Colombia oil find sparks policy brawl

The IMF wants the revenues to go toward paying the debt, while some are arguing for a development program.

Since 1982, many nations of Ibero-America have been subjected to a decade of virtual foreign rule over their economies, in the form of austerity policies dictated by the International Monetary Fund (IMF) to compliant Presidents and their administrations, which have wrecked the economies of Venezuela, Argentina, Mexico, Peru, Bolivia, and most of Central America and the Caribbean. Above all, virtually every country in the continent has been forced to decimate its expenditures for infrastructure (water, transportation, communications, and power production and transmission projects), all to supposedly "combat inflation."

Thus, when Colombia, which is in need of billions of dollars just to modernize its road system, and which went through a year of disastrous power shortages last year for failure to adequately invest in electricity generation, found itself early this year facing the prospect of an extra several billion dollars a year in government revenues from its new Cusiana oil field in the Amazon, which has just gone commercial, one might have expected strong national support for investing in the needed infrastructure and related programs.

While many voices were so raised, there is now a heated debate over what to do with the oil revenues, with the faction that favors IMF austerity policies for Colombia arguing strenuously that under no conditions should this money be invested in infrastructure or any other useful purpose. Many are arguing that the oil money would be best used for paying off the country's foreign debt, even before it comes due. No recent debate has highlighted so clearly that the aim of the IMF and its sycophants is not fighting inflation or government deficits, but stopping development.

The line of those opposing investment is simple: Government expenditures are inflationary, by definition, and with inflation comes devaluation of the peso, which will hurt everybody.

The argument is bogus, as pointed out by *La Prensa* columnist Oscar Godoy, who in an early July article reviewed the development experience of Indonesia, which, with much more oil, managed to invest in development over a 20-year period without causing inflation or other unwanted side effects on the economy. Constructing needed infrastructure is actually anti-inflationary because productivity is vastly increased while productive jobs are created to build and operate the new installations, putting more earning power into the economy and stimulating industry to expand.

Perhaps the most amazing proposal came from Guillermo Perry, a researcher for a think-tank called the Foundation for Higher Education and Development and a former cabinet member, who argued in an article on July 9 that all the extra revenue from the sale of the oil from the Cusiana region should be deposited in a special fund outside Colombia, basically to lie there unused for the indefinite future. His idea is that the best way to avoid inflation is to just not spend the money! Perry's political godfather is Liberal Party presidential pre-candidate Ernesto Samper Pisano, who is rumored to favor Perry for finance minister should he win election next year, and who doesn't rule out investing in infrastructure, just making it the last priority.

Another proposal in this vein is the call of Colombian Central Bank board member Roberto Junguito Bonnet to simply leave the oil in the ground, and dribble it out so slowly it won't do anyone any good.

On the other side of the debate are several members of the cabinet and other nationalists. Foreign Trade Minister Juan Manuel Santos urged in a July 9 article in *El Tiempo* that the funds be invested in infrastructure, technology, and human capital. He debunked the notion that such investments would automatically be inflationary, saying that with careful management of fiscal and monetary policy, that could be avoided. He was backed up by the National Planning Department, which released studies it had done recommending that the oil money be reinvested in the oil sector and in public infrastructure.

Industrialist Fabio Echeverry Mejía, former head of the Colombian Industrialists' Association, wrote in a July 7 article that paying the foreign debt with this money would be "a grave error." He urged investing in the "social arena—health, education, infrastructure—with particular emphasis on the worst-off sectors of the population."

The most elaborated proposals for what to do with the funds are from the Ibero-American Solidarity Movement, associated with Lyndon LaRouche. Three years ago the movement put out a program proposing large-scale infrastructure projects, from roads and railroads to power, water control, and irrigation projects, and a new trans-isthmian canal through northwest Colombia.