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Colombia: Betancur's Prospects After a Year in Office

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An Intelligence Assessment

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*ALA 83-10146
September 1983*

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Colombia: Betancur's Prospects After a Year in Office

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An Intelligence Assessment

This paper was prepared by [Redacted], Office of African and Latin American Analysis, with a contribution by [Redacted] ALA. It was coordinated with the Directorate of Operations. [Redacted]

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Comments and queries are welcome and may be directed to the Chief, South America Division, ALA,

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Colombia: Betancur's Prospects After a Year in Office

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Key Judgments

*Information available
as of 30 August 1983
was used in this report.*

After a year in office, Belisario Betancur remains one of the most popular chief executives in modern Colombian history. In our judgment, he has profited from consummate political skills, a reputation for honesty and integrity, his humble background, and close personal links to most sectors of the electorate. Nevertheless, we believe that Colombia's growing problems—especially the economy and the insurgency—will begin soon to erode his popular standing and complicate his political position.

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The economic decline presents Betancur with painful choices between his populist preferences and the realities of the international financial situation. His expansionary policies to revive the economy are not taking hold and are undermining his pledge to reduce inflation. Despite efforts to restrict imports, declining exports and continuing capital flight are compounding the problem of foreign bankers' reluctance to extend new loans, thereby making debt servicing difficult. Consequently, we believe the economy will manage only 1-percent growth this year—matching the worst performance in 30 years—and do only marginally better, if at all, next year. If Bogota proves unable to obtain substantial new international loans—as seems likely—it probably will be forced to join other South American countries in rescheduling external debt under IMF auspices, thus forcing economic retrenchments.

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Betancur's failure to curb domestic violence—earlier this year guerrilla organizations rejected the President's generous amnesty—is causing the flight of key foreign and domestic entrepreneurial and management talent, according to the US Embassy. This, plus the voluntary exile of wealthy citizens and their capital, is undermining foreign investor confidence at a time when the country can ill afford it.

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Betancur now recognizes the amnesty has failed and, with guerrilla violence on the increase, is considering ordering tougher military counter-measures.

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Ironically, these events are improving the President's relations with the Colombian armed forces, an institution he has long distrusted. the military—which regarded the President's amnesty effort as naive and ill advised—is satisfied with Betancur's shifting views on the guerrillas. Thus we judge that a military coup—which has occurred only once this century—is very unlikely over the next year or so.


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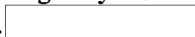
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The President's hispanic nationalism has resulted in his implementation of a new, Third World-oriented foreign policy designed both to demonstrate Colombia's independence from the United States and to propel the country to the forefront of Latin America's diplomatic ranks. Whereas Bogota almost automatically supported US positions in earlier years, under Betancur it has joined the Nonaligned Movement, moved closer to Nicaragua and Cuba, and become a key regional participant in the Contadora Central American peace initiative. 

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Notwithstanding Betancur's jingoism, we judge that his chief foreign policy goal is not to alter drastically Colombia's pro-Western orientation, but to establish that Bogota has chosen its own course instead of following one dictated by the United States. Thus, we anticipate some opposition to the United States in international forums and a fair amount of critical rhetoric, but we also expect that substantive bilateral relations will maintain a fairly even keel. Betancur will act as an independent—but not intemperate—voice on Central American policies. Betancur's ideological penchant for renewing relations with Cuba has been balanced by his sensitivity to the military's distaste for Cuba and to Havana's continuing support for Colombian guerrillas. We believe this will induce him to continue a cautious approach to Castro over the next year, taking only slow and incremental moves toward restoration of diplomatic ties. 

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On major bilateral issues, we expect Betancur to continue—but not expand—cooperation on narcotics enforcement. More significant problems could evolve on the economic front even though we believe US investments in Colombia—especially participation in the El Cerrejon coal project—will be treated pragmatically by Bogota. Further deterioration in Colombia's balance of payments could lead to more nationalistic trade policies aimed at reducing the \$1 billion US trade surplus. Bogota could also deliberately slow debt repayments, following the examples of Argentina, Brazil, and Venezuela, thus reducing profits of US financial institutions. 

