

**A state under siege:
elites, criminal networks and institutional reform in Guatemala**

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Abbreviations

CACIF	Coordinating Committee of Agricultural, Commercial, Industrial and Financial Associations
CICIG	International Commission Against Impunity in Guatemala
COCODES	Community Development Councils
COMUDES	Municipal Development Councils
FMLN	Farabundo Martí Front for National Liberation (El Salvadorean left, former guerrilla group)
FRG	Guatemalan Republican Front (populist)
GANA	Big National Alliance (centre-right party)
INACIF	National Institute of Forensic Sciences
PAN	National Advancement Party (centre-right)
PP	Patriotic Party (right-wing)
UEFAC	Special Prosecution Unit Attached to the CICIG
UNDP	United Nations Development Programme
UNE	National Unity of Hope (centre-left, ruling party)
URNG	Guatemalan National Revolutionary Unity (left party, former guerrilla group)

Executive summary

The scale and severity of the challenges facing the Guatemalan state have been underlined by events over the past year. Humanitarian crises and a continuing wave of violent crime, exacerbated by the penetration into Guatemalan territory of Mexican cartels, have multiplied the demands on public authorities. The government of President Álvaro Colom, a self-declared social democrat, has vowed to fight poverty and clean up the security and judicial systems. But numerous obstacles, from within and outside his government, have hindered the work of reformists and international officials.

To a significant extent, the country is still locked into the terms of the informal political and economic settlement that lay beneath the formal peace process ending the country's civil war in 1996. Whereas the peace accords promised rural development, a stronger and wealthier public sector, and a dismantling of the structures of counter-insurgency, the post-conflict reality fell under a different paradigm. The economic elite increased its hold on political parties and the machinery of state in a context of extreme inequality. Criminal groups, involving former military officers, acting state officials, criminal entrepreneurs and gang members, extended their influence. The population as a whole, whether through conviction or fear, accepted the logic of the minimal state.

This paper, which forms part of the broader Clingendael research programme into post-conflict and fragile states, aims to unpick these constraints on governance in Guatemala, and also points to the emerging trends that are now altering the country's internal balance of power. In particular, the election of Colom in 2007 and the creation in the same year of the UN Commission Against Impunity in Guatemala (CICIG) are landmark events that appear to have undermined the post-conflict settlement. However, recent setbacks, including the paralysis of key policy initiatives – such as tax reform – and repeated acts of corruption in the security forces and the judicial system have raised questions over whether reform of the state is possible, and how it is to be carried out.

Ample evidence points to the pressure for change in key areas of governance. The business sector has diversified and generated new poles of wealth, such as non-traditional exports and the cooperative movement, that are not part of the land-owning oligarchy. Political participation is increasing, especially at the local level, and support for state action seems to be rising.

Moreover, the political landscape has begun to narrow down to Colom's party, the UNE, and the major right-wing force, the Patriotic Party. The traditional weakness of the political system – a proliferation of small parties conforming to the wishes of their financial backers – may be abating. Within the UNE, a significant nucleus of young professionals is aiming to secure a second term in office and transform the party into a coherent and programmatic force, focusing on the fight against poverty.

At the same time, the paper argues that the links between public officials and private actors have deepened and intensified. Constant flows of money and favours, from the municipal level to ministerial appointments, distort the actions of public officials and fuel intense electoral competition. New sources of finance, which may be connected to illicit activities, have become important magnets of power in Congress, the judicial system and the regions. In provinces affected by narco-trafficking, such as Petén and Alta Verapaz, the ability of drug cartels to constrain police officers and local authorities owes much to their growing importance as sources of cash and other benefits.

Despite its avowed quest for reform, the government seems to have been affected by these trends in the political marketplace. The fragmentation of the ruling party's congressional bloc, sudden ministerial reshuffles and reliance on extra-institutional reformers (such as the First Lady, Sandra Torres) have all revealed the influence of private interests on the formal structures of government. The resignation in June of CICIG chief Carlos Castresana appeared to suggest that the government has limited commitment to one of its chief objectives: the clean-up of the judicial sector.

As elections approach in 2011, and with criminal violence sowing panic in the capital and major cities, Guatemala is facing a host of pressing governance issues. The continuity of the CICIG, the possibility of future tax reform, the rise of new political actors and the effects of intensifying ideological polarization are all likely to shape the electoral campaign and the outlook of the new government. But the future of state reform will hinge on deeper factors. The performance of Guatemala's state and security institutions will depend above all else on creating support in the elite, the political class and civil society to curb the informal mechanisms that allow individual politicians and officials to be controlled by vested interests, and increasingly by criminal groups.

1. Introduction

Afflicted by some of the world's worst criminal violence, Guatemala, the largest and most populous nation in Central America, has often been diagnosed as a country that has failed to complete its emergence from conflict. Former rebel combatants and army officers, arsenals of weapons, and security forces' links with narco-traffickers are among the legacies of conflict that remain the chief impediments to the construction of a strong state across the national territory. A culture of public life based on fear, patronage, self-preservation, impunity and clandestine activity – translating into a machinery of state that is corroded from within by ties to powerful non-state actors or illicit networks – can also be traced to the intensity and duration of Guatemala's war. In particular, many of the failings of the state in the years since the 1996 peace accords can be accounted for by the powerful structures of counter-insurgency activity, and the huge difficulties faced by political leaders and the international community in dismantling them. These legacies of conflict, in terms of military hardware, criminal networks, political strategies and the degraded culture of the public sector, have undeniably shaped the current security crisis. At several key moments, reforms to the security sector or the military were subverted or aborted through the influence of these wartime actors.

But this depiction of a country that is somehow 'trapped' in the mentality of war, or caught in an endless loop of gratuitous killing, is radically incomplete. In terms of the security crisis, for instance, there is evidence that many of the primary culprits, as well as the principal contemporary narco-traffickers, had no involvement in the conflict: the most common age for an arrested murder suspect in the country is 18 (Procuraduría 2009, p. 48).¹ As for the broader landscape of Guatemala's governance, the focus on war can get in the way of judicious consideration of the multiple dynamics in state, economy and society that the country has undergone since the mid-1990s. To name but a few, these include a rapid increase in intra-

¹ Of course, this does not mean that murders for which no suspects were arrested were not carried out by older, more experienced cohorts; nor does this mean that the groups that carry out killings are not composed of young gang members working for conflict veterans. According to one expert, "In Guatemala, crime is a more complex phenomenon because it is related to the combination of former (either purged or demobilized) and active members of the state security system, together with young gangs and narcotraffickers." (Richani 2010)

regional trade, a massive change in the power of economic sectors, the creation of new political parties, complex new social stratification, increased political participation at certain levels, a slow build-up of the values of citizenship and repeated challenges to the power of the economic elite.

For the first time since the 1950s the country has a nominally centre-left government, which has embarked on a huge programme of conditional cash transfers to the poor, in a Central American context that is no longer dominated by the right. Its efforts at institutional change are supported by a UN body created in 2007, the International Commission Against Impunity in Guatemala (CICIG), while the United States and various regional bodies are intensely concerned about the weakness of the country's military and security forces in their response to narco-trafficking.

Perhaps, therefore, it would be more appropriate to argue that the war, and the method of its final resolution, bequeathed certain informal and formal structures of governance – most notably in the political system, the judicial system and in the distribution of economic power and influence – which systematically favour certain groups or interests, or which undermine moves towards substantial state-building. Once again, however, the question must be asked: what interests and incentives ensure that these structures of governance manage to reproduce themselves, even when the veterans of war and the decision-makers behind the peace settlement are no longer present or dominant? What, furthermore, is the relationship between these apparently monolithic power structures, and the dynamic processes of economic and political reconfiguration mentioned above? And what significance do the evolving systems of power in Guatemala have for efforts to combat the security crisis?

The approach of this paper

This paper draws on approximately 40 interviews carried out in Guatemala City and Cobán, capital of the northern department of Alta Verapaz, to assess the way in which political and economic actors combine in the governance of present-day Guatemala. It is one of five case studies that make up the Clingendael Conflict Research Unit's programme of work into how governance can be strengthened in post-conflict fragile states.²

Above all, this study's focus is on the sources of change and turbulence in three poles of political and economic power: the economic elite, which is generally regarded as the principal 'winner' of the peace process, and the most important constraint on fiscal reform; organized political movements, in particular political parties and channels of indigenous mobilization; and the local political unit, in other words the country's 22 regional 'departments', whose role in determining the composition of Congress and the distribution of state resources has grown in significance, even as the state presence in the country's periphery has remained scant.

²The other case studies are of the Democratic Republic of Congo, Kosovo, Pakistan and Afghanistan.

