COLOMBIA AND THE LATIN AMERICAN DEBT CRISIS

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Colombia has been regarded in the international community as an exception to the disequilibria and mismanagement which led to explosive foreign indebtness in Latin America. In the late 1970s the country enjoyed, indeed, exceptionally good debt ratios, which reflected the tradition of "prudent" economic management and the favorable external conditions which it faced in the second half of that decade. Nonetheless, as most countries in the region, Colombia experienced a sharp deterioration of macroeconomic and debt indicators in the early 1980s.

After 1982, the economy underwent three different phases. During 1983 and the first half of 1984, a "heterodox" policy package was implemented, aimed at correcting existing disequilibria and generating a domestic recovery. However, due to the drain of foreign exchange reserves which took place during this period, it was followed by a phase of "orthodox" policy management with increasing external conditionality in the second

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half of 1984 and in 1985. The short but significant coffee boom of 1986 opened a new stage of development, characterized by the resumption of growth at historical rates and moderate fiscal and balance of payments deficits. Rising oil exports guarantee that this expansion will continue to the early 1990s.

Regardless of its good debt ratios and profile, its highly praised adjustment experience and its good export and growth prospects, Colombia has been unable to return to borrowing in private capital markets on a truly voluntary basis. Although the country has borrowed significantly since 1982, the lion's share of new lending has come from multilateral and bilateral institutions. This fact, in the face of record amortization payments in the next few years and, obviously, of the deepening world financial crisis, has recently led may analysts --including the major opposition party-- to press for a rescheduling of debts with commercial banks. Although the government signed in January, 1988, a new $1 billion loan from commercial banks, this was only possible after long and painstaking negotiations and strong political pressure on the banks by the US, other major DC governments and the leading multilateral institutions. The country may be thus placed in the near future into a position in which rescheduling may be the only feasible alternative.

This paper reviews the evolution of Colombia's foreign debt and macroeconomic policies since the early 1970s and discusses

prospects for the next five years. The paper is divided in three sections. Section I considers events from the early 1970s to 1982. The evolution of debt indicators and macroeconomic polices since 1982 are analyzed in section II. Finally, section III summarizes the current debt policy of the Colombian government and considers prospects to 1992.

I. THE EROSION OF THE COLOMBIAN STEREOTYPE

A. From Boom to Crisis

The period of fastest growth in postwar Colombian economic history came abruptly to an end in 1974. The boom, which led to GDP growth of 6.5% a year since 1967, was based on three favorable conditions : (1) a set of coherent external policies adopted in confrontation with major multilateral institutions and AID in 1966-1967, which included the crawling peg, stable export promotion policies and generalized exchange and import controls; (2) the expansion of public expenditure, financed by increasing taxes and by an ample and regular supply of foreign credits; and (3) the rapid growth in international trade and increasing real commodity prices [1/].

The boom came to an end due to the contractionary fiscal and monetary policies adopted by the new López administration--inaugurated in August, 1974-- to reduce the relatively high

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1/ Ocampo (1987b).

inflation rate which had shown up in 1973 and 1974. Falling coffee prices and the effects of world recession on non-traditional exports had initially an adverse effect on external accounts. However, the Brazilian frost of mid 1975 led to a boost in world coffee prices. The major preoccupation of economic authorities was then how to manage five consecutive years of booming coffee exports and current account surpluses. Since it was decided from the outset that the coffee sector would not play the major role in the stabilization effort (real domestic coffee prices were raised significantly in the early part of the boom, largely to accelerate renovation of plantations), fiscal austerity was enhanced and a harsh monetary policy was adopted--including 100% marginal reserve requirements on current accounts, increased reserve requirements for savings and term deposits and the partial sterilization of external surpluses by forcing exporters to hold foreign exchange certificates for three to four months before they could be sold to the central bank. Simultaneously, strong controls on capital flows were adopted and devaluation was temporarily suspended in 1977, leading to a significant appreciation of the currency for the first time since the crawling peg had been adopted [2/].

The inauguration of the new Turbay Administration, in August 1978, led to a radically different economic strategy : an

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[2/] See Sarmiento (1982), Jaramillo (1979) and Ocampo and Reveiz (1979).

expansion of public expenditure, accompanied by a contractionary monetary policy and a significant liberalization of import controls. The expansion of public investment was justified on developmental grounds --the need to integrate the domestic market and to face the energy crisis-- [3] and by the urge to reverse the significant reductions in public investment during the López administration, which in some sectors had generated demands which could no longer be postponed. As the expansionary goverment investment program was combined with rapid increases in public-sector wages --which had experienced a significant reduction from 1972 to 1977-- and, in the central government, by tax benefits granted in 1979 and leniency in tax administration, the consolidated public-sector deficit increased rapidly : from virtual equilibrium in 1978 to 7.1% of GDP in 1982, or 6.5% if the National Coffee Fund is excluded (See Table 1).

The basic assumptions of this strategy were that the economy was close to full employment and that, due to imperfections in the domestic capital market, public investment could only be financed by long-term borrowing abroad. Thus, in the government's conception, import liberalization and monetary controls prevented the development of an inflationary spiral. Indeed, given the characteristics of the global strategy, these policies were complementary. While import liberalization redirected real demands created by fiscal expansion, monetary

[3] Departamento Nacional de Planeación (1979).

policy compensated the growth of the money supply generated by massive borrowing abroad. In 1980, however, the harsh monetary controls of previous years --which, by then, had generated a complete set of financial innovations to circumvent existing regulations-- were replaced by massive open market operations in a free capital market [4]/.

This set of policies was followed up to 1982, regardless of a radical turnaround in world coffee market conditions. Despite weakening prices, coffee revenues were kept high from 1978 to 1980 by record volume sales in an unregulated market. The collapse of coffee prices in mid 1980, after a period of growing instability led, however, to the reintroduction of the quota agreement in the last quarter of that year. Lower prices and volumes led to a fall in coffee revenues from an average of $2.1 billion in 1978-1980 to $1.5 billion in the following years. This did not lead, however, to a redesign of balance of payments policies. On the contrary, economic policy enhanced the external deficit by increasing import licenses to a peak $6 billion level, both in 1981 and 1982, and by linking the peso to the dollar when the latter was experiencing the first wave of appreciation in international markets. Thus, by 1982 the country was running a $2.9 billion current account deficit (See Table 1) and the peso was overvalued by some 30% with respect to its 1975 level,

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[4]/ Jaramillo (1982).

generally recognized as an adequate reference to determine the "equilibrium" exchange rate.

Economic growth was not fast in the second half of the 1970s, except in 1978, when extraordinary harvests temporarily reduced inflation rates, creating a windfall gain for all wage earners [5]/. Slower expansion affected in particular manufacturing production --which for the first time in the post-war period grew at a slower rate than aggregate GDP-- and commercial agriculture, and led to a significant reversal of efforts to diversify the export structure. These (mild) "Dutch disease" features explain most of the slowdown with respect to the 1967-1974 boom [6]/.

Deterioration of economic conditions was, on the other hand, dramatic in the early part of the 1980s. Indeed, as the country accumulated the highest external and fiscal deficits and faced a substantial deterioration of all debt indicators (see next section), it experienced the worst recession in the post-war period. An orthodox interpretation of these developments would indicate that the expansionary fiscal policy led to the deterioration of the balance of payments. However, this account fails to elucidate why the economy entered simultaneously into a

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[5]/ Londoño (1985).

[6]/ The "Dutch-disease" hypothesis has been suggested, in particular, by Edwards (1984) and Thomas (1985).

severe recession. An alternate explanation would argue that trade and fiscal events had independent policy determinants (import liberalization and exchange rate appreciation, on the one hand, and expenditure and tax policies, on the other). Exports were also affected by the evolution of international coffee prices and by the external demand for non-traditional exports. The recession may be seen in this light as a sign that the contractionary effects generated by the deterioration of external accounts swamped fiscal expansion [7/].

B. The "Latinamericanization" of Prudent Colombia

The early 1970s closed an important chapter in the history of Colombia's foreign debt [8/]. Debt and debt service ratios, which had been high since the mid 1960s, increased temporarily in 1971 and then started to fall at a fairly rapid rate (See Figure 1). Improvements in the current account and the windfall gains generated by the unexpected acceleration of world inflation explain the favorable evolution of these indicators in the early 1970s. A significant change in the source of funds also took place during these years: AID ceased to be the major source of external funds, as commercial banks became the major financier of the country. As Table 2 shows, AID --the major source of external

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7/ Ocampo (1987a); Ocampo and Lora (1987).

