

# Industrialization: Colombia's alternative to the drug trade

by Javier Almario

According to Dr. Fernando Sanz Manrique, the drug trade in Colombia emerged through the deindustrialization of that country. Dr. Sanz is the former head of the association of metal machine industries (FEDEMETAL), and currently a professor at the Jorge Tadeo Lozano University in Bogotá. In an interview with *EIR*, Dr. Sanz declared, "The recession that the country suffered in the seventies left many people without a future, frustrated, and it is stemming from that period that people began to find the drug trade."

He added, "The industrial recession of the 1970s had disastrous consequences for the country. What I think is that had industrialization been driven forward, in one stroke, the ingenuity applied in Colombia with the drug trade would have been used in productive activity."

## The battle for industrialization

Dr. Sanz participated April 15 as a speaker at a highly publicized seminar on international trade, sponsored by the Colombian Association of International Trade Professionals (AECI). In his presentation, Dr. Sanz proposed that Colombian exports move from the "traditional" agricultural products and unprocessed raw materials to manufactured goods processed in the high-technology industries that the nation requires.

"If we had used all the money from the investments in the huge mining projects of Cerromatoso and Cerrejón—which today are operating at a loss—in industrialization projects, the country would surely be at a level of development comparable to [South] Korea, exporting many manufactured goods," Dr. Sanz asserted. He added that, as of 1974, the year Alfonso López Michelsen took the presidency, the Colombian government made a conscious decision to suspend the industrialization of the country.

Similar sentiments were expressed by Fernando Londoño Hoyos, the former general secretary of the Latin American Banking Federation (FELEBAN), and a columnist for the daily *El Espectador*. Londoño explained to seminar participants that Colombia began to export manufactured goods in 1966, but these exports were suspended in 1974 because the López government felt the country already had sufficient money "from the foreign exchange produced by the coffee bonanza, and the drug trade . . . making more exports un-

necessary." Said Londoño, "to the simple-minded analysts, exports are for generating foreign exchange, and when foreign exchange is not needed, exports are not needed." Thus the López government's decision.

To export manufactured goods, said Londoño, permanent technological advances in industrial development are necessary. "If I am sponsoring an uninterrupted technological process, I cannot do so without people, without man. Technological development and cultural development are absolutely synonymous terms. I cannot demand of a worker that he incorporate a certain technological level in his permanent vital activity, his work, when that worker is inept, ignorant. Education, human development, go hand-in-hand with high technology, which is incorporated into the veins of a modern economy through the bloodstream represented by exports. Thus, education, personal development, individual development, creativity, creation, the training of new generations, are elements absolutely linked to the question of exports."

Professor Fabio Sepúlveda López, of the International Trade faculty at Tadeo Lozano University, told the same seminar that the future of Colombian exports could not be premised on agriculture; that the agricultural sector could never find competitive prices as long as the country remained non-industrialized. "The experience of agricultural production in the advanced sector, the United States and Europe, shows that only the development of a capital goods industry can generate productivity in agriculture and the other productive sectors." This increase in efficiency proves, said Sepúlveda, that "neither Malthus nor the Club of Rome were correct" when they predicted mass starvation and resource shortages.

Sepúlveda statistically demonstrated his argument by pointing to the fact that, despite the claims that Colombia has an "agricultural vocation," the country is forced to import 75 cents worth of agricultural inputs, plus another 80 cents worth of agricultural consumer products, for every dollar's worth of agricultural goods exported! This, he concluded, represents a *deficit* of 55 cents per dollar of agricultural export. "Only industry can generate productivity in the economy, especially the capital goods industry." He added that the classic theories of "comparative advantage" were also false.

“There are certain static advantages to be derived from nature, from climate, from the soil. But, in general, what have been called comparative advantages are in reality achieved by human ingenuity.”