Many of these interviewees, who included senior government officials, political and business leaders and analysts – as well as figures accused of links to organized crime – expressed their frustration at the apparent intractability and paralysis of the country's state and political institutions, the levels of violence or the expectations of patronage found among low-income voters. However, a number also expressed their conviction that substantial state reform would soon be forthcoming. The sources of this conviction were often to be found in the consolidation of Guatemala's democratic system and the rapid expansion of market-based activity. While neither of these post-conflict trends has significantly improved the country's institutional quality and human development index, or reduced rates of horizontal and vertical inequality, they have, in a fragmented and often unintended fashion, opened spaces for participation, enrichment and the accumulation of power by emerging sectors and actors.

This paper will address the roots of the fragility that affects Guatemala's state by briefly examining the main contours of governance since the military and elite-led transition to democracy in the mid-1980s. By creating a chronically weak state, handicapped by low public revenue and parlous administrative capacity, the peace process proved to be a fertile ground for more extreme manifestations of fragility. Armed violence and the rising power of criminal networks have marked the 14 years since 1996, reaching an extreme in the terrorization of citizens in June and July 2010 through grenade attacks on public buses and other macabre stunts. But the central theme of this paper will be the study of how Guatemala's governance systems are being reshaped by a teeming and often clandestine series of processes, whereby traditional sources of power are being challenged or questioned.

At the national level, a major effort is under way, spearheaded by President Álvaro Colom and his wife Sandra Torres, to bring coherence and programmatic unity to their political party, the Unidad Nacional de la Esperanza (UNE), ahead of legislative and presidential elections in 2011. The creation of a resilient, organically coherent centre-left party, linked through patronage and strategic alliance to poor communities, local *caciques* (political bosses) and mayors, trade unions, civil society movements and others, is the explicit objective of a number of influential players now operating in the party's executive bodies and in the presidency itself. At the same time, the party is internally divided, and includes factions representing business and alleged criminal interests. Should the UNE develop into a reformed party – and there are many who doubt that the objectives are sincere or feasible – it could expect to face a united and resolute right-wing force in the elections, possibly heralding an unprecedented public debate on issues of tax reform, security policy and economic strategy. It might also herald a worsening of security conditions in the capital and tightly contested regions.

If successful, this political project would bring into question the dominance of the economic elite over Guatemala's democratic system, and place the fight against poverty at the top of the governmental agenda. More uncertain would be its effects on the rule of law and transparent political competition.

However, the principal challenge to elite control may well be coming from a different quarter. For now, the most significant changes in governance appear to be occurring in an informal fashion, particularly in the interstices between state offices and economic or social powers. The extreme weakness of the Guatemalan state in a context of fragmented and highly competitive democracy has given rise to a new class of political ‘entrepreneurs’, seeking to represent private or group interests at the state level while burnishing their own careers and fortunes in the process. Their rise in influence, as purchasers and purveyors of state support in a marketplace of limited resources, corresponds to the emergence of a new sort of state, in which intense transactions between officials, operating with private interests, and non-state parties, representing group interests – all within a context of intense competition – have become the dominant *modus operandi*.

For the supporters of a stronger state in Guatemala, and for the international community at large, there is much legitimate concern over the repercussions of an emergent hybrid political order such as this. Officials engaged in this type of transactional approach tend not to distinguish between the legitimate, the suspicious and the criminal. The ‘entrepreneurs’, meanwhile, are broadly in favour of the presence of competitors, among them new criminal entrants, so long as this ensures the feasibility of future transactions and can allow for possible alliances.

In short, the central issue now facing Guatemalan governance is not merely that of a security crisis, nor the recovery from economic downturn. Instead, it turns upon the fate of a new, left-leaning programme of state construction in an institutional structure marked by porosity, deal-making and the informal accumulation of power.

Structure of the paper

Chapter 2 revisits the roots of state weakness in Guatemala, and provides a rapid journey through the main characteristics of the post-conflict era. The next three chapters explore in depth the different areas of governance chosen for this study, while Chapter 6 assesses the experience of Guatemala in the light of more general theories of state fragility and democratization. Chapter 7 offers an overview of the key trends and scenarios in the country, and points to recommendations for donors in light of the changing patterns of political power.

2. The political system in Guatemala

Formal and informal power

Despite the context of war, political repression and close military surveillance in which it was created, the Guatemalan Constituent Assembly of 1984 managed to craft a Constitution that set up the framework for a workable democracy. The system of powers that resulted resembles the typical Latin American arrangement: the three organs of state are a presidential executive, an elected Congress and an independent judiciary. Below them, a system of elected municipal and departmental units administers local matters through a guaranteed share of the national budget.

This brief description, however, fails to capture the essence of political power in post-conflict Guatemala. To take one outstanding example, the constitutional prerogatives accorded to the president – such as the right to veto legislation or issue executive decrees – suggest that the office is one of Latin America’s moderately powerful presidencies (Instituto Interuniversitario de Iberoamérica 2005, p. 81). However, presidential power in other parts of the continent draws much more on informal circuits of influence and authority, and above all the pressure that he or she can exert on political parties, public opinion or strategic allies in key interest groups, such as business or organized labour via a corporatist system.³

It is here, rather than in the Constitution, that the Guatemalan presidency is exposed as one of the region’s weakest executives. Corporatist bodies bringing together trade unions and business certainly exist, but they tend to be standing bodies with little real power, or else ephemeral forums for dialogue.⁴ Furthermore, instead of accruing power above and beyond his

³ Another significant source of influence is of course populism, in the form of direct appeals to popular opinion and tactical use of mass demonstrations. The difficulties in establishing this sort of dynamic in Guatemala have been clear since the end of the armed conflict, and were epitomized by the turbulent presidency of Alfonso Portillo (2000–04). Portillo has been under arrest since January 2010 on money-laundering charges.

⁴ In fact the remaining corporatist apparatus of the Guatemala state is intimately linked to the era of military developmentalism. For example, military dictator Efraín Ríos Montt created in 1982 a 34-member Council of State to

constitutional entitlements through a political party's chain of command, the president is obliged to conduct government business through weak and fractious political parties, whose rate of creation and extinction in the years since 1985 remain among the highest on the continent. None of the three parties that won the highest number of votes in the last general elections, which took place in September 2007, existed before 2002; at the other extreme, all the parties that together piloted the Constitution through the deliberation process of the mid-1980s have by now been declared legally defunct (ASIES 2009, p. 12).

One highly significant effect of this "party non-system" (Sánchez 2008, p. 145) is that Congress suffers from a chronic lack of legitimacy in the eyes of the public. Congressional deputies are held in low esteem, and the institution stands out in surveys by *Latinobarómetro* as one of the most disreputable in the region: in 2009, only 48 per cent of Guatemalans believed political parties or parliament were essential to democracy.⁵ However, this poor public image and the brittle, schismatic nature of the parties represented in the chamber, should not obscure the critical role played by the Congress in Guatemalan governance. Far from losing influence because of its internal fragmentation, the coordination problems within Congress have made it an intractable opponent for the government, while the constant mutations in political parties have provided opportunities for interest groups and individuals to gain a foothold in the state structure. In short, the chamber's capacities for obstructing the passage of legislation blockage and its openness to external influence have provided it with an increasingly important role in efforts to shape and control the government's agenda, as evident above all in the government's paralysis over two tax reform bills and the national budget from 2009 to 2010.

This unstable and shifting boundary between formal and informal power can be witnessed across all of Guatemala's public institutions. Whereas the formal attributions of power and guarantees of institutional independence made by the Constitution are a poor guide to the reality of governance, the nature of the informal or semi-formal powers that take their place are multiple and fluctuating – rather than stable and hierarchical, as they might be under a party-dominated or corporatist system. Many observers have noted the weakness of the system of checks and balances, mechanisms for oversight or other guarantees of integrity and democratic participation which should in principle govern the country's public institutions (Rocha Menocal and Calvaruso 2008, pp 57–58). Instead, political influence appears to be increasingly mediated through a web of personal, business or criminal relationships and understandings, generating a state that is porous, corroded and criminalized. According to Carlos Castresana, head of the CICIG until his resignation in June 2010, "The structures of government have been maintained on a base of clandestine structures."⁶

replace the National Assembly, involving a mix of representatives from the economic elite, professional associations, indigenous groups and political parties (Schirmer 1998, p. 27).

⁵ This figure was surpassed only in Colombia and Ecuador – affected by scandals and crises in their parliaments in recent years – and, surprisingly, Brazil (Corporación Latinobarómetro 2009, p. 28).

⁶ Interview with CICIG chief Carlos Castresana, *Prensa Libre* 15 March 2010. The new head of the CICIG is the former Costa Rican attorney-general, Francisco Dall'Anese Ruiz.

