eternal underdevelopment" and where he scored the usurious financial world as one where "here, too, ethical principles are valid," was intended as encouragement particularly for the nations of Ibero-America to unite in their own defense. Betancur, who rules a nation of devout Catholics under a concordat with the Vatican, would find an important ally in the Pope.

The choice facing President Betancur is a dramatic one, and the risks are high. So, however, are the stakes.