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**Colombia: Betancur's Prospects
After a Year in Office** [Redacted]

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Introduction

President Belisario Betancur took office in August 1982 promising to quell insurgent violence and reverse the country's economic decline. His lack of success to date on both fronts has not diminished the strong public support both for Betancur as a person and for his new, Third World-oriented foreign policy. According to recent polls, however, there is a growing gap between how the electorate views him personally and its expectations for the overall success of his administration. [Redacted]



President Belisario Betancur [Redacted] Latin American Times ©

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This paper examines the potential problems Betancur will face in reconciling popular expectations with domestic and foreign realities; analyzes the strategies behind his major policy decisions and posits likely future policies and their domestic impact; and assesses the implications of these actions on Colombia's relations with the United States [Redacted]

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The Betancur Phenomenon

Betancur is one of the most unusual, enigmatic, and—so far—popular presidents in Colombia's history. In a country where corruption at the highest levels of government is the norm, he has an unparalleled reputation for honesty and integrity. Even after a year in office, this image, his humble origin—one of 22 children from a poor working-class family—and his consistent concern for social justice and the plight of the common man have combined to keep his popular backing in the 80-percent range. [Redacted]

group that Betancur—a self-styled “renaissance man”—has chosen some of his closest friends, including Nobel Prize winner and fervent pro-Castro sympathizer Gabriel Garcia Marquez. [Redacted]

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According to the US Embassy, Betancur also is a “hispanic racist”—a man whose fervent nationalism is reminiscent of Peronism in its pitch and approach. Betancur does not look at problems and people in political/ideological terms of East against West, but rather in the context of “Latins” against “Anglos.” Several powerful domestic political circles, especially Colombia's leftist intellectual and artistic community, reinforce his mind set. Moreover, it is from within this

Betancur's style is evident in how he presides over one of Latin America's most unusual political systems. Following a decade of civil war, Colombia's two major political parties—the Liberals and the Conservatives—agreed in 1958 to share power for 16 years in a National Front, dividing patronage evenly and alternating the presidency every four years. This political pact expired in 1974—and two successive Liberal presidents were elected—but many vestiges of power sharing remain. For example, although Betancur won office in 1982 as the Conservative's standard bearer without any previous agreements with his opponents, he was obliged by this longstanding tradition to grant cabinet seats, governorships, and other high-level jobs to members of the Liberal Party. [Redacted]

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Nevertheless, Betancur has been very effective in maneuvering within the limits of this system, primarily because of his personal talents and his strong support at nearly all social levels. Extraordinarily receptive to alternative opinions and with close personal links to all parts of the political spectrum, the President often blunts his opponents' arguments by soliciting their views during the decisionmaking process. This strategy may entail longer term costs, of course, by inhibiting the formulation of a coherent governmental philosophy. Under Betancur, policy often has been improvised and subject to change depending on shifts in public opinion, which the President monitors closely. [redacted]

Although such flexibility has appeared to many observers occasionally to border on vacillation, Betancur's continued high personal popularity thus far has effectively blunted major criticism of his government.

[redacted] the President's extraordinary public support stems both from his populist appeal and his ability to separate himself from unpopular domestic policy actions by using his cabinet ministers as lightning rods. In addition, he has preempted some traditional Liberal causes, such as amnesty for the insurgents, economic reforms, a more independent foreign policy, and better relations with Cuba. As a result, few detractors have found it politically expedient to attack the President on his failure to fulfill major campaign promises. [redacted]

All of these characteristics have had substantial bearing on Betancur's efforts to accomplish his three major goals. The first of these is his desire to establish Colombia as an important diplomatic power in Latin America. Motivated by Latin nationalism as well as practical politics, he has involved Colombia in a variety of international forums, assumed a personal role in the search for peace in Central America, and aligned Bogota more closely with the positions of other Latin nations on a number of diplomatic issues. The second goal—stemming largely from Betancur's moral integrity and national pride—has been to end the country's longstanding insurgency. In approaching his third objective, economic reform, Betancur has attempted to balance—so far without much success—his commitment to such highly popular campaign

promises as low-cost housing and improved educational opportunities with the need for austerity in the face of Colombia's worst economic recession since the 1930s. [redacted]

A New Foreign Policy

From the earliest days of his administration, Betancur stressed the need for a new, independent foreign policy. According to the US Embassy, this quest has been influenced by Betancur's historical perspective that "Latins" have lost virtually every confrontation with "Anglos" over the last 300 years. Thus, the President regards the United States as the primary antagonist of Latin America. He believes that close relations with Washington—particularly those established by his predecessor, former President Turbay—have isolated Colombia from other developing countries and have fostered an image of the country as a US satellite. Moreover, he argues that, by challenging Cuba's pursuit of a UN Security Council seat in 1979 and by refusing to ask the OAS to invoke the Rio Treaty during the Falklands conflict, Colombia lost touch with the Latin American consensus. [redacted]