An essential task, therefore, is to understand the origins of this faltering consolidation of democratic public institutions. Most importantly, this paper will explore the precise characteristics of the ‘transactional’ state that appears to have supplanted the failed effort to enact a state that, according to the frustrated ambitions of the peace accord of 1996, would be a “guiding force of national development, lawmaker, source of public investment, provider of basic services and promoter of social consensus and settlement of disputes.”⁷

The transition to democracy

To understand the origins of this ‘clandestine’ influence on governance, it is critical to understand the particular nature of Guatemala’s post-conflict transition, and the ways in which it altered the patterns of rule that had previously characterized the country.

The legacy of Guatemala’s colonial history and armed conflict was a state that answered primarily to the needs and desires of a privileged elite – one that, according to recent historical investigations, clung fanatically to an attitude of extreme racism regarding the indigenous majority.⁸ This despotic system, epitomized by the system of vagrancy laws designed to ensure that every indigenous person provide 100 days of unpaid labour a year, was substantially modified first by the decade of progressive democratic rule from 1944 to 1954, and subsequently by the long period of authoritarian military rule and armed conflict.

This period of military rule confirmed and amplified the autocratic and exclusionary political patterns that had existed earlier in Guatemalan history, no more so than during the period of brutal counter-insurgency in the indigenous highlands during the early 1980s. But two highly significant elements were added, and these are essential to an understanding of the later developments of governance during peacetime. First, the regime entrenched a system of quasi-democratic military rule, in which occasional presidential elections allowed the population to choose between rival military candidates backed by civilian political parties.⁹ An outstanding example can be found in 1974, when, with the help of massive fraud, General Eugenio Kjell Laugerud attained the presidency, and handed over key economic and social posts in his government to representatives of the private sector.

⁷ Extracted from the Agreement on a Firm and Lasting Peace, signed on 29 December 29 1996.

⁸ See, above all, Casaús Arzú 2007, Chapter 6. The survey results by Casaús indicate (pp 258–260) that racism continues to dominate the ideological constituents of the Guatemala upper class. See also Porras 2009 and Rodríguez Pellecer 2009.

⁹ The one exception to this procession of military rulers was the presidency of lawyer Julio César Méndez Montenegro (1966–70). However, Méndez was obliged to sign an accord upon taking office in which he gave his approval to the military’s autonomy in its counter-insurgency operations, as well as agreeing to a number of other strict conditions on his mandate. See Dosal 1995, p. 122.

As a result, in the words of one political analyst, the period from the coup of 1954 could be described as a “government of the military”, but not a “military government.”¹⁰ The distinction is important: whereas the latter involves a total assumption of power by the institution, the former entails a selective entry of military officers into high-level governmental posts. In both cases, brutal repression is standard. But in Guatemala’s “government of the military”, the intermingling of civilian and military powers gave rise to an intricate and expanding set of state-led economic projects – including the creation of major companies in the electricity and telecoms sectors, a national airline, two banks and a regional development agency, funded by a tripling of the national budget from 1974 to 1978 – in which top generals had significant personal stakes.

The second new element was the momentous change in the distribution of elite power that took place during these later years of military rule. Although tensions had long existed between the military and the country’s economic oligarchy, the two sectors provided the backbone of the conservative, autocratic order that existed before 1944, and resumed power after the coup a decade later. However, the military’s embrace of the developmental state model in the early 1970s, inspired by the programme of the Peruvian junta of the time and by the perception that the guerrilla movement could only be defeated by more equitable economic growth, marked the onset of an unprecedented rift. Abundant evidence emerged of corruption by leading generals on the back of huge state-led investments. Suspicions were rife that the generals were seeking to dethrone some of Guatemala’s leading business families, notably the Novella family, synonymous since the early 20th century with the cement business (Dosal 1995, p. 148). Furthermore, the evidence of wealth accumulation and sleaze poisoned internal relations in the military (which was of course fighting a counter-insurgency battle at the time), resulting in coups by rival sets of officers in 1982 and 1983.

The decision to move towards a democratic system was thus a strategic choice by the army, arising out of its internal crises, and sealed by the desire to restore international legitimacy for the Guatemalan state (Schirmer 1998, pp 32–34). This process was carried out under close military supervision, giving rise to what has been called a “proto-democracy” (Torres-Rivas 2007).

Yet at the very same time, the military was rapidly losing its long-standing claim to national stewardship. Evidence of internal divisions, widespread corruption and, perhaps most importantly, the fiscal crisis that followed the surge of state-led investment and the military counter-offensive of the 1980s, convinced the economic elite that it should never again hand over power to the army. Pressure from an empowered business elite led to a freeze in the national budget, and quashed planned tax increases in 1985. By the time centrist Christian Democrat Vinicio Cerezo took power in 1986, it was the economic elite that had acquired extraordinary leverage over government policy. Its power was deployed through a national

¹⁰ Interview, Guatemala City, 18 January 2010.

employers' lockout in protest against further tax rises, support for two coup attempts by right-wing officers, and by a massive increase its backing of opposition parties.

“The fundamental problem in my government was the private sector, and it continues to be so. Not business in general, but the families who represent the national oligarchy. They think they own the country, and the country exists to serve them. The political challenge for Guatemala and its leaders is to make those families learn to respect the law.”¹¹

The four paradigms of post-conflict governance

The influence of these two processes on the dynamics of Guatemala's democratic life is profound. Chronic corruption of public institutions can be dated from the military developmental programmes and counter-insurgent strategies of the late 1970s: the first public-private criminal network to be dismantled, the Salvavidas Group led by Alfredo Moreno, was set up on the initiative of the military across the country's customs offices in the 1970s (Beltrán and Peacock 2003, p. 36), while a recent report suggests that the 12 key criminals groups in modern Guatemalan are all penetrated by former military officers.¹² At the same time, the dominance of the business elite is the hallmark of Guatemalan public life, evident in the failure to raise the tax burden to the 12 per cent of GDP pledged in the peace accords.¹³

These two conditioning factors – institutional porosity and business power – underlie what can perhaps be termed the four paradigms of post-conflict governance in Guatemala. These four broad descriptions of governance have proved valid for the past 20 years, although this paper will argue that they are now assuming the status of truisms; while continuing to be correct, they fail to capture some of the nuances and new variables that are shaping power in the country.

i. The state is captive

The concentration of power in the hands of a narrow business elite, and the ability of this elite to use informal mechanisms of power to implement its wishes, is a characteristic of most post-conflict Central American societies (Segovia 2007). However, Guatemala stands out for the way in which institutional penetration by the central nucleus of business power is so ubiquitous and uncontested. Officially, the representative body of all business chambers is the Coordinating Committee of Agricultural, Commercial, Industrial and Financial Associations (CACIF), which

¹¹ Interview with former President Vinicio Cerezo, 21 January 2010.

¹² Prensa Libre. “Detectan a doce redes del crimen organizado”. 29 March 2010. The report was undertaken by Acción Ciudadana, the local chapter of Transparency International.

¹³ The tax burden for 2009 is estimated by the UN's Economic Commission for Latin America to have reached 9.9 per cent, down from a high of 11.4 per cent in 2008 (ECLAC 2009, p. 116).

in the 1980s and 1990s coordinated business efforts to halt the reforms it regarded as pernicious: its successes included the reversal of the authoritarian seizure of power by former President Jorge Serrano in 1993, the emasculation of numerous tax reform proposals (including a property tax in 1998 and a general tax hike in 2000), and the defeat of the constitutional reform referendum in 1999.

In recent years, however, more informal agencies connected to the upper echelons of the elite have grown in significance, notably FUNDESA (a business think-tank), and above that the so-called G-8, described by one of its members, the businessman Felipe Bosch from Corporación Multi-Inversiones, as initially “a group of eight big business groups who were friends and shared certain ideas.”¹⁴ A leading achievement of this group was to sponsor the successful presidential candidate in 2003, Óscar Berger, whose pro-business government came to power after four years of anti-elite populism under President Portillo. However, the means used by business groups to influence public policy are numerous and varied. Leading business sectors are represented on 23 official standing bodies, and they: fund a variety of political parties; lay claim to ministerial posts and access to officials through personal and family links, or through their support for parties and presidential candidates; own the principal media outlets; run high-profile public campaigns; deploy mediators who constantly interact with government offices; and exercise enormous influence over the judicial system (Sánchez 2009, pp 108–112; UNDP 2008, ch. 15; Segovia 2007). In the words of former President Cerezo, this elite uses “financial control of the state, economic control of political parties and corruption of officials” to secure its goals, which range from special tax and trade privileges to protection of its core interests, namely low-tax yields in a permeable political and legal environment (UNDP 2008, pp 477–487).

ii. The system is neo-liberal

While power can be said to have been concentrated in the hands of a narrow business elite, it is also true that the emblematic ideology of the post-conflict era, neo-liberalism, has attained a foothold across society. A large part of the ideology’s appeal is the contrast with its opposite: for many Guatemalans, the public sector has been perceived for decades as inefficient, grossly corrupt and unresponsive to demand. The spread of evangelical Protestantism and the atomized nature of society, in which complex patterns of horizontal and vertical inequality are interwoven, serve to undermine the possibility of a collective response to public concerns. According to the analysis of sociologist Edelberto Torres-Rivas, society is structured in five highly unequal segments, spreading from the “chronic hunger” of a predominantly indigenous bottom rung to a rich and globalized upper stratum, and passing on its way through a precarious middle class estimated at 7.8 per cent of the population (Torres-Rivas 2008).¹⁵ In place of public spirit, the

¹⁴ Interview in Guatemala City, 25 January 2010.