8/ For an analysis of foreign debt trends in the 1970s and early 1980s, see Perry *et al* (1981), Villar (1983), Ocampo (1988) and "Notas Editoriales", *Revista del Banco de la República*, November 1986.

financing since 1962-- still represented 27% of Colombia's foreign debt in 1970. Its share in net external borrowing fell, however, to 14% in 1970-1974. Simultaneously, commercial bank lending, which made up slightly over a fourth of the external debt of the country in 1970, became the source of 61% of net borrowing in the next four years (See Table 3). This trend was strong despite the fact that the governmment adopted since 1971 measures to control private borrowing abroad [9]/. Changes in the composition of external funds obviously led to a deterioration in credit conditions, particularly in the term structure of new loans. From 1970-1972 to 1975-1977, when Colombia ceased to receive new loans from AID, the average maturity of public sector medium and long-term loans fell from 22.1 to 15.2 years and the average grace period from 5.2 to 4.0 years [10]/.

The coffee boom accelerated the fall in the debt ratios in the second half of the 1970s. Five consecutive years of current account surpluses reduced the net debt and the net debt service to a modest 32.3% and 9.7% of exports in 1980 (See Figure 1). This trend was compatible, however, with two different phases in the evolution of the debt, which reflect the radically different economic strategies followed by the López and Turbay administrations. Between 1974 and 1978, the foreign debt of

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[9]/ Jaramillo and Montes (1978).

[10]/ These and similar estimates in the paper are calculated from Banco de la República (1987) and refer to weighted averages of annual data included in this publication.

Colombia and that contracted with commercial banks grew at very moderate rates : 6.9 and 9.2%. These rates were significantly lower than those typical in the early part of the decade (15.1 and 27.4%). "Prudence" ceased to be, however, the major feature of Colombia's debt strategy after 1978. On the contrary, the rapid growth of public and private external liabilities, particularly with commercial banks, became the major characteristic of the debt scenario.

The explosion of the foreign debt with commercial banks continued up to 1982, when the Mexican crisis closed this source of funds to the country. As a whole, the debt with commercial banks tripled between 1978 and 1982, representing some 80% of net external borrowing (See Table 3). While the country continued to run current account surpluses in 1979 and 1980 and new borrowing was thus reflected in record levels of reserve accumulation, this ceased to be true in the following years. With booming current account deficits in 1981 and 1982, the favorable trend in the debt and debt-service ratios typical of the 1970s was sharply reversed (See Figures 1).

Reliance on commercial banks after 1978 also resulted in an additional deterioration in borrowing conditions. Average maturities for new public sector medium and long term loans fell from 15.2 years in 1975-1977 to 13.4 years in 1979-1982, as interest rates increased sharply following international trends;

average grace periods improved slightly, from 4.0 to 4.3 years. Simultaneously, short-term liabilities increased rapidly. Although a breakdown similar to that presented in Table 4 is not available for 1978, short-term obligations were some $1.1 billion in that year --i.e., 25% of outstanding liabilities [11/]. By 1982, these debts had increased to $3 billion, i.e., close to 30% of the total debt.

Thus, as the debt crisis hit the region, "prudent" debt management had certainly ceased. The economy had entered the Latin American pattern of rising external liabilities to finance current account disequilibria, currency overvaluation and fiscal imbalances. By 1982 the extremely solid external position of the country had made a radical turn. With current account disequilibria of $2.9 billion, record short-term obligations and the closing of international capital markets, the threat of a rapid erosion of the strong reserve position of the country ($5.3 billion in mid-1982 and $4.9 billion in December of that year) was for the first time quite evident

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11/ This estimate is based on the debts of the domestic financial sector, 30% of debts of the obligations of private non-financial companies and the external liabilities of the National Coffee Fund.

II. THE IMPACT OF THE LATIN AMERICAN DEBT CRISIS

A. From Crisis to (Moderate) Boom

The evolution of economic activity and debt indicators since 1982 may be seen as the result of a series of interrelated external and internal events. Between 1982 and 1984 the country faced a series of unfavorable external shocks, which compounded the effects of the 1980 collapse of coffee prices : the closing of commercial banks to new lending after the Mexican crisis of August 1982, the Venezuelan devaluation and adoption of exchange controls in February 1983 and hardening attitudes by the international banking community in mid 1984. On the contrary, the Brazilian draughts of 1985 generated in the following year a short but significant coffee boom. High quotations in the international market and increasing volumes permitted by the suspension of the quota agreement in February 1986 led to a rapid increase in coffee revenues in that year.

Internal events were mostly related to changes in government policy [12]/. Three major phases in economic policy can be broadly defined : a phase of "heterodox" policy management (1983 and he first semester of 1984); a period in which an "orthodox" policy

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[12]/ For a detailed analysis of economic policy in this period see Junguito (1986), Garay and Carrasquilla (1987), Ocampo (1987a), Ocampo and Lora (1987) and the several issues of Coyuntura Económica. For the sake of brevity, the discussion will refer only to some macroeconomic policies and indicators.

package was superimposed on previous heterodox policy measures (second semester of 1984 and 1985); and a final phase of growth with moderate fiscal and external imbalances (1986 and 1987). A final set of internal events was related to the discovery of important oil fields since 1983. Although partly the result of fortune, these discoveries should be seen as a handsome return on long term investments in energy induced by high international prices and by the exploration policy adopted by the López administration in the mid 1970s.

The basic assumptions of the "heterodox" policy package adopted by the Betancur administration in late 1982 and in 1983 was that the room of manouvre was unlimited, given the strong reserve position of the country. Thus, it was possible to simultaneously pursue gradual external adjustment and internal policy targets. Balance of payments policies focused on traditional instruments : acceleration in the crawl of the exchange rate, adoption of a restrictive import licensing regime, stronger exchange controls, tariff surcharges, higher export subsidies and prior import deposits. Demand management did not play a major role in external adjustment. However, contrary to what the IMF and later analysts argued, this did not mean that the government adopted expansionary fiscal and monetary policies. On the contrary, significant reforms of the income, sales, departmental and municipal taxes were adopted in 1983 and 1984 and central government investment expenditures were reduced.

As the tax reforms increased government income with a lag, tax proceeds were adversely affected by recession and the government did not adopt policies to control the expenditure programs of public enterprises, the consolidated public sector deficit stagnanted at fairly high levels (See Table 1). On the other hand, monetary targets stabilized the growth of the money supply (M_1) at rates consistent with historical or "inertial" inflation of some 20-25%. Given the rapid reserve drain which started in 1983, this meant that the rate of growth of domestic credit increased to compensate the contractionary effect of falling foreign assets. This "monetary margin" was used to increase central bank budget financing (from 3.4% of GDP in 1982 to 3.9% in 1984) and to expand credit to the private sector.

The strategy led to a rapid improvement of the trade and current account balances. The former rose continously from early 1983 and was in equilibrium by the last quarter of 1984 (See Figure 2.A). However, the deterioration in the invisible trade (largely due to reduced border sales and tourism from Venezuela), falling interest income from abroad and mounting interest payments meant that the effect of improving trade balance was reflected only partially in the current account (See Table 1). Furthermore, devaluation had been effective by late 1984 in reversing the real appreciation of 1980-1982 (See Figure 2.B), although it was generally agreed that the peso was still overvalued. Improvements in the current account led to an initial

expansion of economic activity [13]. Nonetheless, the recovery was short-lived, as the quarterly estimates of the deviation of non-agricultural GDP on trend in Figure 2.C indicate. After falling 0.9% in the first semester of 1983 with respect to the same period in the previous year, non-agricultural GDP increased at an annual rate of 7.0% in the second semester of 1983; by the first semester of the following year that rate had decreased to 3.0% and tended to fall.

The major cost of economic policy in this period was a significant reserve drain. By mid-1984, gross international reserves were $2.1 billion, $3.5 billion less than the peak 1981 level. Reduced supplies of credit from commercial banks (see next section) together with falling domestic demand for foreign loans [14], in the face of high current account imbalances explain the sharp reduction of international reserves. Given pre-existing disequilibria, it is unclear whether any gradual strategy-- indeed any adjustment policy at all-- would have avoided a significant reserve drain, or whether this process would have ceased had the "heterodox" economic strategy been pursued for a

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13/ An unexpected reduction in food price inflation also generated a windfall gain for wage earners, which reinforced the recovery.

14/ Most of the reduction in the domestic demand for foreign loans was associated with changing import trends. Management of the short-term liabilities of public enterprises and the National Coffee Fund was also crucial, while capital flight played a secondary role. See Ocampo (1987a).

longer period. In any case, domestic pressure built up for a radical change in economic policy, which was finally adopted in the second semester of 1984 by the new Minister of Finance, Roberto Junguito. The change in the attitude of the international financial community was also a significant factor behind this change in policy. Indeed, in the first few months in power, the new Minister had to face the effects of an unfavorable report by the regular consulting mission of the IMF, the temporary suspension of negotiations of the first sectorial loan from the World Bank and the pressure from commercial banks and multilateral institutions to sign a stand-by agreement with the IMF. In the change of attitude of the financial community, the decision by President Betancur to host the meeting of Latin American presidents in Cartagena in May 1984 to adopt common principles in the face of the debt crisis was no doubt instrumental.