Colombia's entry into the Nonaligned Movement (NAM) last March is the most visible symbol to date of the President's drive to distance his country from the United States. In part for this reason, the initiative played well domestically. The move was consistent with Betancur's desire to better his government's relations with the Colombian left. At the same time, conservative critics were mollified by the administration's stated intention to stand as a voice for moderation within the NAM. [redacted]

Closer relations with Cuba and Nicaragua have become an important feature of the new foreign policy. Overtures to these nations reflect, in our judgment, Betancur's belief that Colombia cannot become a major force in Latin America if it does not communicate with all countries of the hemisphere. Moreover, new ties to Nicaragua already have provided practical

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benefits. The conciliatory policy—friendly rhetoric, expanded trade on a most-favored-nation basis, and a \$50 million line of credit to Managua—has apparently led the Sandinistas to refrain from publicly pressing their claim to the San Andres and Providencia archipelago area.¹ In a similar vein, Colombian support for Nicaragua's bid for a UN Security Council seat last year was rewarded when Managua backed Bogota's successful application for NAM membership.

In principle, Betancur favors restoring diplomatic ties with Cuba, which have been suspended since 1981 following revelations of Cuban support for Colombian guerrillas. We believe that, although Betancur is motivated primarily by personal ideology, practical political considerations also play a part.

raprochement with Cuba would help modify the traditional oligarchic, pro-US image of the ruling Conservative Party, thus making it appear more "progressive" in the eyes of voters. On the other hand, the administration's knowledge of Castro's continued backing of Colombian subversive groups has undercut Betancur's hope that his informal moves toward rapprochement would prevent Cuban interference in Colombia's internal affairs, something that most military officers have doubted all along.

Under these circumstances, according to the US Embassy, Betancur has concluded that it is best not to resume formal, diplomatic connections in the near future. Instead, he reportedly is studying the possibility of allowing the Cubans to open a commercial office in Bogota. Under this arrangement, Havana would once again have an official representation in Colombia, and the President could claim some credit for a progressive foreign policy initiative.

Greater Colombian involvement in regional initiatives marks another dimension of Betancur's higher profile foreign policy. The administration has devoted most of its time and energy to seeking a solution to the

¹ The dispute over ownership of these Caribbean islands is long-standing. In 1928 a bilateral treaty recognized Colombian sovereignty, and Colombia currently occupies the islands. The dispute has periodically flared in recent years, and in December 1979 the Sandinista government publicly repudiated the treaty on the grounds that it was negotiated under duress during the US occupation of Nicaragua.

problems in Central America. As one of the principal architects of the Contadora peace initiative—which includes Venezuela, Mexico, and Panama as well as the five Central American nations—Betancur has successfully projected a new international image of Colombia as a major regional peacemaker. The group's failure thus far to find ways to alleviate tensions in the area has not yet reflected badly on Colombia, which we judge is winning new respect from its Latin colleagues for its role in the negotiations.

Betancur also has displayed an activism on regional economic concerns—including the debt issue—that has contributed to his enhanced prominence in the hemisphere. Blaming developed countries for the global recession, he has called for more financial assistance to Latin America. For example, during President Reagan's visit last December, he urged the United States to promote a modernized "Alliance for Progress." In early 1983 he proposed the creation of a Latin American version of the IMF and a \$40 billion emergency fund to help sustain world development. In his message last June to the sixth session of the UN Conference on Trade and Development (UNCTAD VI) in Belgrade, Betancur attacked developed countries' protectionism and called for a new round of negotiations within the framework of the General Agreement on Tariffs and Trade (GATT). Because of his willingness to speak out on the debt issue, a group of Latin American economists meeting in May under the auspices of the Economic Commission for Latin America (ECLA) commissioned Betancur to convey the continent's viewpoints—summarized in the Declaration of Bogota—to the Williamsburg Summit partners.

At the same time, the President's efforts to have Colombia join the ranks of such traditional Latin leaders as Mexico and Brazil have caused him some embarrassment. Reflecting his belief in consensus politics and personal relationships, in our view, Betancur has shown a penchant for attempting to resolve intractable regional problems by convening meetings

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Central America, Contadora, and Betancur

In January 1983, President Betancur abruptly ended his nation's passive role in Central America by publicly announcing Bogota's willingness to serve as a mediator. Shortly thereafter, the "Contadora Four" initiative was born, and it has since become the central focus of peacekeeping efforts in the region. When the effort appeared stymied last April, Betancur resuscitated it with a whirlwind 48-hour presidential visit to the other Contadora participants—Venezuela, Mexico, and Panama. This ultimately led to the first negotiating session involving the Contadora Four and the five Central American nations. A similar tour by Betancur of Central America in late July also attempted to boost flagging peace prospects. [redacted]