¹⁵ Importantly, this middle class occupies most governmental posts, and is active in other public institutions; it is the basis of much of Guatemalan civil society (Torres-Rivas 2008).

merits of limited state action, private enterprise and personal ethical virtue are the common denominators of Guatemalan public wisdom.

The emblem of this crusade has recently been a package of constitutional reforms labelled Pro Reforma, devised by prominent right-wing activists; among other things, it would prohibit by law any fiscal deficit, and create a Senate whose members would have to be over the age of 50. The reform package was thrown out by the Constitutional Commission in Congress in February 2010.

Yet it is often hard to distinguish the voluntary embrace of a conservative, small-state ideology from the sense of constraint that arises from the dominance of the private sector in most walks of life. In the 2007 elections, none of the leading candidates espoused tax increases, and all, including Colom and even Nobel Peace laureate Rigoberta Menchú, signed up to the *Plan Visión de País*, a country strategy document prepared by the business group G-8. Only after his victory did Colom announce his full embrace of social democracy. Within the media, and even in its more radical and critical sectors, the pressure to conform to the expectations of business are intense. According to one newspaper editor, “we live in a small economy. You pay a high price if you adopt a position against those interests... It’s very difficult to criticize banks, for example, when it turns out that they own most other businesses.”¹⁶

iii. Clandestine and criminal activities are rife in the state

A third paradigm has become perhaps the key motif through which Guatemala is now perceived by the international community. Although the precise identities and activities may remain obscure, it is undeniable that certain government ministries, leading bodies in the judicial sector, large parts of the security forces and pockets of Congress are connected to organized criminal networks. The modalities and objectives of these networks are distinct. Corruption in the police force, evident in the arrest and imprisonment of the last two chiefs of the force on charges of conspiracy to steal cash and drugs (arrested in August 2009 and March 2010¹⁷), is a long-standing dilemma; one consultant to the force reported in an interview that almost all sectors and ranks tolerate a degree of criminal activity, while 500 uniformed and working officers in stations throughout the country are not on the payroll, nor officially members of the force.¹⁸

These concerns extend throughout the judicial and security apparatus: grave charges of corruption and influence-peddling extend to a former president, the last two interior ministers (*ministros de gobernación*), two previous attorney-generals, three former anti-narcotics chiefs, and three current Supreme Court justices. In addition, a number of former ministers face charges of

¹⁶ Interview Guatemala City 21 January 2010. These comments were echoed in an interview with the news director of a leading television channel, who referred to “constant pressure from political and economic elites”.

¹⁷ *El Periódico*. “Segunda cúpula de la PNC capturada por supuestos nexos con el narco”. 3 March 2010.

¹⁸ Interview in Guatemala City, 24 January 2010.

corruption, while a party caucus leader in Congress estimates that five deputies are financed by drug traffickers. His estimate is regarded as conservative.

Concerns over the depth of corruption in the state were of course the motivation behind the creation of CICIG, and the acknowledgement by former Vice-President Eduardo Stein that the country was at risk of succumbing to degenerating into a “narco state”. Castresana, the former head of CICIG, has argued that these clandestine activities fall into two categories.¹⁹ One is that of the exchange of influence between professionals in government ministries, private business, the law and the media; these might be regarded as flexible operative networks that respond to opportunities for enrichment, or seek to undermine ideological challenges to their activities. The other are more stable networks devoted to certain crimes, such as smuggling, or illegal adoptions.

iv. Political participation is weak

In light of the above, it comes as little surprise that public trust in the political system is low in Guatemala. A large part of this mistrust derives from a profound public suspicion of democracy, whose origins, described above, were to be found in a realignment of power between different sectors of the elite and a strategic withdrawal by the military – rather than the sort of popular demand for participation that could be found at the root of much more resilient democracies in Chile and Argentina. Surveys from last year showed that Guatemala is now the lowest-ranked country in the region in terms of public support for democracy, with only 41 per cent regarding it as the preferred form of government (Latinobarómetro 2009, p. 22). But it is also apparent that the corruption of the public sector, in addition to the failure to address the chronic security crisis and provide essential social welfare, has sapped the political class and their parties – rather than the democratic system as a whole – of much of their legitimacy.

The combined effect of the flaws in origin and performance of Guatemala’s democracy can be detected in the low turn-out rates in elections. In most polls since 1984, the turn-out has stood at under 50 per cent of the electoral rolls; this includes the presidential elections of 1995 and 2003 (though only in the second round) and, most notoriously, the 1999 referendum on constitutional reform, for which only 18.5 per cent of the total possible electorate voted, despite a huge effort by the international community to sustain interest and support.²⁰

¹⁹ Interview with CICIG chief Carlos Castresana. *Prensa Libre* 15 March 2010.

²⁰ The referendum was aimed at achieving constitutional recognition of a number of clauses in the peace accords. Interestingly, the presidential election later in 1999, which pitted the populist (and eventual victor) Alfonso Portillo against Óscar Berger in the second round generated a much higher turn-out (44 per cent of all possible voters). For statistics on electoral turn-out from 1984 to 2003, see Instituto Interuniversitario de Iberoamérica 2005, p. 56. An account of the failed constitutional referendum is provided by Brett and Delgado 2005.

Public opinion of political parties and politicians tends to be wary and jaded, a reaction that is reinforced by media coverage which focuses on corruption in the public sector, and particularly in Congress, rather than on wrongdoing in the private sector.²¹ A number of efforts to break this relationship between disaffected (non-) voters and a political class perceived to be self-serving have been undertaken, mainly through appeals to marginalized and indigenous voters. But these endeavours, notably the indigenous-oriented New Guatemalan Democratic Front (FDNG), winner of six congressional seats in 1995, or the campaign of Menchú and the Winaq party in 2007, have tended to face internal divisions and a hostile political culture, permeated by expectations of patronage. According to an indigenous scholar, the popular response to the campaign promises of more transparent government by Menchú tended to be: “Your hands may be clean, but they are also empty.”²²

Conclusions

The evidence to support each of the above characterizations of post-conflict governance appears overwhelming. A political system that is managed by business, internally corrupted, and inserted in a society that is disenchanted and very conservative, constitutes a gargantuan challenge for state-building and for improving public security conditions.

At the same time, there are sound reasons to believe that the assumed monolithic qualities of some of these transitional post-conflict sectors, or the inevitability of certain actors’ impunity, are now coming under challenge. As the next chapter will explain, evidence is emerging that key economic and political constituencies are undergoing processes of change and reconfiguration, yet that these are taking place within the structural bounds of the existing system – marked by intimate public–private connections, a relation-based approach to government and the spread of clandestine and criminal networks. It is a process whose results are as intriguing as they are uncertain.

²¹ Interview with newspaper editor, Guatemala City, 21 January 2010.

²² Interview in Guatemala City, 26 January 2010.

3. The changing faces of governance: the Guatemalan elite

Why should this post-conflict settlement, in which a certain level of political and social stability has withstood moderate use of strategic terror by former counter-insurgency groups and a violent crime wave, be subject to any substantial change? For the three key sectors of governance on which this research has concentrated, namely the economic elite, organized political parties and movements, and the local level of power, the consensus in recent press articles and academic literature is virtually unanimous. The elite has assumed an unassailable position, “adding to its traditional economic power... the ability to create forms of political control and ideological radiation” (UNDP 2008, p. 474); the political party system is extremely weak, characterized by “high electoral volatility, severe party instability, weak links to society, organizational fragility, ideological vagueness, limited territorial presence, lack of legitimacy and opaque financing mechanisms” (ASIES 2009, p. 9); and the country’s local departments and municipalities, particularly those on the Atlantic Coast and the borderlands between Guatemala and Mexico, are fast coming under the thrall of organized crime, with “entire regions... now essentially under the control of drug-trafficking organizations” (US Department of State 2010, p. 307).