The basic elements of the new strategy were active demand management and rapid devaluation. The effects of previous tax reforms adopted in 1983 and early 1984 were enhanced by the impact of two new reforms approved by Congress in December 1984 and mid 1985, which included an 8% tariff surcharge on most imports, the elimination of several exemptions to the sales tax, a forced suscription of government bonds proportional to the income tax, a partial redistribution of earmarked revenues within the government, a significant extension of the withholding

mechanism for the income tax and the partial elimination of income tax exemptions for Ecopetrol and Carbocol, the government oil and coal companies. These reforms, together with a significant cut in the central government budget in 1985 and the establishment of controls on the expenditure programs and excess liquidity of major public enterprises led to a significant reduction in the consolidated public sector deficit in 1985 (See Table 1). This policy was accompanied by a 32% real devaluation between the last quarter of 1984 and the same period in 1985, as measured by the weighted import exchange rate (See Figure 2.B). These policies were superimposed on previous exchange and import controls. In fact, the former were strengthened in late 1984, when minimum payment periods for new imports were established. However, since mid-1985, the severe import controls adopted in previous years were partially liberalized.

Regardless of the radical change in economic policy, negotiations with the international financial community were difficult, as the Colombian government refused to sign a stand-by agreement with the IMF. The government claimed that, for domestical political reasons this was not an acceptable alternative, that the country had not been subject to economic mismanagement, that it had good export prospects and that, in any case, self-discipline had been adopted. An attempt to use the World Bank as a countervailing force in the negotiations failed, as the private banks did not recognize it as an adequate

interlocutor and through the first few months of 1985 insisted on a formal agreement with the IMF. Strong pressure by the Governor of the Federal Reserve, Paul Volcker, and by the U.S. Treasury was crucial in the adoption of an intermediate formula --an IMF monitoring of economic policy--, which was finally accepted by the banks in mid 1985. Although this opened the way to negotiations with commercial banks for a "Jumbo" $1 billion loan, it did not represent the basis for a return to private capital markets (See next section).

The orthodox program was mildly contractionary (See Figure 2.C). The growth rate of non-agricultural GDP, which had been falling throughout 1984, reached a minimum of 2.1% in the first semester of 1985. Annual figures also indicate the deceleration of economic growth in 1985, particularly in the industrial sector (See Table 1). The country ran a slight trade surplus in 1985, a position which had already been achieved in the last quarter of 1984. The significant improvements in the capital account explain the sharp reversal in the reserve trend. Most of the improvement was not associated, however, to orthodox policies as such or, indeed, to an increasing supply of funds from the international banking community, but rather to specific measures which accompanied the program : controls on short-term capital flows of public enterprises, the establishment of minimum payment periods for new imports and the $229 million loan from the Andean Reserve Fund. However, it was generally agreed at the end of 1985 that

both external and fiscal adjustment had been achieved and that the economy was ready for a new phase of economic growth.

The strength of the recovery in 1986 and 1987 (See Table 1) was associated, however, to two largely exogenous events : the coffee boom of 1986 and the discovery of new oil fields since 1983. The latter allowed the country to return to a net surplus position in its oil trade in 1986 and to maintain a substantial overall trade surplus in 1987 regardless of the collapse in coffee prices. Nonetheless, government policy has been succesful in the past two years in consolidating the adjustment of external and fiscal accounts and in averting the unfavorable domestic effects of a very sharp coffee cycle. Real devaluation was not reversed in 1986, regardless of improvements in external receipts; rather, additional real gains were achieved, at least as measured by the import exchange rate (See Figure 2.B). The significant inflows of foreign exchange in that year were used to improve the debt profile of the country (See next section). On the other hand, the non-coffee public sector deficit continued to decrease, both in 1986 and in 1987. Finally, the countercyclical use of National Coffee Fund finances --generation of major surpluses in 1986 to sterilize part of the boom and absorption of the price collapse in 1987-- helped to avert both the inflationary pressures generated by rising coffee incomes and the contractionary effects of falling international prices.

B. The barrio effect

A cursory look at Figure 1 and Table 2 may indicate that Colombia has been able to avoid the financial crunch experienced by most Latin American countries since 1982. Indeed, the country was able to increase significantly its net debt/export ratio from 1982 to 1985 --reaching in the latter year more than three years of exports of goods and non-monetary gold--, before falling during the 1986 coffee boom to some 70% of its peak 1985 level. This was not only the result of the collapse of international reserves, but also of the rapid growth of the total debt --11.1% a year from 1982 to 1985. New public sector medium and long-term debt commitments were highly unstable, but were kept high throughout the period: after increasing from an average of $1539 in 1979-1981 to $2352 in 1982, they fell to $1392 in 1983, increased to a new peak of $2726 in 1984 and fell to $2302 in 1985. However, the short term evolution of this indicator was to a large extent related to domestic demands and policies rather than to international market conditions. In particular, the fall in public sector commitments in 1983 was related to the untimely controls on public indebtness established by the Minister of Finance in late 1982 to reduce the rapid growth of the debt. Finally, the net financial transfer [15]/ continued to be positive during the adjustment period (US$240 million a year in 1983-

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[15]/ The net financial transfer is defined here as the capital account plus the financial service transactions balances. It thus includes short and long-term debts and direct foreign investment.

1985), in contrast to most countries in the region. This result was largely related to the favorable transfer of resources generated by direct private investment (US$424 million in th same period), associated with the large coal and oil projects underway.

The impression that the country was not significantly affected by the debt crunch is not confirmed, however, by a closer look at the facts. In particular, Colombia has not been able to make good its historical record or even its most recent and highly praised adjustment experience in terms of access to commercial banks lending and reduced conditionality. As most countries in the region, net resources from commercial banks have been extremely scarce since 1982 and the country has not been able to ressume borrowing in private capital markets on a truly voluntary basis. Moreover, borrowing conditions deteriorated in the early phase of the debt crisis and have lagged behind imporvements obtained by other Latin American countries in recent years. Finally, the country has not escaped negotiations with a cartelised banking community --to use the expression of Diaz-Alejandro (1987)-- nor the multiple conditionality associated with these negotiations. Thus, the only truly exceptional treatment has been that granted by official lenders, which may be seen as having operated in a concerted way to prevent Colombia from becoming an unnecessary nuisance in the midst of the debt crisis. Also, the country was able to improve its debt profile by

transforming its debt with commercial banks from short-term into medium-term liabilities.

Major changes in the composition of the foreing debt of Colombia since 1982 are shown in Tables 2 to 4. The total debt with commercial banks has grown only marginally since 1983. In recent years, the share of these banks in net lending has fallen to 12%, compared to about 80% during the booming years of foreign indebtnees (1979-1982). The relative exposure of commercial banks has thus decreased from 64% in 1982 to 52% in 1986 (See Table 3). Thus, the ability of the country to increase its global debt at a fairly rapid rate has depended entirely on official lenders --both multilateral (particularly the World and the IDB) and bilateral-- and, secondarily, on suppliers and moderate bond issues ($40 million in 1986 and $50 million in 1987). Public sector borrowing from these sources (excluding AID, which ceased to be a lender in 1972) increased from 1982 to 1986 at an annual rate of 23.3%, compared to 13.8% in 1978-1982; indeed, net funds thus obtained --$3566 million-- were equivalent to three-fourths of the increase in the foreign debt of Colombia in 1983-1986 (See Table 2). Moreover, official agencies increased the supply of funds to the country, not only in the traditional form of project-financing, but through disguised balance of payments loans under several sectorial headings (export promotion, agricultural development, support for the financial sector,

industrial recovery, etc.) and through a rollover mechanism managed by the central bank to accelerate disbursements.

Medium and long-term loans from commercial banks to the public sector have increased by close to $2 billion since 1982 (See Table 2). As this amount exceeds by a considerable margin the increase in the exposure of the banks, it reflects major changes in the composition of the debt. As Table 4 shows, this is part of a global transformation of short-term into medium and long-term liabilities, which has also taken place in the private sector and has resulted in significant improvements in the debt profile of the country. Thus, at the end of 1986 Colombia was closer to the its "debt stereotype" that what was true at the outset of the crisis. However, as we will see in part III of the paper, the large amortization payments expected in the new few years, associated with debts contracted during the booming period of foreign indebtness, indicate that the stereotype is not perfectly applicable at present, either.

While the reduction of short term liabilities improved the debt profile, there was a deterioration in the conditions of the new medium and long term loans contracted by the public sector. The average maturity fell from 13.4 years in 1979-1982 to 13.3 years in 1983-1986, while the average grace period fell from 4.3 to 3.7 years. Reductions were particularly sharp for loans contracted with commercial banks in the early part of the crisis

(See Table 5) [16]/. Simultaneously, the average margin over Libor for commercial loans increased from 0.68% in 1979-1982 to 1.63% in 1983 and 1.44% in the 1985 $1 billion "Jumbo" loan. The latter spreads were generally better than those obtained by most Latin American countries during the first two rounds of debt reschedulings, though worse than those obtained during the third round; the term structure of both the 1983 and 1985 loans contrated by the National government were substantially worse than those obtained by other countries in the region. In recent years, the country has lagged behind improvement in credit conditions obtained by Latin American countries. Thus, in the $1 billion "Concorde" loan, conditions (0.94% on Libor, effective grace period of 5.1 years and 10.1 years for maturity) are considerably worse than those obtained by most countries in recent reschedulings [17]/. Both in the negotiations of the Jumbo and Concorde loans, the banks have argued that conditions could not match those typical in renegotiations of past debt, as it was necessary to attract the banks into "voluntary transactions [18]/.