Betancur's involvement reflects his general objectives of establishing a personal leadership role in hemispheric affairs and organizing Latin America into a unified bloc less dependent on the United States. Active involvement also embodies Betancur's belief that Colombian interests are gravely endangered when the region's domestic and bilateral conflicts

become enmeshed in East-West politics. Thus, he aims to diminish the involvement of the superpowers in Central America to reduce the risk of internationalizing the conflict. [redacted]

Betancur's views of specific Central American issues are not as well defined, however, probably because on most points there is some conflict between his ideals and Colombia's national interests. He favors a negotiated solution to the conflict in El Salvador, for example, but the concept of government-guerrilla power sharing could set a threatening precedent for his own insurgent-plagued country. Similarly, while he sympathizes with the revolutionary aspirations of Nicaragua's Sandinistas, he sees their Cuban-backed military expansionism as a potential threat to Colombia's Caribbean island possessions—also claimed by Nicaragua—and to its other regional interests. Finally, while Betancur apparently wants to believe Cuban denials of a major role in Central American insurgencies, he feels personally threatened by Havana's continuing support for Colombian terrorist groups. [redacted]

of heads of state. He invested a great deal of personal prestige in a much-publicized call for a major high-level conference to examine hemispheric relations in the wake of the 1982 Falklands war. By last June, however, his fevered plans had degenerated into a purely ceremonial gathering of Western Hemisphere foreign ministers on the occasion of the 450th anniversary of the founding of Cartagena, Colombia. [redacted]

Domestic Issues

Continuing Insurgent Violence

Early in his presidential campaign, Betancur promised to bring peace to a nation wracked by 40 years of domestic political violence. He hoped to end Colombia's insurgency—numerically the largest in South America—by offering a broad amnesty to members of the country's four most prominent guerrilla groups. In our judgment, however, the amnesty plan was doomed

almost from its inception. [redacted] the majority of guerrilla leaders never seriously considered laying down their arms and participating in the legal political process. [redacted]

Signed into law last November, the amnesty offered generous terms, including a full pardon for all politically motivated crimes except murder outside of combat. Betancur buttressed public support for the amnesty when he simultaneously announced ambitious rural economic development plans to eliminate the root causes of insurgency in areas of guerrilla activity. Unfortunately, these seeds of an effective response fell on barren ground:

- The two smallest insurgent organizations publicly stated even before the amnesty was passed that they would not accept it.

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- Of the two largest insurgent groups—the Revolutionary Armed Forces of Colombia (FARC) and the 19th of April Movement (M-19)—the former apparently never intended to abandon the armed struggle. Although FARC representatives negotiated with the government over terms of the amnesty, its leaders effectively rejected the program by demanding the demilitarization of all disputed areas—a prerequisite totally unacceptable to the Colombian military.
- The leadership of the M-19 went to great lengths prior to the enactment of the amnesty law to give the concept public support but ultimately rejected the government’s offer.

Since the M-19’s formal public rejection of the amnesty last April, guerrilla violence has surged. [redacted]

The M-19’s refusal to lay down its arms reportedly stunned the Betancur administration. We believe Jaime Bateman, the M-19’s leader at the time the amnesty was proposed, seriously considered accepting it, in part because of his personal political ambitions.

[redacted]

Despite the populace’s general support for the President’s initial efforts, the growing insurgent violence is presenting Betancur with new political and economic problems. Most important, the large number of kidnappings of businessmen [redacted]

[redacted] targeting employees of multinational firms, is causing the flight of key foreign and domestic entrepreneurial and management talent. This, plus the voluntary exile of wealthy citizens and their capital, is eroding investor confidence at a time when the country can least afford such a trend. [redacted]

Betancur and the Military

Ironically, the amnesty’s failure has reduced tensions between Betancur and his armed forces. The strain in relations, which prevailed almost from the beginning

of the new administration, stemmed from the President’s initiation of several new policies over the objections of the conservative military hierarchy. These included, in addition to the amnesty for the guerrillas, Bogota’s joining the NAM, warmer relationships with Nicaragua and Cuba, and a cooling of close military ties with the United States. [redacted]

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Despite these antagonisms, over the past year both sides acted to maintain the traditional executive-military equilibrium. For example, the President refused to accede to guerrilla demands for a military withdrawal from all insurgent-dominated areas during the amnesty negotiations. He also promised funds for a much-needed force modernization. Although rumors of coup plotting surfaced last January, these proved groundless as military leaders continued their historic respect for constitutional democracy and, despite misgivings, supported every executive decision. [redacted]