At the same time, a series of recent developments has suggested that these readings of Guatemala, while capturing key elements of the current situation, are failing to address certain dissonant trends within the country and the Central American region. Prime among these, of course, is the election in 2007 of a progressive political leader such as Colom, who first entered politics as a candidate for the Guatemalan National Revolutionary Unity (URNG) party, which itself arose from the former guerrilla movement. Despite a fierce barrage of criticism in his first two years of power, his government has managed to create a large programme of cash transfers to the poor. Moreover, the principal effort to unseat the president, in the form of the scandal surrounding the video made by Rodrigo Rosenberg, in which this upper class and conservative lawyer prophesied that he was to be murdered by a conspiracy involving Colom and allied

politicians and business leaders, was successfully managed through a comprehensive investigation by the CICIG.²³

The reforms and criminal cases addressed by CICIG have in other fields scored a number of successes, including two proposed packages of legislative reforms (leading so far to four new laws, including ones on gun ownership and reduced sentences for collaboration with a criminal investigation), the purchase of wire-tap equipment by the prosecution service, and a number of indictments and arrests in critical cases.²⁴ The former head of the Commission has also intervened, heavily and controversially, in the election of a new Supreme Court in 2009, and in the dismissal of the new attorney-general, Conrado Reyes, in June 2010. Its investigations once again caused political consternation in August when a court issued indictments for 19 former officials accused of carrying out extra-judicial executions, among them leading figures in the administration of former President Berger and a former presidential candidate. Some of these suspects are reputed to have excellent connections to the country's economic elite.

A backlash against these achievements in the battle against clandestine structures appears to have taken the form of a high-visibility spate of criminal attacks, some of which may, according to the chief of the prison service Edy Morales, have been coordinated by inmates within jails.²⁵

The CICIG is not the only external weight pressing on domestic Guatemala governance. As a whole, and with notable counter-examples in Panama, Costa Rica and Honduras, Central America has edged towards the left in recent years, most strikingly through the assumption of power by the FMLN candidate Mauricio Funes in El Salvador. The coup in Honduras in June 2009 underlined the sensitivity of economic elites to this drift, while also suggesting that regional, pan-American and international support for the victims of any future coups or coup plots would be generous – and all the more so for a government that has not explicitly sided with the Bolivarian alliance around Venezuela.

²³ The results of this laborious investigation, which discovered that Rosenberg had contracted his own killers – for reasons that are as yet uncertain – were unveiled in January 2010, and can be found on the CICIG website (see <http://cicig.org/index.php?page=conferencia-prensa-caso-Rosenberg>, accessed 28 July 2010). The trial of nine suspects accused of carrying out the killing began at the end of June.

²⁴ Working closely with the *Ministerio Público* (MP, prosecution service) through the so-called UEFAC prosecution team, CICIG has been involved in prosecutions in the Rosenberg case, the Victor Rivera case (anti-kidnapping police adviser, murdered in 2008), the arrest for extradition of former President Alfonso Portillo, the massacre of 11 suspected narco-traffickers by the Zeta hit squad in March 2008, and the arrest of two former police chiefs. By the middle of 2009, the Commission reported that it had been involved, to a greater or lesser degree, in 39 cases. See Impunity Watch 2010, pp 29-38.

²⁵ Radio Nederland Wereldroep (RNW, Spanish service). “Una nueva especie de terrorismo”. 21 July 2010. It is notable that one of the most brutal attacks occurred on 29 June 2010, when the head of human resources of the high-security jail in Zone 18 of the capital, and her husband, were killed and butchered. Body parts of Wendy Mariela Colín Chávez were scattered by the murderers around one of the upper class suburbs of the city. See *Prensa Libre*, “Genera psicosis muerte de empleada de Presidios”. 30 June 2010.

The above factors together suggest that the current conditions in Guatemala may not be those of business as usual. But the question remains as to whether the trajectory of the country's democracy may still be determined by the paradigms discussed in the previous chapter, first and foremost among them being the dominance of the country's economic elite.

A profile of Guatemala's elite

Identification of who and what constitutes the Guatemalan elite is in itself a painstaking task. The genealogical authority on the subject, Marta Casaús Arzú – a rebellious scion of one of the most aristocratic families of the land – has identified a hardcore of 22 families, most of them derived from migrants during Spanish colonial rule, around which cluster 26 further families. These “control the larger part of industry, agricultural exports, finance and trade” (Casaús Arzú 2007, p. 177). She acknowledges the rise of more recently enriched families, such as the Paiz, Gutiérrez, Botrán and Mansilla lines, but argues that the organic core of the oligarchy is found in its longest-living elements. Other studies point to an oligarchic nucleus of between 50 and 150 families (Dosal 1995, p. 5; Sánchez 2009, p. 109), while more sociological studies, such as that of Torres-Rivas, estimate that 166,000 people are members of a broad upper class, representing 1.5 per cent of the population (Torres-Rivas 2008).²⁶

Even within this larger elite, the oligarchic nucleus plays an enormously significant leadership role. Perhaps its most notable feature is the way in which it reproduces the mores and attitudes of the Spanish conquistador aristocracy, synonymous with names such as Castillo, Alejos and Beltranena, while relying constantly on the absorption of new sources of wealth, many of them generated by immigrants.²⁷ From production of indigo, the commanding heights of the economy diversified in the 19th century into coffee, sugar and fruit, and into concrete and beer at the start of the 20th century, and latterly have shifted into textile production, banking, and multinational corporations engaged in telecommunications, retail, and food and drink processing. As a result, the Guatemalan oligarchy as identified by Casaús is involved in economic activities ranging from coffee production and agro-export to global finance, even though the latter is still dominated by families that have emerged from the traditional farming sector (Casaús Arzú 2007, p. 180).

As discussed above, this elite relies on a number of forums for the negotiation and dissemination of its political platforms. Acknowledgement by other parts of the Guatemalan establishment of this elite's entitlements to a large share of political power is not new: the Liberal Revolution of 1871 is incomprehensible without taking into account the pressure of emerging economic actors engaged in intensive agriculture, above all coffee. Representatives of the private sector occupied

²⁶ The upper class in this account appears also to cover the upper middle class, and is based on an individual income per capita of US\$ 20 a day.

²⁷ Italian, German and French roots can be found in many elite families, including the Novella, Köng and Berger (Dosal 1995, pp 6–9).

the post of economy minister for 72 per cent of the era between 1954 and 1992 (UNDP 2008, p. 477). What is distinctive in the new democratic period, however, is the public acceptance of the pro-business argument, and the way in which different factions in the elite, from agricultural to industrial and multinational, have adhered to the neo-liberal model of the limited state.

In two crucial ways this heyday of business power and unity may now be starting to unravel. Gauging perceptions of this process is a treacherous enterprise, given the sharp differences of opinion within the business and political elite, the indecipherable motivations of interviewees, and the existence of historical counter-examples to any generalization – above all, the threat to the oligarchy posed by the populist and anti-oligarchic presidency of Alfonso Portillo from 2000 to 2004.²⁸ However, on the basis of numerous comments and several proven cases, it would appear that, first, the elite is entering a period of substantial fragmentation and internal friction, unprecedented in the post-conflict period; and second, its power, while still extensive, is being challenged on numerous fronts by emerging actors who are taking advantage of the informal modes of access to power cultivated by the elite. In response to this latter trend, elite fragmentation is becoming even further accentuated, as more enlightened business leaders insist on the creation of a more legally bound private sector, supported by a wealthier state.

Attitudes to the state

Divisions between the two principal elements in the nucleus of the oligarchy, agricultural and industrial, are a recurring feature of Guatemalan history, exemplified in the late 1980s by the traditional landowners' support for two attempted putsches against former President Cerezo (Schirmer 1998, p. 209). In the wake of this failed grasp at power, and driven by the declining share of GDP claimed by the production of traditional agricultural exports such as coffee and sugar, the industrial and financial elite has assumed a preponderant role in business circles (Dosal 1995, p. 180).²⁹

Support for the low-tax, small-state settlement has nevertheless bound these disparate parts of the elite together. A number of high-standing business interviewees, in banking, commerce and agriculture, expressed rigid opposition to any tax increases. All agreed that the private sector bore an excessive burden of responsibility for generating public revenue (reflecting the fact that over 70 per cent of the Guatemalan economy is outside the formal sector), and asserted that these meagre public revenues were wholly directed towards the poorest parts of society, or absorbed by corrupt officialdom. Jorge Briz, head of the Chamber of Commerce and a former

²⁸ Numerous economic analysts have identified this period as one in which the elite was most fearful of losing control of the levers of the state, and to which it responded by tightening its control of the political process. See, for instance, Segovia 2006, p. 552.