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[16]/ Only loans contracted by the National government since 1982 are included in Tables. Conditions for commercial loans to other public sector entities have been generally worse.

[17]/ See also the comparisons included in La Nota Económica, No. 23, August 15, 1987

[18]/ Junguito (1986) and "Notas Editoriales", Revista del Banco de la República, August 1987.

Nonetheless, the history of negotiations [19] of these loans clearly dispel the "voluntary" character of these operations. Foremost, long and painstaking negotiations with a committee of major lenders and participating banks were necessary in both cases (12 months from first contacts to the contract in the Jumbo loan and 9 months in the Concorde negotiations). Moreover, these negotiations were only succesful after strong pressure was exerted on the banks by the US Federal Reserve and Treasury, by other DC governments and by the heads of the two major multilateral institutions. This process created considerable uncertainty in the country, as the government was forced to guarantee that foreign debts were served on a normal basis while negotiations proceeded. Secondly, distribution of the loans among participating banks indicate that both were in fact concealed refinancing operations. The share of the banks in the Jumbo loan was equivalent to 100% of amortizations expected in 1985-1986 plus 7.5% of outstanding credits at the end of 1984, while in the more recent Concorde they have been equivalent to 80% of amortizations in 1987-1988 plus 2% of outstanding loans at the end of 1984. Thirdly, some form of surveillance by major multilateral institutions has been forced upon the counry in both cases. The Jumbo loan was conditional on an IMF monitoring of economic policy, as we saw in the previous section. The Concorde credit does not include this provision, but the government

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[19]/ Jungutio (1986 and 1987), Garay and Carrasquilla (1987) and Lora (1988).

accepted to deliver to the banks the 1987 and 1988 IMF Article IV consultation reports. Moreover, the $200 million whih will be used by the National Electrical Financial Company (FEN) are subject to a $300 million co-financing by the World Bank, drawdowns being subject to fulfillment of sectorial conditions established by the latter institution. Moreover, during the "Jumbo" negotiations, considerable pressure was exerted by the banks on the Colombian government to recognize the debts of the subsidiaries of Colombian banks in Panama and to adopt policies favorable to heavily foreign-indebted Colombian private firms, including the redesign of the mechanism approved by the monetary authorities in 1984 to reschedule private debts. During recent negotiations, similar pressures have been exerted in relation to the foreign debt of the new paper company, Papelcol. Finally, the government was also forced in both cases to accept foreign jurisdiction in case of conflict. This led to considerable legal difficulties and delayed disbursements of the Jumbo loan by 9 months.

Conditionality has not been limited, however, to the macro and microeconomic provisions just mentioned, but also to sectorial policies. This has been the major cost of the disguised balance of payments loans contracted with the World Bank in the past three years. Most important in this regard-- given its global effects-- were the liberalization clauses included in the 1985 loan for export promotion. Acceptance of

this condition ended close to two decades of autonomous trade management. Liberalization proceeded smoothly in 1985-1986, as it coincided with increasing supplies of foreign exchange and a rapid depreciation of the currency. On the contrary, it placed considerable burdens on government policy in the face of the speculative demand for import licenses generated by the collapse of coffee prices in 1987. With no major increase in the import budget, the speculative demand for goods under free licensing crowded out imports under prior licensing, leading to record turndowns of requests during the first semester of 1987 [20/]. Moreover, the government has been faced with increasing contradictions between its commitment to further liberalize the import regime --an assertion which has been included in documents presented to the international financial community-- and its promise to protect new economic activities. The latter, together with the considerable uncertainty which characterizes the supply of foreign exchange, indicates that the country should not embark itself into a liberalization process which it may not be able to sustain in the future [21/].

20/ See Coyuntura Económica, September 1987.

21/ "Notas Editoriales", Revista del Banco de la República, April 1987; Departamento Nacional de Planeación (1987), pp. 282-288; and INCOMEX (1987).

III. PROSPECTS

A. The Debt Strategy

The current debt strategy of the Colombian government [22/] is based on four premises: (1) the modest net financial requirements in the next few years, which reflect the absence of basic macroeconomic disequilibria; (2) the considerable amortization payments expected, which require, in any case, substantial new credits; (3) the significant redistribution of public expenditure necessary to implement the current development Plan; and (4) the advantage of returning to borrowing in private capital markets on a truly voluntary basis.

Official balance of payments projections for 1987-1992 are summarized in Table 6. These forecasts assume 3% OECD growth, 4% world inflation, 8% Libor, high oil prices (close to $18 per barrel in 1988, constant in real terms to 1992), a constant real exchange rate and domestic GDP growth of 4.5% in 1987 and 4% from 1988 onwards. The table also shows comparable figures for 1981-1984, the years of large external disequilibria. The remarkable improvement in the trade and current accounts reflect in part the adjustment policies implemented since 1983. Nonetheless, most of the expected improvement is associated with oil transactions.

22/ See República de Colombia (1987a and 1987b); "Notas Editoriales", Revista del Banco de la República, August 1987 and Cabrera (1987). See also a defense of the government strategy in Palacios (1987).

Indeed, the net change in the oil accounts --from a $336 million annual trade deficit in 1981-1984 to a $1758 surplus in 1987-1992, or from an annual deficit of $319 million to a $1336 surplus if service transactions are included-- are equivalent to 69% and 106% of the expected improvements in the trade and current accounts. Since, according to the government, direct investment will finance a large proportion of the current account imbalance, net indebtness is expected to be quite modest --$500 million a year, equivalent to a rate of growth of the gross and net foreign debt of 3 and 4% a year and unchanged exposure of commercial banks (See Table 2). This is consistent with a further fall in the net debt/export ratio, as exports are expected to increase at an annual rate of 6% between 1986 and 1992 (See Table 8 below).

Nonetheless, gross financial needs are substantial, due to the large amortization payments due in the next few years. As Table 6 indicates, public sector amortizations will be four times higher than those typical in the early 1980s. Moreover, if international reserves are to be kept at present levels, the public sector will have to borrow on a gross basis on a larger scale than was typical in 1981-1984. Large amortization payments will be largely associated with debts contracted with commercial banks during the years of booming foreign indebtness. According to Table 7, amortization payments to commercial banks in 1987-1992 will be equivalent to the total amounts contracted with

these agents at the end of 1986. Although this is also true of suppliers' credits, no major difficulties are expected to contract new lending of this type in the next few years. Finally, amortization payments to official lenders will be equivalent to only 40% of commitments from these institutions at the end of 1986.

The new development Plan requires, on the other hand, a substantial redistribution of public expenditure. The Plan expects, in particular, that the share of energy, transport and communications in public investment will fall from 75% in 1987 to 52% in 1990 [23]/. This will allow the new social programs--agrarian reform, integrated rural development, rehabilitation of regions subject to political violence, basic health and education, day-care centers, water and sewerage, nutrition, etc.-- to increase their share in investment. The intergovernmental transfer required will rely in part on domestic mechanisms, such as full income tax payments by Ecopetrol, transfers from this company to the central national government and use of its surpluses to finance social programs in the oil regions. However, foreign debt service and borrowing play a crucial role in this transfer : heavily indebted public sector companies in the infrastructural sectors are expected to pay their obligations abroad, as part of these payments return to the

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[23]/ Departamento Nacional de Planeacion (1987), Table 6, p. 317.

central national government and other entities through new loans to finance the new social programs.

Rejection of a rescheduling strategy is not based, then, on the reduced amount of resources which could be involved in the process. Rather, when stating that amortizations are the _only_ source of difficulties in the next few years, the government implicitly accepts that rescheduling payments to commercial banks would be a viable alternative. However, it has chosen what may be called an "implicit" or "voluntary" refinancing operation, in contrast to the explicit rescheduling strategy defended by the major opposition party. This choice is based, first of all, on the conviction (or, rather, the hope) that the country may return to borrowing in international capital markets on a truly voluntary basis. Secondly, the government has argued that the country has not been subject to rationing or higher costs in trade financing, nor has it paid any other costs associated with rescheduling operations. Thirdly, there is fear that an explicit refinancing strategy will alienate multilateral and bilateral institutions on which the country has heavily depended for new financing since 1982, as Colombia has played the role of a "showcase" for orthodox adjustment and debt strategies. Finally, the government fears that such an alternative strategy would generate financial indiscipline in heavily indebted public sector companies and would become an obstacle to the

redistribution of resources necessary to implement the new development Plan.