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[redacted] the terrorists’ rejection of the peace plan is now leading to a growing understanding between the President and the military. The high command hopes that the failure of what they saw as a noble but naive effort has sobered the President. [redacted]

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[redacted] We expect the President may approve the acquisition of additional helicopters, infantry weapons, and other equipment in order to improve the military’s counterinsurgency capabilities. [redacted]

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The Economic Challenge

Taking office during a period of worsening economic performance placed Betancur, the populist, in a dilemma. On the domestic front, economic growth had slowed to a crawl, causing unemployment to rise, while inflation remained at high levels. According to IMF statistics, a falloff in exports and rising imports and high world interest rates were pushing the current

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Colombia: Current Account Trend

Million US \$

	1980	1981	1982	1983
Current account balance	-159	-1,895	-2,292	-3,000
Trade balance	-238	-1,544	-1,946	-1,805
Exports, f.o.b.	4,062	3,219	3,230	2,875
Of which:				
Coffee	2,375	1,459	1,577	1,500
Imports, f.o.b.	4,300	4,763	5,176	4,680 ^a
Net services and transfers	79	-351	-346	-1,195

^a Reflects tightening of nonessential imports and accelerated monthly devaluation pace.

account deficit to yet another record level in 1982 at a time when foreign financing was becoming harder to obtain. The administration was faced with the difficult task of devising an economic strategy that would both improve the domestic economy and prevent a payments crisis.

The Policy Response. Betancur, under heavy political pressure to adopt more expansionary policies, has given highest priority to reviving the economy. He has increased public spending and granted new subsidies—tolerating a higher fiscal deficit—to spur growth. Betancur has also loosened monetary restraints by lowering interest rates and eased access to credit for financial institutions, importers, and farmers. Despite these stimulative policies, he has pledged to reduce inflation.

Betancur was counting on a strong world recovery to improve the external accounts this year. Instead, exports headed lower and foreign financing became harder to obtain, forcing Bogota to take steps to shore up its external payments position. To improve the trade accounts, for example, Betancur has authorized increased export subsidies and lowered export taxes, and progressively tightened controls over imports. Bogota has also recently introduced new restrictions to restrain capital flight and avoid losing foreign exchange reserves.

The Roadblocks to Success. External economic factors continue to prevent Betancur's economic policies from producing the intended results. Lackluster world recovery has reduced export earnings, hindering an upturn in industrial employment. Moreover, protectionist moves by Colombia's Andean Pact neighbors—the destination of over 30 percent of Colombia's exports—are adversely affecting sales and employment in the industrial export sector. For example, for the first quarter of 1983 Colombian shipments to Andean Pact countries were down 56 percent. Difficulties in obtaining foreign borrowing are now also hindering the development of new projects necessary to boost the domestic economy.

Betancur's efforts to curry some political favor by relaxing fiscal discipline will hinder efforts to reduce inflation. Increased public spending is pushing the public deficit beyond the 4.5 percent of GDP recorded in 1982. With foreign borrowing harder to manage, Bogota is likely to resort again to increasing the money supply, thereby perpetuating high inflation.

The administration's policies to shore up its fiscal accounts have been ineffective. President Betancur declared some emergency tax reform measures to raise revenues, aimed at reducing the government deficit, but they were ruled unconstitutional by the Supreme Court. This forced the President to send his tax reform to a special session of Congress for approval. During the delay, increased export subsidies and lower export taxes widened the imbalance between public revenues and expenditures. Even though the measures have finally been passed, they will have no impact on the budget deficit until next year.

Some of Betancur's other ambitious plans are making little headway as well. The President predicted, for example, that 70,000 new jobs would be created this year by the housing program alone. Until construction strengthens, however, Betancur will have difficulty reducing unemployment. The US Embassy reports that for the first six months of 1983 the unemployment rate for the four largest cities climbed from 10.8 percent in March to 12 percent at the end of June—the highest rate since 1974.

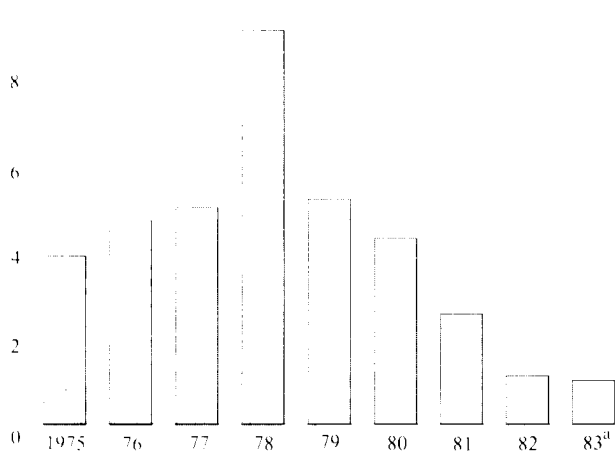
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Colombia: Economic Indicators

