Banks press Colombia to desert the 'troublemakers' of the debtors' cartel

by Javier Almario

Colombian President Belisario Betancur announced on June 7 to a meeting of the Latin American Energy Organization in Bogotá, "We stand united on the problem [of the debt], which was not created by our countries but by the international banks." Despite the fact that the President's speech was distributed to the assembled media by his press office, it was not covered by a single Colombian newspaper, or any other for that matter

Betancur urged the strengthening of Ibero-American economic and energy integration efforts. He also referred to the letter sent by seven Ibero-American Presidents to the London summit of industrial nations, commenting, "God be praised, may they have ears!"

Colombia, the "well-behaved" and "prudent" Ibero-American country with the "manageable debt," surprised not a few bankers last month when it joined forces with the continent's largest debtors in demanding a unified solution to the debt crisis. It did not take long for a chorus of protests to be heard, both inside and outside the country, warning Betancur to disassociate himself from the continent's would-be "troublemakers" before he gets painted with the same brush.

Former President Carlos Lleras Restrepo wrote in a late May edition of his magazine, *Nueva Frontera*: "It is well known and repeated nearly daily that Colombia's foreign debt . . . is notably smaller than that of other Latin American countries. . . . Colombia should not give an impression contrary to reality, that it is a debtor in unsalvageable difficulties. . . . What is important is to maintain and restore, to the extent it has deteriorated, the environment of confidence that the country's international behavior has so meritoriously earned."

The newspaper *El Tiempo*, in its editorial on May 25, also raised an alarm on Colombia's position with the new debtors' formation: "What bank will continue to extend credit to a country which could eventually participate in a declaration of moratorium? And what would happen to us if the little credit they are now renewing—our lifeblood—should suddenly disappear?"

El Tiempo's editorial followed by just two days a similar statement by Chase Manhattan representative in Colombia James Therrien, whose warnings that Colombia would irreparably stain her reputation and could even face a credit cutoff for associating with a debtors' association were reproduced in all the Bogotá dailies. The *Wall Street Journal* on June 11 made its point equally succinctly, citing a banker's admonition that "the key to [Colombia's] attracting loans will be differentiating itself from the rest of Latin America."

As with Mexico and Brazil, the international banks have

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Colombian President Belisario Betancur: "The debt problem was not created by our countries, but by the international banks."

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made last-minute offers of credit to Colombia with the unwritten condition that she abstain from joining the debtors' club. According to Finance Minister Gutiérrez Castro, nearly $1 billion in fresh credit will be concretized next month, to complement further expected loan packages totaling $2.2 billion by year's end. It remains to be seen whether these loan offers will end up shrinking to a mere $210 million, which is all that Gutiérrez succeeded in signing up last year, despite his much-publicized globe-trotting for new capital.

Offers of credit from Spain, France, and Japan for non-dollar loans at low-interest rates were rejected out of hand by the discriminating finance minister, who insisted that Colombia's intention was to "reduce its foreign debt dependency."

The truth is that Colombia is hardly an island in a sea of troubled waters, despite bankers' insistence that Colombia's only problem is its "address." Colombia's debt problems, kept at bay during the López and Turbay administrations of 1974 through 1982 by the artificial swelling of reserves through intake of dollars from the drug trade, has now begun to show. As economist Carlos Martínez noted at a May 31 seminar in Bogotá on the foreign debt, "If one considers Colombia's debt using the parameter of debt per capita, then Colombia's debt is small. . . . However, if one takes as one's parameter the payment of debt service against exports, the Colombian debt is large indeed. In 1982, this ratio was 39.2%. I don't know the 1983 ratio yet, but it should be a good deal larger."

In fact, an analysis drawn from central bank and DANE (state statistical agency) sources by economist Carlos Rodado Noriega and published in the May 31 issue of *Guión* magazine reveals that last year, Colombia's debt/export ratio had already reached a whopping 50% (see table).

According to the reasoning of the major debtors and the Latin American Economic System (SELA), that a ceiling of 25% should be established on the amount of export earnings that goes to service the foreign debt, then Colombia appears to have a compelling reason for joining its neighbors in a debtors' club.

Studies recently released by financial specialists in Colombia reveal that the average interest rate on private foreign debts went from 7.4% in 1971 to 16.8% in 1982. The interest on the public debt went from 3.2% in 1971 to 10.2% in 1982. Colombia's protection from the debt woes of its neighbors in the past has been in large part due to the high percentage of its public debt represented by long-term, low-interest development loans from the multinational credit institutions, like the World Bank and the Interamerican Development Bank. That profile has now changed, however; the percentage of that debt to the total foreign public debt has shrunk from 86.6% in 1970 to 52.2% today.

The IMF austerity option

Colombia's alternative to joining the debtors' club is submission to an International Monetary Fund austerity regimen. As the *New York Times* of May 28 observed, "Some officials believe foreign banks may demand that Colombia work out a stabilization program with the International Monetary Fund before they provide new resources." But Colombia has already had a strong dose of IMF "medicine," thanks to Finance Minister Gutiérrez Castro, who proudly told the *New York Times,* "We have a tradition of being ahead of the game. We will anticipate all the measures that the IMF might want in a stabilization program. That's what we're doing now."

The drastic import reductions, budget cuts, accelerated peso devaluation, and other IMF-approved austerity measures have already begun to have a disastrous effect on the economy. Some 140 companies in Bogotá alone are currently undergoing bankruptcy reorganization. At least 12 companies, largely in the automotive and textile fields, have issued a formal request to the labor ministry for permission to lay off their personnel due to the impossibility of importing needed raw materials. The already high unemployment level of 14% can be expected to grow in the period immediately ahead.

Aggravating the situation is Gutiérrez Castro's IMF-dictated obsession to reduce Colombia's inflation rate at all costs. Pushing his theory that inflation is a "psychological" problem, the finance minister has announced that in 1985 inflation will be kept below the 9% level "without strangling the economy," even though it has already passed that mark so far this year. How will Gutiérrez accomplish his goal? By demanding that all wage negotiations establish a 9% ceiling.

In view of the labor movement's recent unified declaration in favor of a debt moratorium both for Colombia and for the Ibero-American continent, it is unlikely that Gutiérrez's plan will be successful. In fact, in view of Betancur's increased commitment to join forces with the continent's debtor nations, it appears increasingly likely that Gutiérrez will be leaving Betancur's cabinet when the upcoming annual shuffle takes place. Insiders report, however, that Gutiérrez already has his eye on a prestigious post with the International Monetary Fund. If his predecessor, Wiesner Durán, can land a directorship with the World Bank, why not Gutiérrez?

Growth of Colombia's debt/export ratio
(in millions of dollars)

Year	Amortization	Interest	Total debt service	Exports	Debt/export %
1970	143	92	235	736	31.9
1975	217	226	443	1,465	30.2
1980	346	651	997	3,945	25.3
1981	302	910	1,212	2,956	41.0
1982	437	1,062	1,499	3,214	46.6
1983	500	1,000	1,500	3,011	50.0