Critics of the official debt strategy have pointed out five major weaknesses of the current financing program [24]/. First, they have emphasized that the growth rates which it assumes-- characterized as "vigorous" by the government-- are lower than average GDP growth in the post-war period and insufficient to correct labor market disequilibria inherited from the recent recession. Secondly, thy gave also pointed out the fact that the government strategy has worsen borrowing conditions, compared to those obtained by other Latin American countries in recent reschedulings (See Section II.B above). Thirdly, the government program has been criticized for lack of realism, given present conditions in international capital markets. Moreover, some analysts argue that, even if the government is successful, after a series of long and painful negotiations, in getting new loans, this process would generate uncertainty on the availability of foreign exchange, which may become an obstacle to a sustained recovery of economic activity. Finally, the official strategy has also been criticized for the distortions it generates in public expenditure and budgeting, as current laws only allow the

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[24]/ See, for example, Rodado (1987), Urdinola and Kertzman (1987), Marín (1987), Sarmiento (1987a) and (1987b, Ch. X).

government to spend on the basis of new credits when the loans have been contracted [25].

In the final section of the paper, we will consider the relation between and external financing and economic growth in Colombia in the next five years and the impact of likely development in the international debt scenario. Problems associated with intergovernmental finances and budget programing will not be considered. This reflects the macroeconimic focus of the paper, but also the view that, contrary to both the government and some of its critics, this type of considerations should lead to changes in fiscal laws or expenditure programs, rather than in the external financing strategy. It also reflects the fact that, from a global point of view, all external resources in the next few years will be used to refinance debt service payments.

B. Growth and Debt Scenarios

Official balance of payments projections should be revised in at least four major ways. First of all, they assume a constant 12.5% rate of growth of non-traditional exports. This rate is not consistent with existing econometric estimates and expectations on OECD economic growth. Secondly, the official estimates implicitly assume an unusually low income-elasticity of

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[25] Contraloría General de la República, Informe Financiero Mensual, August 1987, p. 14.

demand for non-financial services (0.3). Thirdly, direct foreign investment projected is very high by historical standards. In this regard, a significant decline with respect to the first half of the 1980s can be expected, as large investments in coal have been completed and there may be some reductions in oil investments. Finally, official balance of payments projections do not include the effects of pipeline capacity and oil explorations on petroleum exports in the next few years. They assume that crude oil exports will increase to a peak of 268.000 b/d in 1989, after which they will stagnate at 250.900 b/d. Alternative estimates by Ecopetrol (1987) indicate, however, that, due to pipeline capacity, exports in 1989 will be limited to 206.600 b/d, but as the result of investments in new pipelines and oil exploration, exports will continue to increase in the early 1990s, reaching by 1992 367.500 b/d. This alternative estimate indicates that oil exports will exceed the official projection by an average of 40.600 b/d in 1988-1992.

Alternative scenarios were built on the following assumptions : (1) OECD growth of 2.5%, dollar inflation of 4%, except for non-finacial services (3%) and coffee (2%), and an effective interest rate of 9%; (2) historical elasticities for the import of goods and non-financial services, and for minor and non-financial service exports are applicable [26]/; (3) direct

[26]/ Income and price-elasticity of demand for imports of goods are assumed to be 1.0 and -0.5, following Villar (1985). For minor exports, disaggregated elasticities

investment is $100 million a year less than assumed by the goverment; and (4) alternative oil exports calculated by Ecopetrol apply. Under these assumptions, we simulated the effects of : (a) different domestic growth rates; (b) different oil price scenarios (a "high" scenario of $18 vs. a "low" scenario of $15 per barrel in 1988, both constant in real terms to 1992); and (c) different exchange rate strategies.

Projections of current account deficits and the net debt/export ratio under these alternative scenarios are summarized in Table 8. As the first two columns indicate, the net effect of assumptions used by the government is actually to underestimate improvements in the current account, particularly in the early 1990s, when additional expansion of oil exports can be expected. Nonetheless, these improvements would not materialize if oil prices remain depressed or if the Colombian economy grows at a faster rate [27/]. As the last two columns of

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estimated by Villar (1984) are used, weigthed by 1985 shares in trade. The overall price-elasticity calculated is 0.9, while the income-elasticity (assumed to apply to OECD economic growth) is 2.0. For imports of non-financial services, income and price-elasticities are 1.0 and -0.5. For the exports of non-financial services, a price-elasticity of 0.5 is superimposed on official projections. Price-elasticities for non-financial services are derived from Correa (1985).

27/ Terrorist attacks on oil pipelines may also reduce export revenues, as has been shown in the first few months of 1988. Nonetheless, coffee prices may be more favorable, as recent events in the world market seem to indicate.

the same Table show, even in the high-growth low-oil-prices scenario, a significant reduction in the net debt/export ratio could be achieved, however, by a moderate real devaluation (3% a year), or equivalent trade policies, starting in 1988.

The major conclusion of these simple exercises is that, as long as the country is able to maintain its moderate debt ratios, the availability of foreign exchange would not become a constraint, even if the economy grows at fairly rapid rates. Thus, restrictions on economic growth can only originate in : (1) a very unfavorable evolution of the world economy (low OECD growth, very depressed oil and other commodity prices, or higher interest rates); (2) a extremely low return on oil investments; (3) adverse policy decisions (revaluation of the exchange rate in the face of oil abundance or further liberalization of imports); and (4) an inmoderate low supply of foreign credits. In any case, given the uncertainty which characterizes some of the assumptions included in the projections, active exchange rate or trade policies are probably warranted.

Given the official debt strategy, the large amortization payments due in the next few years and current conditions in the international capital markets, the possibility that the country will face restrictions in the supply of foreign credits is by no means remote. Indeed, the official strategy is equivalent to

making certain amortization payments in return for uncertain loans from commercial banks. Such a scheme did not generate major problems in 1987, but could become a very risky strategy under certain conditions (an unexpected drop in the price of oil, a sharp increase in world interest rates, a world recession, etc.). Indeed, the revealed benefits of the official standing were so insufficient in 1987, as manifested in the sluggish negotiations of the Concorde loan, that the Minister of Finance was forced in October to inform the banks, in his speech at the Colombian Bankers Association meeting, that were they not to collaborate, the country would have no alternative but a concerted rescheduling [28]/. As the government has to start negotiating a new (Challenger?) loan for an estimated $1.6 billion in mid 1988, it would have to consider anew its debt strategy in the face of the recent experience. It may well choose this time a rescheduling strategy or may be forced by the banks into that direction.

The last but obviously not least important question relates to the response of the government to likely developments in the Latin American scenario. Events in 1987 have shown that "self help" --to use the moderate expression of Sachs (1987)-- is an increasingly viable alternative, as demonstrated by the long list of countries which have adopted for extended periods a partial or complete suspension of bank debt servicing, the wider latitude

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[28]/ Alarcón (1987).

for manouvre which these countries have been granted by the international financial community and the recognition of "debt realities" by major U.S. banks. These events have, in turn, increased the likelihood of more aggresive solutions to the debt crisis which were given limited audience for a long time--partial write-offs, securitization of debts with commercial banks, etc. Were any of these "heterodox" solutions to succeed, particularly with (explicit or implicit) support from the major multilateral institutions and the U.S. government, the basic assumptions of the current Colombian strategy would be completely undermined. Under these conditions, the country could hardly choose any but the "heterodox" solutions, as a highly uncertain access to new commercial capital on a voluntary basis (the uncertainty of which would clearly increase with the generalized adoption of alternative debt strategies) can hardly be a substitute for a certain reduction in debt service obligations. Indeed, only the (unfair) threat of retaliation from multilateral institutions and DC governments could lead the country in a different direction. Regardless of its good record, Colombia has not escaped the "barrio effect". It can hardly choose not to experience its more favorable dimensions.