²⁹ In 2007, agriculture represented 13.3 per cent of GDP (against 18.5 per cent for industrial production), while exports of the three 'traditional' agricultural products – coffee, sugar and bananas – fell from 50 per cent of total exports in 1995 to under 20 per cent in 2007. See UNDP 2008, vol. I p. 128 and vol. II p. 79.

foreign minister for the centre-right government of Óscar Berger, explained the business resistance to tax as follows: “There’s a lack of will. Each time we hear the same speech – [the state] needs more resources. And I see every day that they spend more resources, but that there are no results, just more corruption.”³⁰ One senior banker lamented, on a more personal note, that the state was unable to guarantee any sort of personal security: “If I don’t manage to build up assets in my productive years, I’ll get to the age of 75 and end up in poverty. I won’t be able to pay a doctor, a hospital, or afford my car.”³¹

From these and similar comments, a portrait emerges of the elite’s general attitude towards state action: the provision of public goods is discredited by the fact that it is invariably captured by private or group interests. The counter-argument that it is the elite itself that has created the conditions under which public goods are provided – including the sources and quantity of public revenue, and the very structure of political life³² – fails to trump what might be termed the ‘competitive stasis’ of the system. In other words, given the country’s extreme inequality, the elite’s connection to the global economy, and the existing scarcity of public goods, there appear to be few, if any, ways to move towards major state reforms that might provide benefits for *all* social classes; the best alternative is to defend organized interests through modes of informal access to power, and to rely on private substitutes for public goods. The elite’s responsibility for this systemic outcome is acknowledged by some of its members, but is regarded as considerably less important than the elite’s responsibility to ensure its own existence and reproduction as a social class.³³

A similar dynamic is described by the economists Acemoglu and Robinson in their schematic account of the origins of democracy and dictatorship. In their view, the extent of inequality and pressures for redistribution are intimately linked to the preconditions for democracy. Where inter-group inequality is large, and particularly where it is founded on a landowning oligarchy,³⁴ the introduction of democracy would lead to pressures for redistribution that tend to be intolerable for the elite. However, a controlled or limited democracy can prosper in conditions of

³⁰ Interview Guatemala City, 25 January 2010.

³¹ Interview Guatemala City, 26 January 2010. The concept of ‘building up resources’ or ‘sorting out your life’ so as to resist the dilemmas posed by children, old age and insecurity emerge in various interviews as a justification for the accumulation in public or private sectors of money, through fair means or foul.

³² According to one critical economist and expert on distribution interviewed for this research, “the elite criticizes the state as if it had a life of its own. They don’t seem to realize that it’s the same state they themselves created, that it’s a reflection of the economic thought of the elite.” Interview Guatemalan City, 26 January 2010.

³³ This belief pattern may in turn be related to the conviction that the elite is the fundamental constituent of the Guatemalan nation.

³⁴ The authors cite three reasons why a landowning oligarchy may be less inclined to democracy than an industrial one: first, land is easier to tax than physical or human capital; second, social turbulence is more damaging to physical or human capital; third, different institutions, such as slavery, are possible in agrarian systems, making shifts to democracy more costly (Acemoglu and Robinson 2006, p. 32).

extreme inequality, such as in post-Pinochet Chile, and can provide greater guarantees of elite stability than an overtly repressive regime.

This would seem to be the juncture at which the Guatemala elite has and continues to intersect with the democratic state: embraced as a form of legitimation and means of access to international capital and trading markets in the 1980s, this state must also be tamed and managed. Naturally, the boundary between the autonomy that is permitted to the political process and the desire to control the consequences of democratic deliberation is the area that Guatemalan business, and its intermediaries and agencies, zealously patrol.

New challenges to elite control

Ideological fragmentation

The position that the elite adopts on these issues, however, is showing widening internal differences. Three broad reasons help to account for this increasing fragmentation. The first, and perhaps the least important of these, is that of ideology. It is noticeable that the more globalized and service-oriented section of the elite, as well as certain sectors in international agro-industry (such as the sugar producers), have understood the importance of a more developed internal consumer market, lower crime rates, and a better educated and more healthy workforce. International ratings agencies, such as Standard & Poors and Fitch,³⁵ have stressed that the country's risk ratings will only improve through greater tax revenue; their call seems to have been heeded by numerous international financial institutions, as well as the US-Guatemalan Chamber of Commerce and US embassy, which last year discreetly hosted a meeting of the G-8 business group on the issue of tax reform. Several leading figures, such as Multi-Inversiones' Felipe Bosch, acknowledge that the grave deficit in public provision of health, education and security must be addressed, albeit with maximum transparency in the use of public funds.³⁶

However, the true scale of this 'conversion' to a larger, more interventionist state is challenged by many in the political and business establishment, who fail to witness any ideological shift. Evidence for continued elite recalcitrance is not hard to find. Two major government plans for tax reform, involving in the first case (August 2008) a new tax on car imports and various modernizing reforms, and in the second (December 2009) an increase in income tax and a new tax on mobile phone calls, among other things, were stalled by Congress. Discussions so far this year between business representatives and government show a clear private sector preference for tax rises, where necessary, to be exceptional one-off payments, or to come through a rise in value-added tax, which already accounts for close to 50 per cent of state income. Broadly

³⁵ *Prensa Libre*. "Insisten en mejorar capitación tributaria". 22 January 2010.

³⁶ Interview Guatemala City, 25 January 2010.

speaking, the organized private sector has not altered its position on any major issue of public policy.³⁷

Business diversification

Yet fragmentation has arisen in different ways, above all through the diversification of business sectors and through tactical differences in the political marketplace. It is here, below the radar of ideology, that something of a crisis may be identified in Guatemala's private sector. Private sector funding for political parties has splintered radically since 2004, with rival business groups seeking the most advantageous access to power through their preferred candidates. According to one civil society analyst of party funding, "Elections are less about ideological alternatives than about the interest of rival groups of power that are financing the campaigns." As a result, Multi-Inversiones acknowledges that it funded the Patriotic Party (PP) of retired General Otto Pérez Molina in 2007, a right-wing force that has done much to block the passage of tax reform through Congress. Meanwhile, Colom relied on various business factions for support: Carlos Meany, mining minister until June 2010, is closely linked to the energy industry, while Gustavo Alejos, presidential private secretary, is tied to the international medicine business. Colom's first head of presidential security, Carlos Quintanilla, also represented certain security interests, but was thrown out of his post in September 2008 after being accused of mounting a system of espionage in the president's office and residence.

This competition for access to power has not stopped at party funding. A battle was waged at the start of 2009 between the traditional private sector in CACIF and the cooperative movement in the highest law court of the land, the Constitutional Court, for the right to occupy the private sector's seat on the Junta Monetaria (the Monetary Board), which determines the broad guidelines of macro-economic policy. Five months later, the scandal surrounding the murder of lawyer Rodrigo Rosenberg exposed more clearly than ever the ruptures inside the Guatemalan business community. Despite the opacity surrounded the case, it is clear that the accusations of the lawyer were aimed at the president, and at business leaders and groups outside the traditional command centres of Guatemalan capital.³⁸ These included the cooperative movement, which is present on the board of the National Coffee Association (Anacafé), and owns a considerable stake in the Bank of Rural Development, or Banrural. This latter bank has grown enormously in recent years to become the second-largest bank in Guatemala thanks to its portfolio of small-scale lending loans and its presence in many rural areas. It now handles 53 trust funds connected to the government's social welfare programmes.³⁹

³⁷ *Prensa Libre*. "Desacuerdos por la propuesta de Cacif". 30 March 2010.

³⁸ See the written version of the video speech at *El Periódico*. "Reacciones a la denuncia del abogado Rosenberg". 11 May 2009. <http://www.elperiodico.com.gt/es/20090511/pais/100352> (accessed 28 July 2010).

³⁹ Banrural's ownership structure involves stakes held by the state, the cooperative movement and other rural organizations, particularly those of indigenous groups. Close to 80 per cent of the bank's equity is held by shareholders, many of them cooperatives. There is a 30 per cent ceiling on the state's stake in the bank. See EFE,

According to one of those financiers accused repeatedly by Rosenberg in the video,⁴⁰ the entire plot was aimed at destroying an emergent economic pole in the country: “They [the traditional elites] could not accept that a bank for the poor, the indigenous – which is not part of the establishment – could perform better than they do.” Among other effects, Banrural suffered a run on its deposits after the Rosenberg video was released, losing US\$ 62 million, and was asked by CACIF to undertake an audit led by national banking authorities. One close observer of the Guatemalan business community asserted that the demands from certain sectors, such as the Chamber of Agriculture, for Colom’s impeachment in the wake of the video’s distribution had significantly undermined the legitimacy of right-wing hardliners in the elite.⁴¹

However, the single most important source of fragmentation, insofar as this affects the traditional concentration of political power in elite hands, is to be found in the emergence of highly lucrative criminal activities (Briscoe 2009). The emergence of new poles of wealth has frequently been followed in Guatemalan history by their assimilation into a traditional oligarchic structure. But the rise of lucrative criminal networks, and the penetration of narco-trafficking into the Guatemalan economy following the paralysis of the Caribbean route for cocaine smuggling to the United States in the late 1990s (UNODC 2008, p. 11), may also overwhelm the elite’s capacity for mutation. Crime and violence can be regarded as systems of redistribution in extremely unequal societies; on a larger, networked scale, they threaten to seize the informal mechanisms for control of political power employed by the licit business world. Across a host of key governance institutions – Congress, the judicial system, provincial government, the security forces – the traditional elite now appears to be losing ground to the machinations of the criminal economy.

