Plotting an Andean debt strategy

The Andean Parliament demands regional debt forgiveness, while a nervous Colombia watches which way the wind blows.

The Andean Parliament, a delegated body of Ibero-American congressional representatives, met in Colombia the week of March 15 to debate strategy on dealing with the Andean region's pressing debt crisis. It concluded with a demand for creditor forgiveness of the majority of the region's foreign debt, and with an appeal to the Pope to use his "moral authority" to mediate such a debt reorganization policy.

According to the economic affairs committee of the Andean organization, the foreign debt is one of the most serious obstacles to autonomous development of the Andean region. The committee charged that the problems of the debtor nations are directly linked to the high interest rates applied in the past six years, making repayment of the debt an impossibility.

The Parliament also noted that various European nations have already forgiven part of their outstanding loans to countries in Africa and Asia, and to Bolivia in Ibero-America, and insisted that broadening such a policy would be the best way to reverse the economic and social decline of the region.

On March 12, the president of the Andean Parliament, Bolivian Vice-President Julio Garret Aillon, urged the mediation of Pope John Paul II in debt forgiveness negotiations between creditors and debtors. Drawing on the ferment stirred by the recent papal document on debt, Garret said that "it would be important to place the immense moral authority of Pope John Paul II at the service of solving the foreign debt problem, making the principles of justice and solidarity which the Church represents prevail." Garret referred to the immorality of usury by proclaiming "economic violence unacceptable and unworthy of the human community."

Colombia and Venezuela have special reason to be fearful of their economic future at the moment. Venezuela, anticipating that the U.S. Congress will slap a tax on foreign oil imports in the immediate future, expects that such a move will take a huge bite out of its earnings—and therefore, out of its capacity to service its substantial foreign debt, only recently refinanced.

Former head of the Venezuelan central bank Díaz Bruzual charged last month that, even with the refinancing, Venezuela would have to devote 50% of its foreign exchange to service the debt in 1987, "which represents 73% of our oil income. This is criminal, an attack against the country."

Colombia, meanwhile, is facing a loss of foreign exchange equivalent to a full 35% of its debt service payments due this year, the result of U.S. sabotage of the World Coffee Pact in London last month. Pointing to the collapse of the international coffee negotiations, and consequent plunge in world coffee prices from $2.30/lb. last year to $1.75-1.35/lb. presently, the opposition Conservative Party of Colombia has called on the Liberal Barco government to renegotiate the country's $14.5 billion foreign debt.

Colombia reportedly owes a whopping $2.2 billion in debt service this year. Renegotiation of the Colombian foreign debt, which would almost certainly require formal submission to International Monetary Fund guidelines, has been studiously avoided by preceding administrations fearful of provoking nationalist opposition.

However, Finance Minister César Gaviria Trujillo—a former employee of the IMF—insists that Colombia needs no renegotiation, but will continue to meet its debt obligations by selling off its ample coffee stocks and drawing on reserves, currently at $3.5 billion. He claimed that interest payments on the foreign debt absorb only 16% of total exports, and that total debt service between 1987 and 1989 will equal 40-45% of export income.

President Virgilio Barco added his voice, denouncing those Colombians who urged a renegotiation of the foreign debt as "terrorists." He further insisted that Colombia would not risk its reputation after struggling so hard to gain the confidence of the international banks through "proper" management of its economy.

The protestations of Colombia's and Venezuela's presidents and finance ministers notwithstanding, the nations of the region are increasingly aware that if an economic power like Brazil was forced to "risk the confidence of the international banks" by declaring a debt moratorium, how long would their own drug- and debt-ravaged economies last?

The Andean Parliament's economic working group concluded its deliberations with the statement, "Recent events have again demonstrated to the countries of the region that not one of them can consider themselves immune to the debt crisis."