Andean Report by Valerie Rush

Colombia debt fears surface

The collapse of basic infrastructure accelerates as fears of an unpayable debt begin to emerge.

The comptroller general's report on Colombian finances for the month of February included a severe warning that the national economy was at "a crossroads" regarding its foreign debt. With nearly $2.5 billion in debt payments due this year, and faced with the consequences of a dramatic decline in coffee prices—the result of the collapse of the World Coffee Pact—the Colombian government has no other choice but to seek new credits, fast. This from the official who only weeks earlier had warned that the country had to stop sinking itself deeper in debt.

The comptroller's warnings come at a moment when whole chunks of national infrastructure are threatened with collapse, due to lack of financing. The World Bank announced an indefinite suspension of a $50 million credit to the state-owned railroad company, which paralyzes the purchase of urgently needed new equipment that had been negotiated back in February.

The daily newspaper *El Tiempo* cynically editorialized: "The company's deficit will increase at an accelerating pace every 24 hours, and its recovery will fail, such that it would be easier for the nation to shut down its railroads and keep them in bankruptcy."

The government's National Council of Economic and Social Policy is designing an emergency finance program for the state's nearly bankrupt electricity company, due to lack of an anticipated $1.3 billion credit for the sector. For servicing the company's debt this year, $230 million are required.

Agriculture Minister Parra Buzán told a Latin American-wide forum on agricultural policy March 27 that the continent's difficulties in meeting debt service payments are directly due to deterioration of world prices for its major export products. "A one cent decline per pound [of coffee] on the world market means a loss of $80 million in the annual income of coffee producers," said the minister, who noted that the fall of export prices was accompanied by a simultaneous increase in interest rates globally.

Comptroller González pointed out in his official statement that the foreign debt has reached unmanageable levels. He reported that total debt service accounted for 26.3% of the GNP in 1970-72, but now represented more than 40%; debt service in that same period went from 24.1% of export income to 36.5%.

As serious is the fact that the composition of the debt has dramatically changed. While in 1970, commercial banks held only 3% of the nation's foreign debt, by 1983 that figure was 44% and rising in inverse proportion to loans from such international development banks as the IDB, World Bank, and Eximbank.

Without new credits, said González, Colombia simply cannot meet its debt obligations. As to its chances of getting those new credits, he observed that "the fact that an economy of the importance of Brazil's could temporarily break the continuity of its payments, constitutes a warning that could lead the commercial banks to reduce their risk levels in Ibero-America."

González further pointed to the U.S.'s position at the recent Inter-American Development Bank meeting in Miami, where it (unsuccessfully) sought veto power against the Latin American bloc, as proof of growing creditor anxiety surrounding debt refinancing. He might also have pointed to the "model" Mexican refinancing package, which is currently at a standstill for lack of a creditor consensus.

Without new credits, said González, Colombia's reserves will fall to dangerous levels, causing "new import restrictions." In fact, according to a March 27 statement of Finance Minister Gaviria Trujillo, the government is already preparing changes in the official import plan, to bring it more into accordance with "the behavior of the balance of payments." Gaviria's statement contradicts cabinet-level pledges from one week earlier, that current import levels would be protected.

Colombia is indeed at a crossroads. It can either go the Mexican route of keeping the payment myth alive through a never-ending recycling of paper, or it can take the Brazil/Peru path of "life before debt." The opposition Conservative Party has already urged going to the creditors for a renegotiation of the foreign debt. But at least one prominent Conservative figure, Augusto Ramírez Ocampo, has called for a Peruvian-style solution.

In a radio interview March 24, the foreign minister under former President Belisario Betancur urged that a new debtors' summit be held to determine what percentage of export earnings should be allocated for debt payments. He emphasized that debtors should pay their debts in proportion to how much of their export products are purchased by creditor nations, and at improved prices.