Emergent capital

An astonishing variety of observers agree that the business elite’s era in charge of the nation’s political, economic and social life is facing its most serious challenge. One leading political analyst and former high-ranking official termed this a “revolutionary situation”. A trade union representative with excellent links to government insists the private sector does not know how to manage the “new conditions”. Even in the media, where business maintains almost universal

“Uno de los mayores bancos de Guatemala, en alerta por las denuncias de Rodrigo Rosenberg antes de morir”. 20 May 2010.

⁴⁰ Interview in Guatemala City, 26 January 2010.

⁴¹ Interview in Guatemala City, 24 January 2010. A collection of statements released in the aftermath of the video’s distribution can be found in ASIES. 2009. *Análisis Mensual*. Guatemala City. May edition.

ownership and all four free-to-air television channels are owned by one Mexican magnate,⁴² the room for manoeuvre to “distance ourselves from the elite has become increasingly large”.⁴³

Some of these claims may be exaggerated, or perhaps even wishful thinking. Even so, the sources of this challenge to traditional power are diverse. Economic diversification has already been touched upon; changing social attitudes, a new political class and a participatory dynamic at the local level will be discussed in the next two chapters. But it is undoubtedly the entry of new, allegedly illicit actors in governance institutions that poses the most immediate and compelling threat to elite interests. In this respect, Guatemala resembles the evolution of the political marketplace in Africa, where, as Alex de Waal and others have argued, the spread and monetization of patronage systems in recent years have opened the doors to multiple new buyers, from aid agencies to criminal networks (De Waal 2009).

A caveat should be stressed here. Mutual accusations of involvement in organized crime or narco-trafficking form a large part of political discourse in Guatemala, epitomized by the infamous Rosenberg video, in which the lawyer called on his countrymen to save the nation from “drug traffickers, thieves and killers”, even as – according to the investigation by CICIG – Rosenberg had contracted a group of hit-men through the offices of two cousins. Moreover, an interview conducted during this research with Roberto López Villatoro, accused in 2009 by the CICIG of leading a campaign to capture the Supreme Court in favour of the “interests of parallel structures”,⁴⁴ evinced outright denials from the interviewee of involvement in organized crime. It is clearly not within the purview of this paper to determine whether or not the accusations against López, or others, are true or false.

However, if we allow for a sector that may be termed “emergent capital”, then López and others would certainly be incorporated. Their business activities, legitimate or not, are deployed as financial leverage in order to gain control over the membership of supposedly public institutions. Such efforts, by newly enriched factions outside the traditional oligarchy, have proliferated in recent years. López Villatoro’s movement, *Justicia para el Cambio* (Justice for Change), claims around 2,000 lawyer members, supposedly from poor and *mestizo* backgrounds, and until last year’s confrontation with CICIG had successfully managed to strengthen its presence in the courts via the byzantine system of judicial appointments. In its leader’s opinion, which he

⁴² The Miami-based Ángel González. Or, as he is known by the political class, the “Angel of Democracy”, a title he has been given thanks to his willingness to hand over free or cheap television time, especially on news bulletins, to all the major political parties.

⁴³ Interview with newspaper editor, Guatemala City, 21 January 2010. Other interviews cited in this paragraph are from 18 January 2010 and 20 January 2010.

⁴⁴ Interview in Guatemala City, 20 January 2010. Quote from CICIG head Carlos Castresana found in multiple newspaper reports, including *Siglo XXI*. “CICIG liga a cuatro magistrados electos con grupo paralelo”. 7 October 2009. López Villatoro is accused of making his fortune through smuggling fake training shoes from China; he denies these charges, and says they have never resulted in a judicial ruling against him. It is nevertheless true that he has connections with the FRG party through his ex-wife, the daughter of FRG founder Efraín Ríos Montt.

expressed quite vehemently, this movement was the only way to change the character of a judicial system that had grown habituated to serving the interests of the traditional elite. It should also be noted that allies of the first lady, Sandra Torres, are rumoured to have reached agreements with López Villatoro's lobby in appointment committees for the Supreme Court, and in the process that led to the election of the ousted attorney-general.⁴⁵

In Congress, the second-largest party until recently has been Líder, a loose grouping of about 26 deputies that has arisen almost entirely from defections from the ruling party, the UNE (whose representation has declined from 51 after the 2007 elections to 33).⁴⁶ According to their opponents, notably senior UNE officials, these deputies are local businessmen, who have been tempted towards the new party by payments of around 300,000 quetzales each (about 30,000).⁴⁷ Suspicions have been cast on the source of these funds, and particularly on the business activities of party leader Manuel Baldizón, who originates from the northern department of Petén – generally viewed as the nerve centre of narco-trafficking in Guatemala. At the very least, it may be surmised that Baldizón and his colleagues derive their resources from local networks, some of them undoubtedly involved in profiting from inflated public sector contracts with favoured businesses, rather than metropolitan networks.⁴⁸

Numerous other cases of institutional penetration, carried out in a spirit of physical infiltration rather than ideological overhaul, can be pinpointed across Guatemala's body politic. The shadowy financing behind the Líder party has already been echoed in the role played by Francisco Alvarado McDonald, a prototype of emergent capital, in funding former President Portillo's candidacy in 1999. At the local level, traditional landowning elites are already displaying alarm at the erosion of their influence, particularly within forums such as the 14,000 Community Development Councils (COCODES), the local security boards (*juntas locales de seguridad*), and in the distribution of municipal power and departmental deputies. As will be discussed below, the research in Alta Verapaz illustrates the capacity of new political entrepreneurs, among them criminal networks, to co-opt the organs of democratic participation.

Across these and other cases, co-option by emergent capital is being carried out in the spirit of substitution of traditional elites rather than revolution. This capital tends to respond rapidly, flexibly and without scruple to opportunities, especially when these openings can provide immunity from prosecution (as a deputy), involvement in public sector franchises, decisions on legal cases involving major political or business figures, or the loyalty and silence of certain

⁴⁵ See, for example, Harold Shetemul. 2010. "El rostro de la impunidad". *Prensa Libre* 9 July 2010. It must be remembered that the prosecution service is handling key political cases, such as the accusations that have been filed against the management of the Social Cohesion welfare programmes, and the charge of involvement in the murder of guerrilla leader Efraín Bámaca against PP leader Pérez Molina.

⁴⁶ Figures from June 2010.

⁴⁷ Interview Guatemala City, 18 January, 2010.

⁴⁸ Local business networks can here include those involved in the deployment of public sector contracts to favour particular businesses. See also footnote 57.

populations. In such cases, the new capital perceives that it is merely arrogating to itself the same informal patronage mechanisms that have long been used by the traditional elite. Moreover, equivalence with the tactics of the elite makes penetration of the political system considerably easier, since the transaction channels are already flowing. For those receiving the funds, meanwhile, the difference in source does not entail a passage from legality into crime, but merely a slightly altered mode of behaviour. In the words of a senior UNE congressman, “If as a politician you don’t get resources from the country’s main economic sectors – transparent money, on the table – where are you going to get it from? From under the table.”⁴⁹

The response of traditional elites to this new rival appear to fluctuate wildly. Current orthodoxy in elite circles insists that crime and insecurity are the principal threats to Guatemala’s stability and economy, and were the grounds for their support for the CICIG. When immediate control over the levers of state and judicial power is at stake, however, there is room for collaboration between old and emergent capital. In this respect, the Commission’s report on the actions of Conrado Reyes as the short-lived attorney-general from 25 May to 11 June revealed that he represented a marriage of convenience in the heart of the judicial system between representatives of criminal networks, several of whom were appointed to key positions in the prosecution service (including as Reyes’ security chief), and operatives of the traditional elite.⁵⁰ Accusations from the ruling UNE party have also pointed to the alleged role of the right-wing PP in coordinating criminal attacks so as to undermine the government.

Conclusions

Having attained a position of apparently unassailable control over the Guatemala political system, and outgrown its traditional partnership with the country’s weakened military, the economic elite is now facing challenges on a number of fronts. While its capacity for assimilation and absorption can be trusted to help it withstand the emergence of new economic poles, competition from organized crime poses an existential threat: can the elite continue to use its methods of control, and maintain its ambiguous stance towards procedural legality, when it must compete for power with a prosperous sector of criminal capital? What will be its response?

The rise of a political marketplace that is increasingly dominated by competitive rent-seeking, strategic use of violence to extract more market share and by increasingly strong linkages with the global economy are among the defining characteristics of the neo-patrimonial politics in various fragile states, particularly in sub-Saharan Africa. Similarities with the evolution of

⁴⁹ Interview in Guatemala City, 18 January 2010.