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TABLE 1

BASIC MACROECONOMIC INDICATORS : 1970 - 1987

	(1) Growth Rates (%)		(2) Balance of Payments (Millions US$)			(3) Consolidated Public Sector Surplus or deficit (% of GDP)			
	GDP	Industrial Production	Trade Balance	Current Account	Gross International Reserves	Excluding National Coffee Fund		Including National Coffee Fund	
1970	-	-	-20	-291	258	-1.0		-0.9	
1971	6.0	8.5	-152	-457	265	-2.5		-2.6	
1972	7.7	10.7	116	-201	393	-3.1		-2.4	
1973	6.7	8.5	260	-77	524	-3.0		-3.4	
1974	5.8	8.3	-47	-405	448	-1.3		-0.4	
1975	2.3	1.2	297	-127	553	-0.5		-0.2	
1976	4.7	4.4	560	189	1172	0.6		1.3	
1977	4.2	1.4	705	390	1836	-1.3		-1.5	
1978	8.5	10.0	667	330	2493	0.9		0.4	
1979	5.4	6.1	537	512	4113	-2.4		-0.9	
1980	4.1	1.2	13	104	5420	-3.9		-2.6	
1981	2.3	-2.7	-1333	-1722	5633	-4.3		-5.2	
1982	0.9	-1.4	-2076	-2885	4893	-6.5		-7.1	
1983	1.6	1.1	-1317	-2826	3176	-7.1		-7.9	
1984	3.4	6.0	-404	-2050	1887	-6.5	-6.7	-5.8	-6.7
1985	2.4	2.3	149	-1220	2313		-4.0		-2.7
1986	5.1	7.7	2007	659	3511		-3.6		-0.7
1987	5.1	6.3	1370	-482	3483		-1.9		

SOURCES : (1) DANE, Cuentas Nacionales. 1987 : FEDESARROLLO
(2) Banco de la Republica. 1987 : FEDESARROLLO
(3) DANE. Cuentas Nacionales. 1984-1987, right numbers : Departamento Nacional de Planeacion

TABLE 2

COLOMBIAN FOREIGN DEBT, 1970-1992
(Million dollars)

	(1) Public sector, medium and long-term					(2) National Coffee Fund	(3) Public sector enterprises, short term	(4) Banco de la Republica, short term	(5) Private sector	(6) Total foreign debt	
	AID	Other bilateral and multilateral	Bonds and Suppliers	Commercial Banks	TOTAL					Excluding short-term debt of public enterprises	Including short-term debt of public enterprises
1970	518	616	146	39	1.319	48	n.d.	106	457	1.930	
1974	723	990	220	287	2.220	106	n.d.	18	1.038	3.382	
1978	746	1.354	273	523	2.896	346	n.d.	11	1.164	4.417	
1979	736	1.503	252	965	3.456	379	n.d.	7	1.847	5.689	
1980	722	1.764	247	1.446	4.179	148	200	4	2.278	6.609	6.809
1981	702	2.026	238	2.202	5.168	288	188	3	2.874	8.333	8.521
1982	681	2.449	277	2.671	6.078	360	381	2	3.450	9.890	10.271
1983	662	2.955	278	3.063	6.958	559	295	97	3.596	11.210	11.505
1984	640	3.522	461	3.467	8.090	468	186	92	3.521	12.171	12.357
1985	619	4.632	573	3.608	9.432	391	596	246	3.415	13.484	14.080
1986	597	5.647	645	4.623	11.512	55	173	34	3.249	14.848	15.023
1992 a/		9.988		4.760	14.748	55	38	33	3.211	18.047	18.085

a/ Official projection

SOURCES : (1) and (5) Banco de la Republica (1987)
(2) 1970-80:Balance sheets of the National Coffee Fund; 1981-86: Republica de Colombia (1987b)
(3) Republica de Colombia (1987a), Table 4
(4) Revista del Banco de la Republica, several issues
Projections to 1992 : Republica de Colombia (1987b)

TABLE 3

EXPOSURE OF COMMERCIAL BANKS

	(1) Indirect estimate	(2) Direct estimate
A. Total debt (million dollars)		
1970	544	
1974	1.431	
1978	2.033	
1979	3.191	
1980	3.872	4.091
1981		5.739
1982		6.595
1983		7.035
1984		7.413
1985		7.382
1986		7.731
1992 a.		7.687
B. Relative exposure		
1970	28.2% b.	
1974	42.3	
1978	46.0	
1980	58.6	60.1%
1982		64.2
1984		60.0
1986		51.5
1992		42.5
C. Contribution to the increase in the foreign debt of Colombia		
1970-74	61.1% b.	
1974-78	58.2	
1978-80	83.9	
1980-82		72.3%
1982-84		39.2
1984-86		11.9
1986-92		-1.4

a. Official projection.
b. Percentaje of total debt excluding short-term liabilities of public enterprises

SOURCES : (1) Table 2 : Medium and long term public debt to commercial banks + National Coffee Fund + private debt.
(2) Republica de Colombia (1987b), Appendix Tables 1 and 21.

TABLE 4

TERM-ESTRUCTURE OF COLOMBIA'S FOREIGN DEBT
(Million dollars)

	1982		1986	
Medium and long-term	7.270	70.8%	13.392	89.1%
Public	6.078	59.2	11.512	76.6
Private	1.192	11.6	1.880	12.5
Short-term	3.001	29.2	1.631	10.9
Public	741	7.2	228	1.5
Private:Financial system	1.637	15.9	861	5.7
Other	621	6.0	508	3.4
Banco de la Republica	2	-	34	0.2
TOTAL	10.271	100.0	15.023	100.0

SOURCE : Republica de Colombia (1987a), Table 3.

TABLE 5

BORROWING CONDITIONS FROM COMMERCIAL BANKS DURING THE DEBT CRISIS

	Maturity (years) a/	Grace period a/ (years)	Margin over Libor	Special fees
I. Colombia				
1979-82 (Weighted average)	10.1	5.4	0.68%	n.d.
1983- $210 million loan for the national government	5.1	2.1	1.63	1.00 c/
1985 - $1 billion "Jumbo" loan	8.2	2.7	1.44 b/	0.75% c/
1987/88 - $1 billion "Concorde" loan	10.1	5.1	0.94	0.63 c/
II. Latin American reschedulings				
1982/83 - First round	7.3	n.d.	2.09%	1.18%
1983/84 - Second round	9.6	n.d.	1.66	0.75
1984/85 - Third round	12.9	n.d.	1.20	0.03
1986/87 - Fourth round	17.0	n.d.	0.85	0.00

a/ From signing date
b/ Weighted average of 1.50% for four years after signing date and 1.38% thereafter.
c/ Facility and drawing fees. In addition commitments fees of 0.5% on undisbursed amounts.

SOURCES : I. 1979-83 : "Notas Editoriales", Revista del Banco de la República, August 1987, Table 2
1985 and 1988 : Term sheets of the loans.
II. CEPAL, Balance preliminar de la economía latinoamericana, 1985 and 1987. Country conditions weighted by amounts renegotiated.

TABLE 6

BALANCE OF PAYMENTS AND FINANCIAL REQUIREMENTS ACCORDING TO OFFICIAL PROJECTIONS
(Million dollars)

	1981-84	1987-92
A. TRADE AND SERVICES		
Exports a/	3.362	6.599
Imports	4.645	4.865
Trade balance	-1.283	1.731
Non-financial services and transfers (net)	-406	-370
Financial services (net)	-682	-2.169
B. FINANCIAL REQUIREMENTS		
Current account deficit	2.371	808
Public debt amortizations	395	1.530
Multilateral	142	440
Bilateral	75	200
Commercial banks	115	770
Others b/	63	120
Total financial requirements	2.766	2.338
C. SOURCES OF FINANCING		
Direct foreign investment	410	395
Other private flows (net)	107	-27
Public sector (medium and long term)	1.424	2.029
Multilateral	442	792
Bilateral	220	297
Commercial banks	629	752
Others b/	135	189
Public sector (short term)	119	-21
Total sources of financing	2.060	2.377

a/ Goods and non-monetary gold
b/ Suppliers and bonds

SOURCES : 1981-84 : Republica de Colombia (1987a), Tables 2 and 10.
1987-92 : Republica de Colombia (1987b), Appendix Tables 17 and 21.

TABLE 7

AMORTIZATION OF MEDIUM AND LONG-TERM PUBLIC SECTOR DEBT, 1987-1992
(Million dollars)

	(1) Debt at the end of 1986			(2) Amortization payments 1987-1992	(2)/(1c)
	(a) Disbursed	(b)Undisbursed	(c) Commited		
Multilateral	3.887	2.485	6.372	2.641	41.4%
Bilateral	2.357	638	2.995	1.202	40.1
Commercial banks	4.623	296	4.919	4.617	93.9
Suppliers	599	165	764	688	90.1
Bonds	46	-	46	34	73.9
TOTAL	11.512	3.584	15.096	9.182	60.8

SOURCES : (1) Republica de Colombia (1987a), Table 2.
(2) Republica de Colombia (1987b) Appendix Table 18

TABLE 8

PROJECTION OF THE CURRENT ACCOUNT DEFICIT AND THE NET DEBT/EXPORT RATIO UNDER DIFFERENT SCENARIOS

	Official projection	4% GDP growth, constant real exchange rate and high oil rates	5% GDP growth and constant real exchange rate		6% GDP growth			
					Constant real exchange rate		Low oil prices and 3% real devaluation	
			High oil prices	Low oil prices	High oil prices	Low oil prices	A	B
A. Current account deficit (million dollars)								
1988	946	535	590	779	644	833	724	682
1989	723	695	818	1.057	941	1.181	927	831
1990	856	49	257	641	468	852	411	247
1991	858	-7	304	749	624	1.068	390	141
1992	920	-9	428	937	882	1.390	413	58
B. Net debt/export ratio								
1987	2.28							
1988	2.22	2.13	2.14	2.28	2.15	2.29	2.25	2.25
1989	1.95	2.03	2.05	2.23	2.08	2.26	2.16	2.14
1990	1.93	1.66	1.72	1.94	1.77	2.00	1.84	1.79
1991	1.87	1.49	1.58	1.85	1.66	1.94	1.69	1.62
1992	1.81	1.34	1.47	1.79	1.61	1.93	1.56	1.46

