Andean Report by Javier Almario

Betancur bows to IMF 'advice'

The popular Colombian president is playing with fire by yielding to the Fund's dictates.

His commendable nationalist impulses notwithstanding, Colombian President Belisario Betancur is ignorant in the field of political economy. As a result, he has foolishly yielded vital decision-making power in the realm of economics to Finance Minister Gutiérrez Castro, otherwise known as the bankers' boy, much the way President Reagan has yielded to Federal Reserve head Paul Volcker.

Among some of the politically volatile austerity measures imposed in the past month are: imposition of the IVA (value-added tax); increase in public service rates; a 10% across-the-board cut in the state budget; elimination of transport subsidies; drastic import cutbacks; and a reversal of Betancur's commitment to force lower interest rates.

All were recommendations included in the IMF's evaluation of the Colombian economy.

The President accepted these IMF "conditionalities" because Gutiérrez Castro told him that Colombia would receive fresh credit. It hasn't worked out that way. In fact, the international creditors' doors have slammed shut to Colombia.

Betancur may, however, be waking up to the deception. Speaking to a gathering of international bank representatives in Bogotá April 25, the visibly angry President warned: "It is not good that some foreign banks seek to make us the only Latin American country which, instead of receiving new credits, is having its already modest loan volume reduced still further.

"This is not fair recognition of the seriousness and rigor, the prudence and foresight, with which Colombia has met its international commitments.

"Nor is this the historical moment for the international commercial banks and the large international credit agencies, with blindness and deafness . . . to make even more stringent the situation they have helped to create."

Betancur's words prompted hysteria from such mouthpieces of the financial oligarchy as the Bogotá daily *El Tiempo*, which openly editorialized the next day that Betancur's "anti-U.S." foreign policy was responsible for Colombia's being ostracized by the financial community.

Gutiérrez was no doubt highly embarrassed by his president's "indiscretion."

How did the suave finance minister lead President Betancur to the IMF's doorstep?

High-level sources in Colombia have informed *EIR* that despite his well-publicized tours to the New York and London money centers in search of credit last year, Gutiérrez turned down credit from Japan, France, and Spain, which were offering funds at rates below LIBOR.

Gutiérrez has also been instrumental in forcing the government's policy reversal on the interest-rate question. Using the argument that construction is the motor of the economy, on May 9 Gutiérrez convoked a meeting of the Monetary Council which he heads to argue for a five-point hike in interest on UPACs, construction-linked indexed bonds.

The UPAC has always functioned as a leader on the bond market, and it is expected that interest rates overall will soon follow its lead. It was the creation of UPACs during the 1970-74 Pastrana administration which first triggered the speculative wave in interest rates that has led to today's usurious 40%-plus rates.

The Colombian banking community has continued to win concession after concession from the finance minister by pleading bankruptcy. The reserve ratio has been substantially reduced. "Forced investments," that is, the goverment policy of forcing banks to make low-interest investments in the productive sector, have been obligingly cut back while the yield on those investments has been hiked from 7% to 15%.

Of course, the new bailout scheme the government has arranged for the debt-burdened private sector is a transparent mechanism for bailing out the private banks whose portfolios of bad loans threaten to trigger a chain reaction of bank collapses. The scheme refinances the troubled companies' debts, but provides no new credit for productive investment.

The allegiance to the banks of Gutiérrez and his technocratic cronies in the Monetary Council and central bank is perhaps most evident in the fact that 100% of all new currency issues in 1983 went directly to bailouts of the private banking system.

When President Betancur intervened to direct new issues into the suffering construction industry, a scandal was orchestrated by several officials of the central bank who resigned in protest against the President's "inflationary" interference.