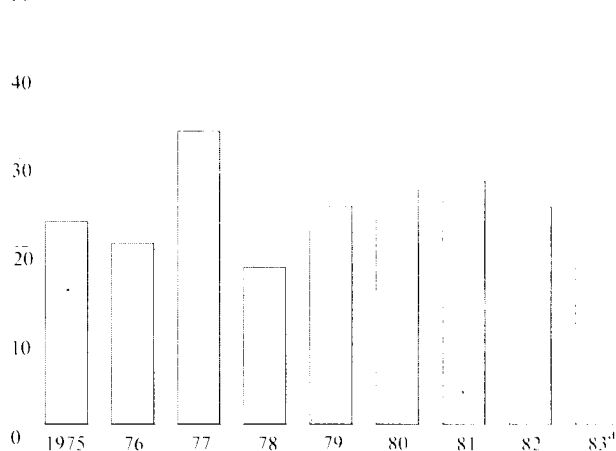
Real GDP Growth

Percent



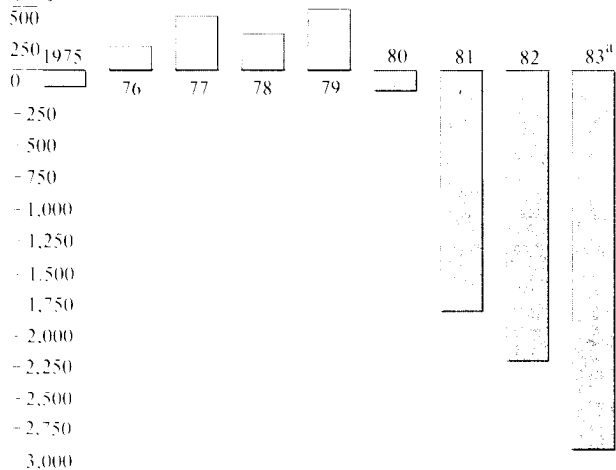
Consumer Price Inflation

Percent



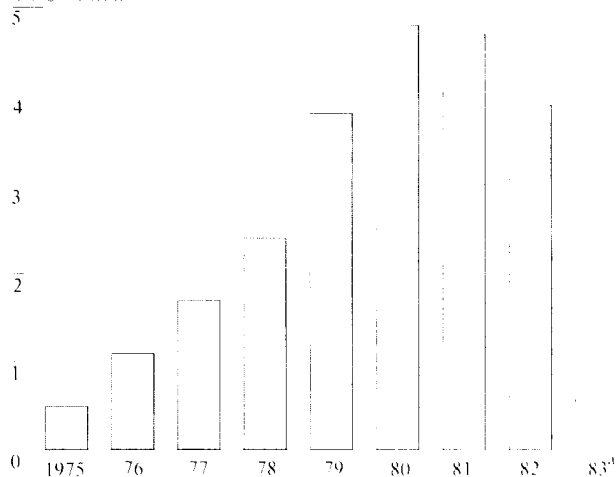
Current Account Balance, Excluding Official Transfers

US \$ Million



Foreign Exchange Reserves, End of Year

US \$ Billion



^dEstimated.

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We expect the economy to remain in the doldrums for the third consecutive year in 1983 despite the government's efforts at stimulative policies. Economic growth is unlikely to meet the 2-percent official estimate for this year or exceed last year's 1 percent—the worst performance since 1950. The recession will probably further boost unemployment rates, particularly in urban areas. Stimulative economic policies will cause the inflation rate to hold near the 25-percent level—above the official 20-percent target. Although prices for imported goods have declined, those of domestically produced goods have risen steeply. [redacted]

Simultaneously, declining exports, capital flight, and foreign banker reluctance to extend new loans are heightening Colombia's vulnerability to debt servicing difficulties in 1983. The US Embassy reports most lenders still unwilling to increase their loan exposure in Colombia because of general unease in lending to South America. Consequently, Bogota was forced to draw down over \$1 billion of its liquid foreign exchange reserves during the first seven months of this year, leaving a balance of \$2 billion, less than five months of import cover. At this rate, liquid reserves could be depleted by yearend. If Bogota proves unable to obtain substantial new international lending in coming months—as seems likely—Colombia probably will be forced to join other South American countries in rescheduling its external debt under IMF auspices. [redacted]