NOTE : Effects of real devaluation

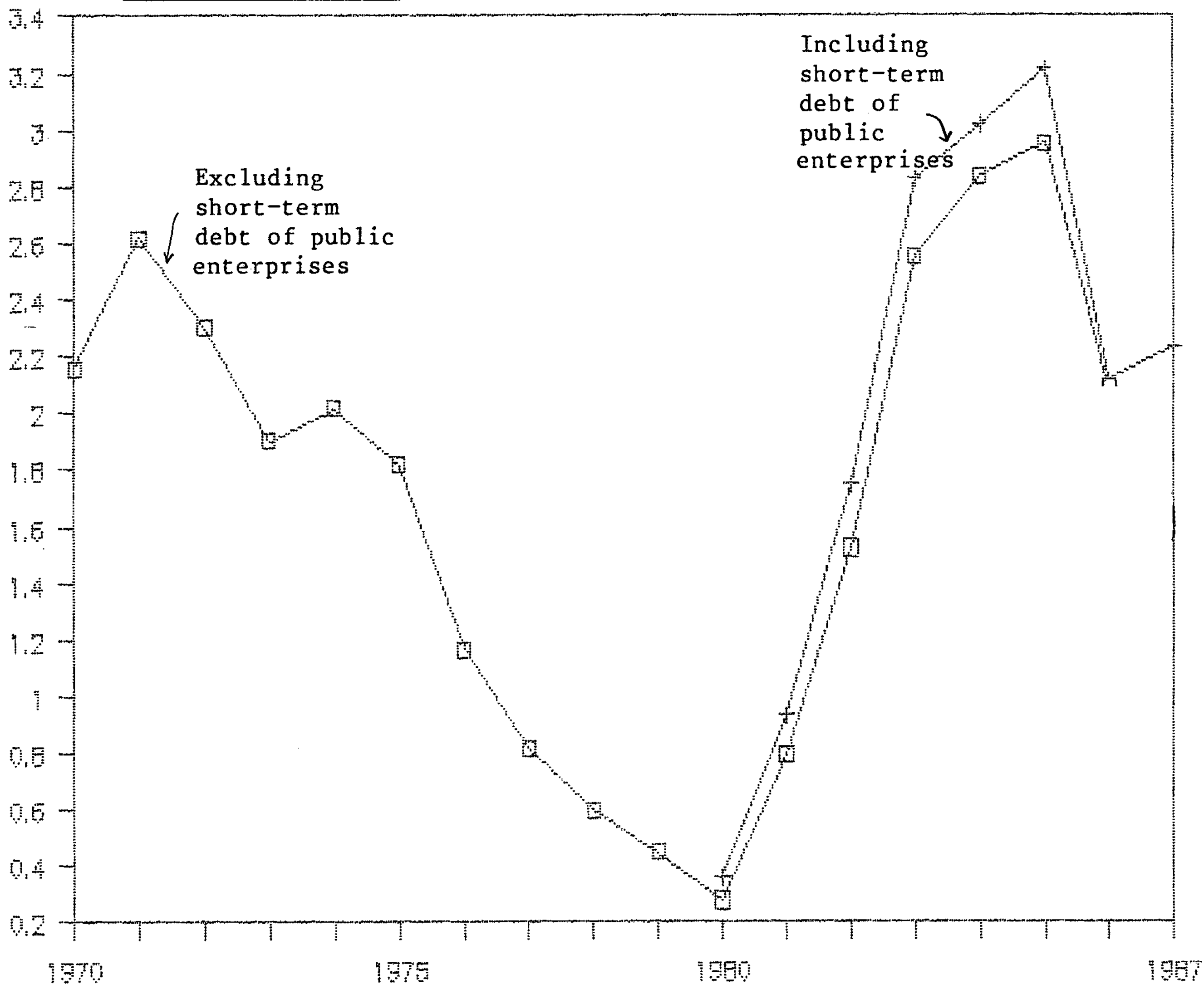
A. Imports of goods and minor exports sensitive to exchange-rate adjustments.

