Andean Report by Valerie Rush

Ibero-America's 'good boys'

Venezuela and Colombia protest that they are the "exceptions," but the banks are still using them for punching bags.

Colombian President Virgilio Barco has offered his country a program to fight "absolute poverty," based on billions of dollars from foreign creditors who are allegedly convinced that, as Finance Minister César Gaviria put it, "We are a special case in the Latin American context." The only problem is, Gaviria arrived home from an early May trip to the U.S. money centers with empty pockets, and has since been transferred to the interior ministry.

Barco's equally confident neighbor Jaime Lusinchi has just hosted U.S. Federal Reserve chairman Paul Volcker in Caracas, where the Venezuelan head of state waxed eloquent over Volcker's "sensitivity" to Ibero-America's debt problems. Upon his return to the United States, Volcker told the media that once Venezuela took "appropriate measures" to adjust its economy, the flow of credit would resume. He cautioned, however, that "miracles don't happen overnight!" In the past few months, Venezuela has stripped itself of nearly every possible obstacle to a foreign takeover of the economy.

In view of the diminishing returns for the "good boys" in Ibero-America, a chorus of demands can now be heard in both countries for Peruvian-style suspension of debt payments, a chorus to which the governments have turned a deaf ear.

In Colombia, the comptroller general himself has strongly questioned Barco's policy of "debt dependency." Addressing a seminar of corporate executives, comptroller García said, "I ask myself how we are going to keep to a strong social policy . . . if there is no budgetary support, if to repair highways, if to resolve problems left by the guerrillas in their destructive wake, if to recover marginalized zones . . . we must resort to foreign credit." García added, "Since the times of [Colombian heroes] Bolívar and Santander, Colombia has lived under moratoria . . . not because we are a people accustomed to not paying, but because the debts exceed the possibilities of the debtors . . . because beyond all this is the human survival of our nations."

Journalist Rodrigo Rivera Salazar blasted the thesis of Colombia's alleged "exceptionality," in his May 16 column in the daily *El Espectador*, noting that "our economic patriotism is so elastic that seven years ago we were convinced that a country could easily pay up to 15% of exports for debt, and today, we are spending 50-60%, and still believe that it is our neighbor's problem." Rivera observed that while Brazil's per capita foreign indebtedness grew by 25% between 1980 and 1985, Colombia's grew by a whopping 77% between 1984 and 1987. Writes Rivera: "We were never closer to the 'contagion' . . . to no longer being Latin America's 'good boy.'"

Despite all the warning signs, the Barco government continues to dig in deeper. First, it has handed over "supervision" of its public sector activities requiring foreign financing to the World Bank, which is now empowered to approve—or disapprove—any large project the government may consider undertaking.

Second, Colombia was a moving force behind the just-concluded "reform" (read, interment) of Decision 24 of the Cartagena Accord, better known as the Andean Pact. With their decision to eliminate the sole remaining controls on foreign investment in the region, Pact members are now wide open to the purchase of state company stock by foreign investors holding debt paper. That includes such vital public sectors as transport and communications. As one irate journalist put it, "From now on, everything will be under multinational lock-and-key, a gendarme state, and more Professor von Hayek and more foreign debt."

In Venezuela, the leak of a central bank document revealing that the international reserves have been bled to critical levels to pay the debt, has caused a scandal, coming in the midst of a strike wave and escalating riots against an unprecedented collapse in living standards in that country. Nearly 44% of Venezuela's foreign exchange income went for debt service in the first quarter of 1987.

Although President Lusinchi has rushed to dismiss the document as "a working paper," it presents a devastating picture of Venezuela's future. Reporting that the country's fiscal deficit in 1986 was 2.9% of GNP, requiring a reserve drain of $3.9 billion to cover it, the document adds: "This situation will be still more compromising in 1987 if one assumes a deficit of between 4.9% to 12.6% of the GNP."

Two prominent institutions meeting in Venezuela—the Latin American Economic System (SELA) and the Regional Inter-American Organization of Workers (ORIT)—have joined with the opposition COPEI party and former President Carlos Andrés Pérez to demand a debt moratorium. ORIT's conference on May 4-8 was held under the slogan, "First the people, then the debt."

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