Prospects

Betancur's ambitious plans for Colombia, in our view, could fuel a classic cycle of rising expectations. Thus, we agree with the US Embassy's assertion that the greatest danger to stability in the coming year probably will come from the President's promising, and the public's demanding, more than can reasonably be achieved. Betancur's image of candor, sincerity, hard work, and decency thus far has insulated him from the political repercussions of his policy shortcomings. We do not believe this can continue much longer. Colombia's worsening economic and internal security situations almost ensure that his personal popularity will start to erode over the next 12 months. [redacted]

On the political ledger, Betancur's opponents will thus be able to trade on tougher economic times to increase criticism of the administration as they campaign for the midterm elections in 1984 for departmental assembly and municipal council jobs. The President also may face tougher opposition in the Congress—where he currently holds only narrow majorities in both houses—as he attempts to secure passage of several controversial political and economic reform programs. A plan to offer more effective participation in the political system to representatives of all political persuasions probably will spark the most heated debate, because it essentially undercuts the last vestiges of the National Front agreement. The law would regulate the free play of contending political groups, guarantee equitable access to the media, strengthen the autonomy of the electoral registrar, and provide for the local election of mayors, rather than the current system of appointment by the central government. [redacted]

We believe the President will continue to forge the alliances that will enable him to dominate his opposition, but his margin will narrow. For example, in a recent cabinet reshuffle, Betancur improved the prospects for his legislative proposals by reallocating seats to garner support from a major Liberal Party faction. At the same time, by forming his new cabinet without prior approval from official Liberal Party standard bearers, he has broken an important tradition of co-governance and charted a more aggressive and independent political course. [redacted]

Betancur will be unlikely to engineer an economic recovery and lower inflation in 1984. Based on CIA and OECD estimates of recovery in the developed countries, Colombian exports will not post the strong rebound needed to reduce the persistent current account deficit. We believe international bankers will resist financing a large payments deficit and the loans needed for new development projects. Simultaneously, Bogota's unwillingness to cut public spending augurs another large budget deficit. This will, in turn, cause an expansion in the money supply, putting upward pressures on prices. [redacted]

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To regain banker confidence and support, we foresee Bogota's undertaking an economic adjustment program under the guidance of the IMF to improve the external accounts and reduce inflation. This is likely to entail a peso devaluation to increase exports and steps to slow the economy to reduce import demands. Moreover, such a program would probably aim at trying to reduce inflationary pressures by reining in large budget deficits and generous wage and salary increases—which would conflict with some of Betancur's deepest personal political beliefs. Under this scenario, Colombia's economic prospects remain gloomy. Even if world recovery begins, the economy will suffer through yet another year of no growth, high unemployment, double-digit inflation, and falling real wages. [redacted]

Another pressing problem for the President will be the formulation of a new counterinsurgency strategy. As reflected in the press, most citizens tend to blame the guerrillas rather than Betancur for the failure of the amnesty, but many now regard the question as moot, since insurgent rejection of the pardon appears categorical. The politically important upper and middle classes are demanding action against the resurgence in kidnappings and violent crime, according to US Embassy reports. Because Betancur is so highly attuned to public opinion trends, we believe that over the next year he will permit major increases in military counterinsurgency operations. This probably will conflict with his deep belief in conciliation and consensus as the best course to peace, but a stepped-up military civic action program will enable him to rationalize the change in tactics [redacted]

Such developments, moreover, probably will further improve Betancur's previous strained relationship with the armed forces. The only interest group capable of forcing a change in government, the military resented the President's generosity toward the guerrillas and his cooling of ties with the United States. Nonetheless, we believe there was little possibility of a coup even last January when there were rumors to that effect, and even less chance now that the President is shifting his views on the guerrillas. [redacted] the military, which has intervened only once in the Colombian political process in this century, will continue to support the democratic tradition under foreseeable circumstances for at least the next year or so [redacted]

Implications for the United States

We believe Betancur will persist in his campaign to acquire greater diplomatic stature for Colombia by maintaining a high-profile, nationalistic, Third World-oriented foreign policy. We judge that the President's chief purpose is not to alter drastically Colombia's pro-Western orientation, but to establish that Bogota has chosen its own course rather than one dictated by the United States. As a result, we expect occasional strains in bilateral relations—probably with increasing frequency on economic issues—and continued criticism of US policy in Latin America. On the whole, however, Colombia's position toward the United States is not likely to become antagonistic. [redacted]

