

## Banking by Kathy Burdman

### Colombian scandal greets new President

*The collapse of the Grupo Colombia financial house could pave the way for a purge of the Dope networks there.*

Last month's collapse of one of the largest financial conglomerates in Colombia—the "Grupo Colombia"—has opened up a scandal that could provoke a long-overdue clean-up of that country's drug-and-speculation ridden economy.

The Grupo Colombia was bought up five years ago by one Felix Correa Maya. Since 1977 it has accumulated assets of \$583 million and acquired control of 50 companies, banks, and financial houses. According to one U.S. banker familiar with Colombian finances, "Three years ago no one heard of Correa's group. Today it lists as the sixth largest financial group in the country."

As part of its standard operating procedure, the Grupo Colombia used the savings deposited at high interest rates in its financial houses like Furatena to speculate and buy up at bargain-basement prices the companies that were unable to survive the interest-rate war it helped to promote. When Colombia's Banking Superintendent "intervened" in Grupo Colombia activities last June, it was discovered that the Correa empire had made thousands of loans to fictitious persons and used its Banco Nacional to cover its fraud.

An investigative reporter for the leading daily *El Espectador*, José Suárez, reported that many of the funds attracted by the Grupo Colombia came from individuals dedi-

cated to "unsavory businesses." The London-based *Latin America Weekly Report* of July 9 charged that "The *financieras* (financial corporations) provide a link between the classically conservative Colombian establishment and the subterranean parallel economy, drawing funds from contraband and drug smuggling. They flourish in an atmosphere of high interest rates, lax controls and feverish speculation."

Possibly the most insidious aspect of the activities of *financieras* like those of the Grupo Colombia is that they have been in large measure responsible for the de-industrialization of the Colombian economy. Exemplary is Correa's purchase of the second-largest textile firm in Colombia, Fabricato, whose assets he stripped to add to his fund for speculating. When the Grupo Colombia was "intervened" into, it was learned that Fabricato was on the verge of declaring bankruptcy, a scenario which has already been played out hundreds of times in recent years with the productive sector.

It now remains to be seen how incoming President Belisario Betancur will deal with these black market-linked speculators, whose activities taint any development efforts in this potentially rich nation.

One well-entrenched financial interest group, the National Association of Financial Institutes (ANIF) linked to the powerful

Grupo Grancolombiano, has demanded that the Colombian government bail out Correa's Banco Nacional. According to ANIF President Soto Sierra, "These (financial) entities lent a public service delegated by the state and it should be the state which goes to their defense when they fail, independent of the persons who hold their license or own them." Economic journalist Jorge Méndez responded to the ANIF proposal with the assertion that it would give carte blanche to criminals like Correa to defraud the public.

Grupo Grancolombiano director Jaime Michelsen Uribe has given a more sophisticated cover to ANIF's arguments, going on television to propose the establishment of "multi-banks" which would be able to conduct the same illegal *pyramiding* inside four walls that Correa, Michelsen and their ilk have been doing all along among the different entities of their financial empires, and government regulations be damned.

There is even some speculation inside Colombia that Michelsen "pulled the plug" on the Grupo Colombia as a warning to President-elect Betancur of the chaos he can trigger if his proposals are not accepted in fact.

Michelsen's schemes are not going unopposed. Aware that the Grupo Colombia collapse could provide an invaluable opening for the new administration to clean out the speculative rot that is undermining Colombia's institutional foundations, spokesmen for nationalist pro-growth forces in the country are letting their opinions be known to Betancur.

*This column was contributed by Valerie Rush. Part II will follow.*