Sepúlveda also insisted that infrastructural development had to go in tandem with industrial development, and proposed the construction of east-west highways and railways to break through the three mountain ranges that divide the nation lengthwise. Currently, Colombia only has north-south transportation. In addition, he urged the development of the largely uninhabited Pacific coast of Colombia, which has only one maritime port of importance.

Hernando Arciniegas, an economist who spoke on the lack of physical infrastructure in the country, responded to a question from *EIR* by acknowledging that Colombia's railroads and rivers had been abandoned despite the fact that they provided the cheapest means of transportation in the country. “I don't know if the fault lies with [World Bank theorist] Lauchlin Currie or with the World Bank, as you suggest, but that is a reality.”

### A government ‘disappearing act’

The organizers of the forum complained of the lack of collaboration on the part of government officials, and indeed the absence of a government presence at the event was striking. At least one forum participant suggested that the government's failure to endorse a sane economic policy for the country had to do with an “implicit” pact with the drug traffickers.

Félix Moreno, president of the Colombian-Venezuelan Chamber of Commerce, explained that the only reason Colombia has been able to claim a better economic situation than the rest of Latin America is due to the infusion of \$2 billion of drug money.

Even while the April 11-15 conference was taking place, the government of Virgilio Barco announced that it would extend a tax amnesty for two more years, to permit the holders of “obscure” monies to legalize their capital without being subject to investigations from the state. Similarly, in a clear retreat from its initial impulse to close Colombia's notorious tax evasion loopholes, the government has announced that it will exempt from investigation all bank accounts which contain a maximum of 50 million pesos.

Felix Moreno explained in an interview to *EIR* that “a very important Liberal leader, a politician” had privately proposed that the Establishment forge an official alliance with the drug traffickers. (See *Documentation*.)

While the government is trying to capture narco-dollars to pay the foreign debt, despite the important anti-drug battles being waged by the Fourth Army Brigade in the city of Medellín, the same government is putting innumerable obstacles in the way of the real economy.

On the one hand, the government has decided to shrink public investment drastically. According to reports from the national comptroller's office, public investment this year will

be reduced by 41%. First semester investment in the electricity sector will be carried out in the next semester. The government has withdrawn its financial support for the ongoing construction of a Medellín metro. It has also taken measures to restrict the money supply, which is leading to a rise in interest rates and to a considerable increase in inflation, which surpassed 10% in the first three months of 1988.

On the other hand, the government has decided to slash the military budget by 5 billion pesos despite the fact that the armed forces are taking increasing responsibility for the war against both terrorism and drugs. “If the means of production must continue under the anxiety and worry caused by such destructive phenomena as subversion, terrorism, intimidation, and violence, then very soon the economic indicators will be negative and the country's problems will worsen,” said Senate President Pedro Martín Leyes.

The Colombian political class seems unprepared, perhaps unwilling, to launch the industrialization of Colombia and to abandon the “artificial oxygen” represented by the money of the drug trade. “This Establishment is incompetent,” declared Félix Moreno. Even so, the majority of Colombians still hope for change.

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## Interview: Félix Moreno

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# ‘Drugs are fueling Colombia's economy’

*Interview granted by Félix Moreno, president of the Colombian-Venezuelan Chamber of Commerce, to EIR's Javier Almario, on April 13, 1988.*

**EIR:** Colombia is considered by the international banks as a model nation in debt repayment, and as one of the few Ibero-American nations to claim continued economic growth. Do you have any comment?

**Félix Moreno:** What is fueling the Colombian economy at this time is the entrance of funds from the drug trade. This is acknowledged by the economists, by the businessmen. Of course, it is very hard to say that such and such a percentage of the country's growth rate is due to the drug trade. It is very difficult to calculate that. One could say, very well, of the 5% that we have grown in recent years, so much is due to the healthy economy and so much to the drug trade. . . . Nobody knows. But I would say that when people talk about how more than \$1 billion a year are entering the country from the drug trade, dollar-laundering, the “sinister window” of the