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The US Embassy has noted several negative effects of Betancur's stewardship on US interests. These include a shift away from consistent support on a variety of international issues, especially those that have been cast in an East-West context. For example, Colombian backing for the US position on El Salvador that characterized the Turbay government has evaporated under Betancur. Improved relations with Nicaragua have led Betancur to give the Sandinistas the benefit of the doubt on some Central American questions. [redacted]

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Similarly, with regard to Cuba, Betancur apparently remains committed in principle to restoring diplomatic ties, although we expect little movement on this over the next year because of the opposition of the Colombian military. [redacted]

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[redacted] Havana is promoting unification of Colombian guerrilla groups and offering more money and arms as an incentive will reinforce the armed forces' view. This will help keep Betancur's personal inclinations in check and perhaps begin to moderate the President's thinking. [redacted]

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Betancur's actions on these issues have been balanced somewhat by his moves on other matters. During the 37th UN General Assembly session, for example, [redacted]

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Colombia voted against the position of its NAM colleagues on the proposed expulsion of Israel and the inclusion of the Puerto Rican question on the agenda. The US Embassy, moreover, predicts continued Colombian support in the coming year for US positions on Afghanistan, Kampuchea, and chemical and bacteriological weapons use. Because, as the US Embassy reports, part of Betancur's strategy in joining the NAM was to ally with moderate members and steer the organization away from its often radical policies, Washington stands to gain some indirect benefits. Finally, in the Embassy's view, the growing Latin American and Third World perception of Colombia as an independent actor means that, when US and Colombian interests coincide, Bogota's support may carry more weight than in the past, when its backing for the United States was taken for granted. [redacted]

Similarly, we judge that, while Betancur's efforts in Central America will rarely be parallel to those of Washington, both domestic restraints and increasing diplomatic pragmatism will help keep Colombia in the moderate camp. The concept of government-guerrilla power sharing in El Salvador, for instance, could be a Pandora's box for a Colombian government that is faced with its own serious insurgency. In addition, Betancur's practical experience through the Contadora initiative may have moderated his views on Central America. He recently, and uncharacteristically, advised US Embassy officers to note that, although he considered US naval forces in Central American waters to be potentially destabilizing, he had refrained from making any public statement on the matter [redacted]

In the bilateral sphere, Betancur may indulge in occasional public criticism of US positions. Nevertheless, the President has not altered Colombia's commitment—begun under the previous Turbay administration—to a more aggressive and dynamic Caribbean policy in line with the US-sponsored Caribbean Basin Initiative. Likewise, in the field of narcotics control, Betancur has continued in force all existing bilateral programs. We believe, however, that he will resist implementation of any new efforts against the drug trade. His strong desire not to appear to be yielding to US pressure, coupled with the widespread belief in

Colombia that the narcotics industry is a US problem, probably will doom any chance for a large-scale herbicidal spray control program. [redacted]

More worrisome implications for the United States could occur in the event of a further deterioration in Colombia's balance of payments. Under these circumstances, Betancur may shift to a more nationalistic economic strategy, resorting to increased tariffs, tougher import quotas, and tighter restrictions on dividend payments or capital repatriation. For example, according to Finance Minister Gutierrez, the Betancur administration intends to cut imports from countries with which it has trade deficits, and the United States enjoys a \$1 billion trade surplus with Colombia. Bogota could also deliberately slow interest and principal repayments to US commercial banks, following the examples of other major Latin American debtors such as Brazil, Argentina, and Venezuela. [redacted]

More protectionist Colombian policies are already affecting US trade relations with Colombia. The US Embassy reports that US exports of canned food, wines, horses, and fresh fruit have already been restrained, and more cutbacks can be expected as further import controls are enforced by the cumbersome Colombian bureaucracy [redacted]

Although Betancur's foreign investment policy is similarly nationalistic and thus carries some potential to increase tension with US investors, we expect it will generally be administered more pragmatically than trade policy. In October 1982 Bogota pressured a US company, Marathon, to increase its use of Colombian firms in developing a promising coal-producing project. On the other hand, the government has not initiated any moves against Exxon, the primary foreign participant in the giant El Cerrejon coal project—the country's most important planned revenue-producing project of the 1980s—because of the firm's willingness to use local suppliers in the project. [redacted]

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In our judgment, Betancur's sensitivity to his nation's political realities will help moderate his nationalistic tendencies and, in the process, keep US-Colombian ties on a fairly even keel. Despite his intellectual flirtation with the Colombian left, we believe the President is well aware of the relative weakness of that side of the spectrum in the formal political arena. As such, we judge it is unlikely that Betancur will jeopardize his position with powerful domestic conservative forces—including key elements of his own party, the entrepreneurial elite, and the military—that favor continued close economic and political relations with the United States.

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