B. Includes also sensitivity of non-financial services to exchange-rate adjustments.

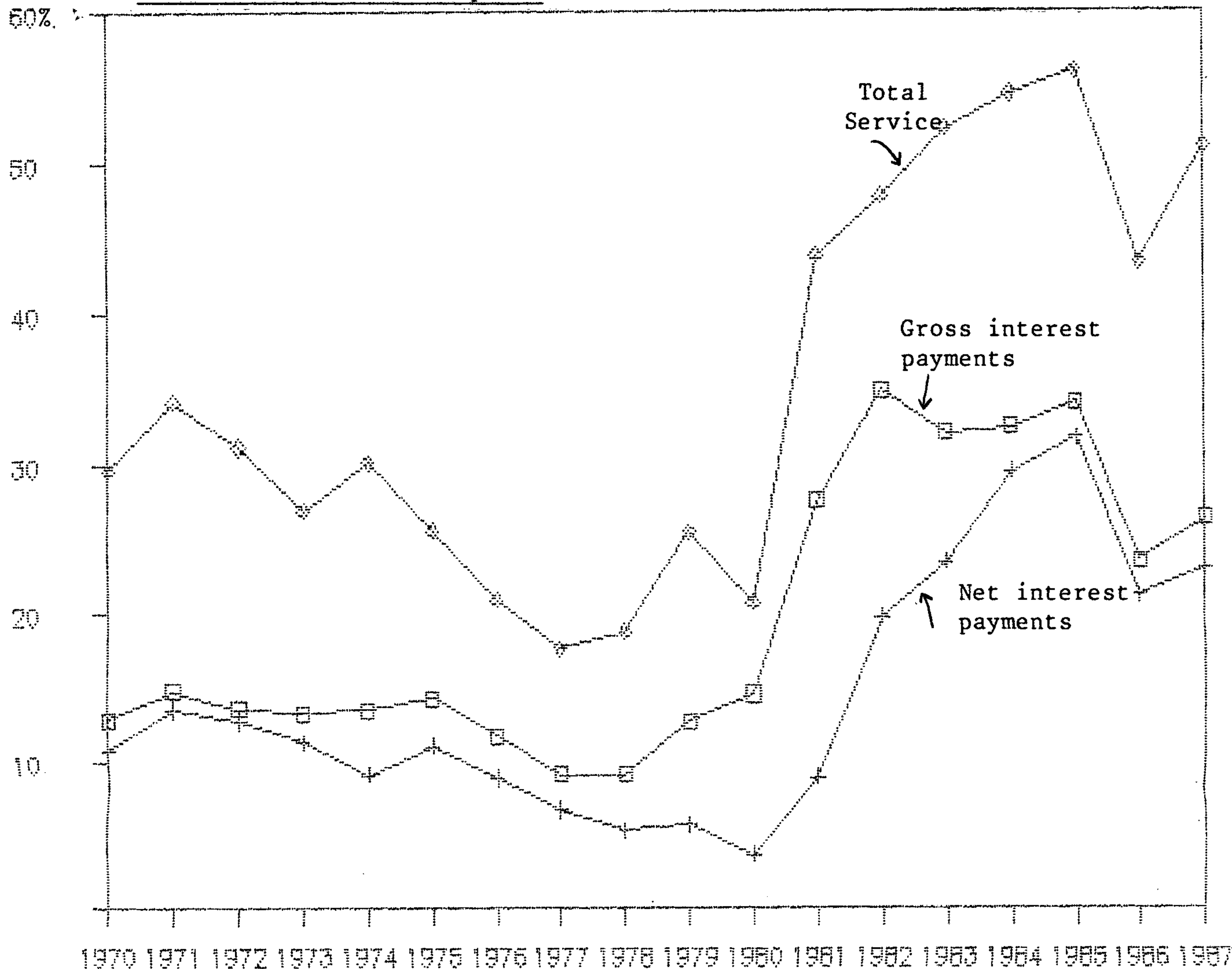
FIGURE 1

NET DEBT AND DEBT SERVICE RATIOS, 1970-1987

A. Net Debt/Exports



B. Debt service as % of Exports



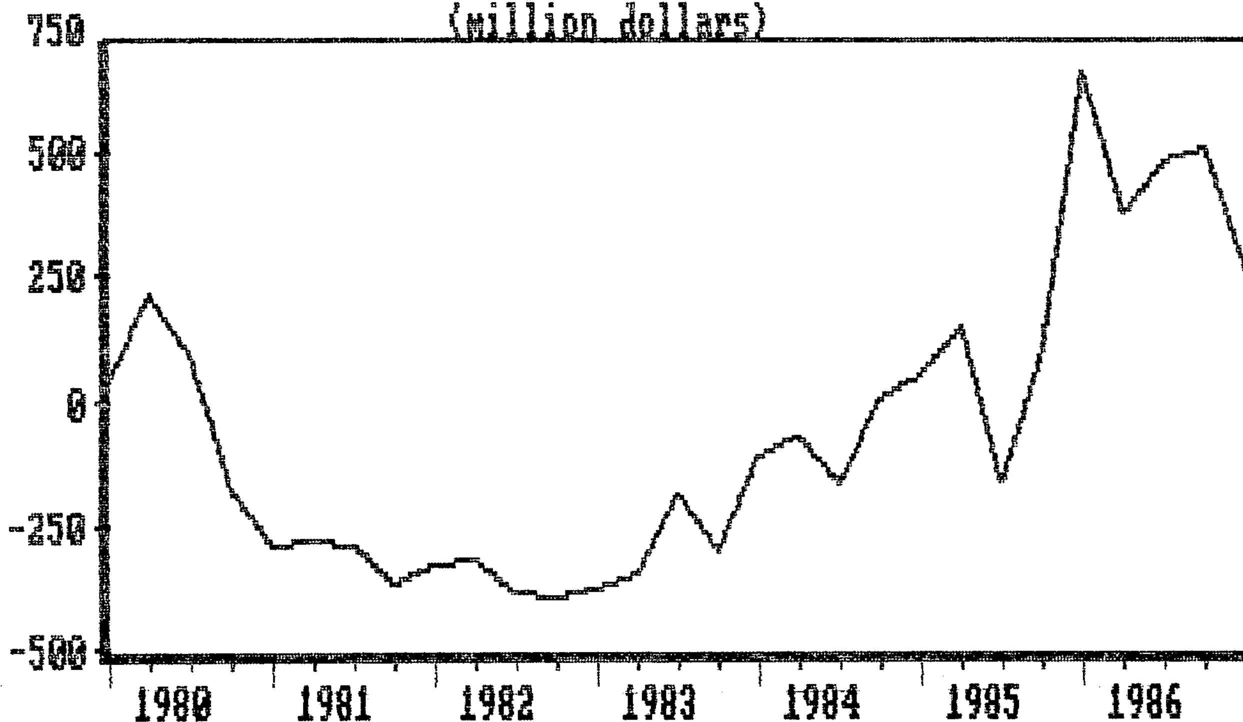
SOURCES : A. Net debt = Total debt according to Banco de la República - International reserves. Exports of goods and non-monetary gold according to Banco de la República balance of payments statistics.

B. Total service = Amortizations of public and private long-term debts + Interest payments. Net interest payments = Interest payments - Interest received. All data according to balance of payments statistics.

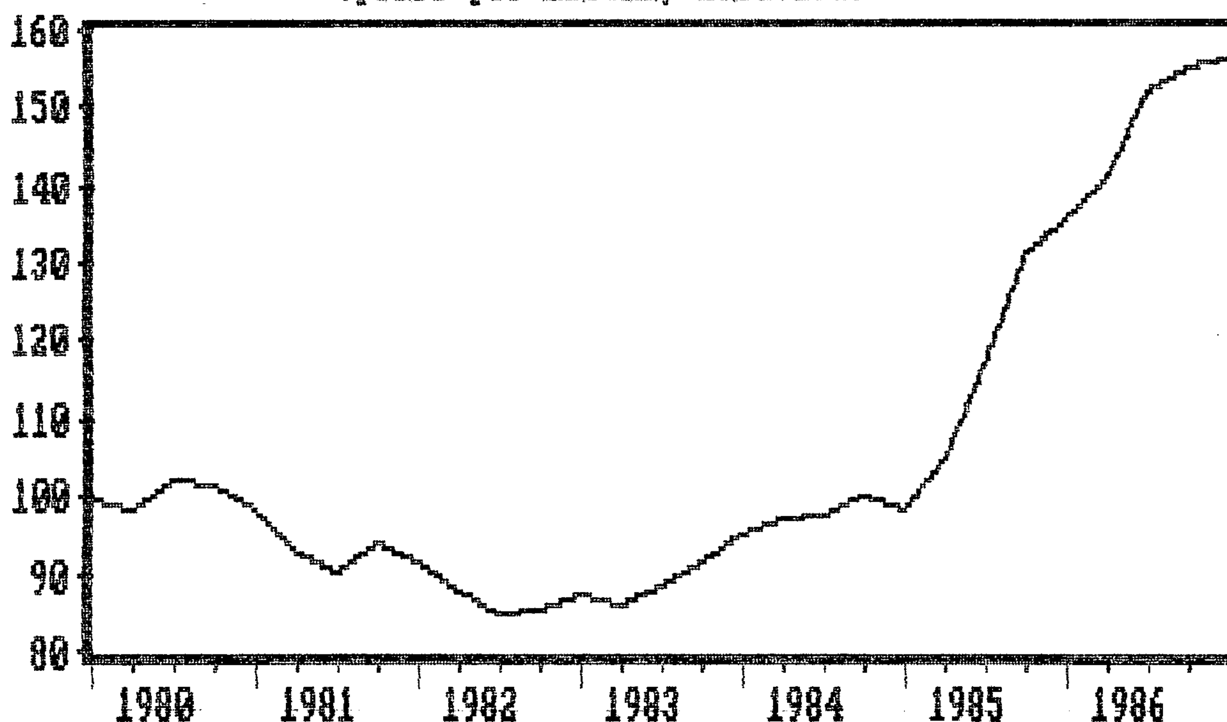
FIGURE 2

QUARTERLY MACROECONOMIC INDICATORS : 1980.1 - 1987.1

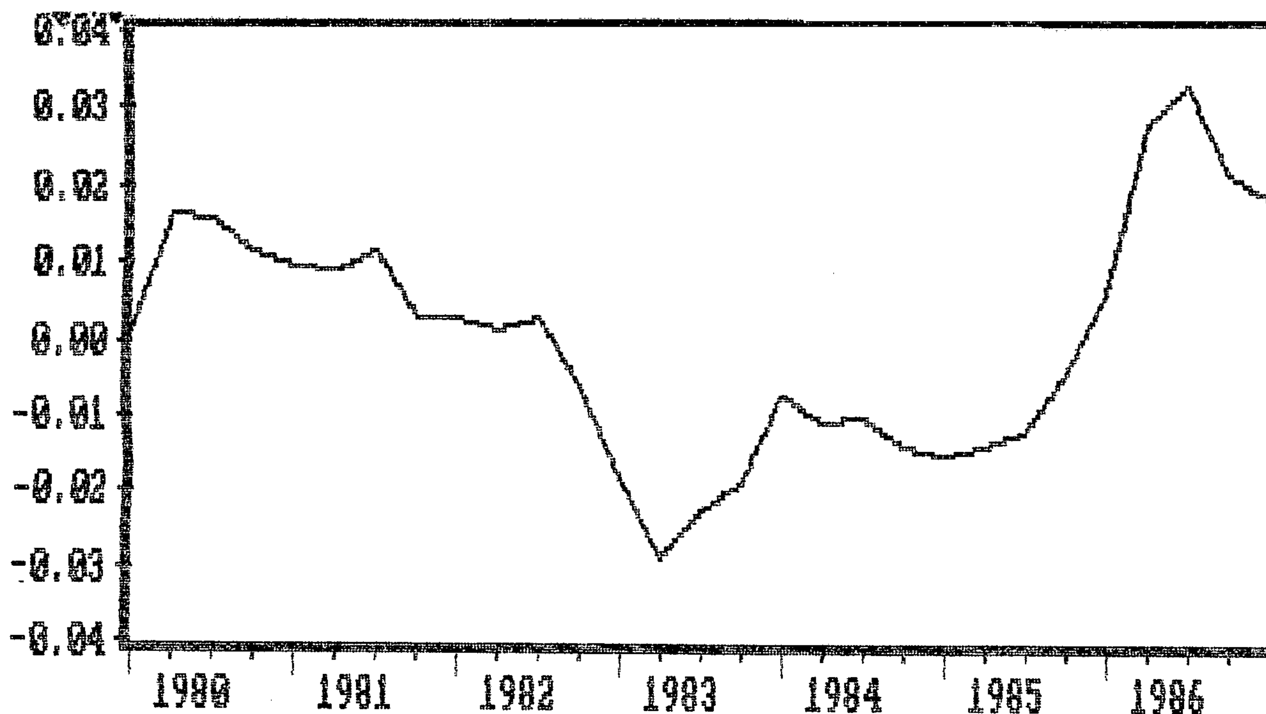
A. TRADE BALANCE
(million dollars)



B. REAL IMPORT EXCHANGE RATE
(pesos per dollar, 1980=100)



C. NON - AGRICULTURAL GDP (Deviation on trend)



Sources : A and B : FEDESARROLLO; C : Departamento Nacional de Planeacion, three-quarters moving averages of seasonally-adjusted GDP.

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