⁵⁰ See PowerPoint presentation by Carlos Castresana, given on 15 June 2010: <http://cicig.org/index.php?page=conferencia-de-prensa---cicig> (accessed 29 July 2010). Figures linked to the traditional economic elite were later at the centre of the indictments on charges of extra-judicial executions issued by the CICIG in August 2010.

Guatemalan politics are varied and striking. The presence of new entrants in the political market has been discussed at length in this chapter, while the renegotiation of and payment for loyalties between regional leaders and rulers in the political centre is an important part of Guatemala's party system. Furthermore, violence plagued the last elections, and is a chronic feature at the local level of intra- and inter-party competition – as well as social life in general. The transnational contribution to this surge of criminal activity and violence can be located in various sorts of illicit trafficking.

Does this mean that Guatemala is locked into a political system based on shifting pacts between diverse layers of elites, interrupted by occasional use of violence? A handful of differences between the regions would suggest this is not an inevitable outcome. Whereas the African model is conceptualized around the top-down distribution of sovereign rents (usually from natural resources and foreign aid) to competing local elites by a ruler interested solely in remaining in power, the market in Guatemala is that of a hyper-dominant business class, with multiple sources of income, that has maintained the state and its rulers as subordinate, yet which must now compete to a lesser degree against new licit business, and to a much greater extent against emergent, frequently criminalized capital.

In this model, the political control exerted by the dominant elite until now has been much more enveloping than in Africa, and is reinforced by a hegemonic ideology and a stronger sense of nation. At the same time, this system of control carries an ineluctable weakness, in that its power is exerted through indirect mechanisms of control – and thus by a sort of delegated power, over which the elite holds a number of vetoes. It is here, in the interstices of influence and the lacunae of indirect power, that the new emergent capital has established its presence.

For substantial state reform to take place, a profound reconfiguration of these systems of power is required. On one side, the elite must change its approach towards the state, if only for the sake of self-preservation (see Chapter 6). On the other, the political system, the media and the broader private sector – the metropolitan sub-elite and its regional allies, in short – will continue to act on behalf of what are perceived to be the traditional elite's core interests, so long as the costs of greater institutional autonomy appear to outweigh the possible gains. To avoid the partial substitution of one elite by another version, it is thus absolutely crucial that the balance of interests around the autonomy of the political system begin to change.

4. The political marketplace

The extreme weakness of Guatemala's political parties is apparent in numerous and abundantly documented aspects, including their public legitimacy, longevity, organizational coherence and ideological content (Sánchez 2008; ASIES 2009; Instituto Interuniversitario 2005, ch. 3). Studies of the country's party system have highlighted the fact that the source of these flaws may be found in the democratic transition, which began during the war and was "engineered purely from above" (Sánchez 2008, p. 145), thereby impeding the consolidation of popular and inclusive political forces.

Ironically, the Law of Political Parties, introduced with the status of a constitutional clause in 1985 (Instituto Interuniversitario 2005, p. 48), made the formation and electoral participation of political parties remarkably easy – so long, of course, as these were not tainted by relations with the URNG guerrilla movement, or suspected of harbouring left-wing agendas. The peculiar contradiction at the outset of the democratic era, between the accessibility of political action and the strict limits on the range of political discourse and ideology – limits that were patrolled by the military in the case of the peace process (reflected in the attempted coups of 1988 and 1993) and by the oligarchy in the case of fiscal reform – is one that has come to characterize the entirety of organized political life.

It might be expected that the political system could overcome these flaws in its origins through the consolidation of the democratic system. This chapter will indeed argue that the uninterrupted operation of electoral democracy has generated a range of new possibilities, in terms of participation, ideological experimentation, and interest agglomeration, which are being explored and exploited by a number of political actors, and promise to generate certain novelties in the political landscape in the lead-up to elections in 2011. At the same time, however, the original traits of the party system remain in place. For a senior official in the current government, "the Achilles' heel of Guatemala are our political institutions. I am convinced that

we have a total absence of political parties... If as a deputy you get annoyed with the secretary-general, within two hours you can be in another party.”⁵¹

Sources of finance

These weaknesses can be observed in multiple, interlinking ways. An obvious manifestation is the lifespan of the parties (37 parties have been declared null and void since 1991) and the extraordinary levels of defection from one party to another in Congress. Both features point to a lack of internal structure and the absence of members’ identification with the organization, which themselves derive from the use of political parties as pure electoral vehicles.⁵² Parties, when successful, are indelibly linked to the presence of a popular leader, who in almost all cases has created the party as an organization intended to sponsor his or her bid for the presidency. Once the chief leaves office, the party in question – such as the Christian Democrats of Cerezo, the PAN of Álvaro Arzú or the GANA of Berger – disintegrate, or are taken over by factions.

These leaders each tend to have fluid relations with a part of the country’s economic elite. Since 2004, the Law of Political Parties has increased public financing for major political forces, remunerating parties with the equivalent of two dollars for each vote received in the presidential or legislative elections. However, the lack of real power in the bodies charged with monitoring campaign funds, a weakness that was intrinsic in the original constitutionally sanctioned law on parties, has not yet been remedied. Although the UNE is supposed to have received close to US\$ 2 million as a result of its performance in the 2007 poll, estimates by party insiders suggest that the UNE and its main rival, the Patriotic Party, *each* spent around 500 million quetzals (over US\$ 60 million) in the most recent elections – much of it on television advertising.⁵³

This huge differential between public funding and real campaign expenditure is of course met by donors in the private sector, who spread their money across various parties and who will tend to expect favours in return for their donations, be they constraints on policy, ministerial portfolios, or ease of access to decision-makers. This reality is echoed by numerous close observers; former President Cerezo recalls that one businessman joked with him that “political parties are like Kleenex.”⁵⁴ A deputy for one small party at the last elections recalls being offered US\$ 25 million from one of Guatemala’s leading companies to remove two activist environmental lawyers from the party campaign team. For successful parties, the cost is apparent in a fractured, and often self-defeating governing apparatus: according to one member of the current

⁵¹ Interview in Guatemala City, 25 January 2010.

⁵² Interestingly, no political parties at present currently possess permanent headquarters.

⁵³ Interview in Guatemala City, 19 January 2010.

⁵⁴ Interview in Guatemala City, 21 January 2010.

presidential staff, only 25 per cent of personnel in the executive could be regarded as loyal to the reformist project headed by President Colom.⁵⁵

But this sort of metropolitan business finance is not the only source of income for the parties, nor is it necessarily the one that contributes most to their extreme brittleness. Instead, a fundamental role is played by the electoral characteristics of the national Congress.

Within the chamber, 128 of the chamber's total of 158 deputies are elected on behalf of regional departments, whereas only 30 assume their seats on the basis of a national party list. The departmental deputies, who might be expected to have more stable links to their local constituencies, are in fact the target of some of the most excoriating criticism by analysts and constituents alike. For a senior figure in the UNE congressional caucus, only 14 deputies from the party, which now has 34 seats, could be considered "part of the project". Most of the rest are departmental deputies, who earn their candidacy in the UNE, or in other groupings, by allegedly paying one million quetzals to the party's central offices, and who thereby tend to have the strongest links with local business, licit or illicit.⁵⁶

As a result, and with the aim of earning this money back (or paying off a loan), they are extremely keen to join the Congressional Finance Commission, and influence the distribution of public works contracts in their localities (determined by the so-called *Listado Geográfico de Obras*, which in its 2010 version featured 4,176 projects valued at a total of one billion euros).⁵⁷ Frequent allegations also point to their involvement in blocking legislation that does not serve the interests of their paymasters.

The deputies therefore perceive their main allegiance to be not the party, nor even the constituents, but the local financial network that has served them. The national party, meanwhile, tends to be primarily subservient to the demands imposed by the network of finance surrounding the leader. Both these local and central networks of finance, the former fragmenting the party at the margins and the latter concentrating decision-making within an unrepresentative and personalistic nucleus, eat away at the organizational structure and ideological integrity of the party, dimming the chances that it may in any way survive beyond the lifetime of a single leadership.

⁵⁵ Interview in Guatemala City, 18 January 2010.

⁵⁶ This figure is mentioned as the standard sum by one of the country's leading observers on party and campaign financing, and has been repeated by a number of other analysts.

⁵⁷ According to an expert on fiscal matters, the three main sources of corruption in Guatemala are: selling over-priced goods to the state; obtaining kickbacks from public works contracts; and over-inflating the number of people on institutional payrolls. Interview Guatemala City, 25 January 2010. At the level of central government, the most frequent form of corruption is probably the selective capture of public officials with control over customs duties, tax exemptions, public licences and state subsidies.

Indigenous participation

The sort of shadowy financial linkages discussed above can arguably be uncovered in most of the world's democracies, although not to the extent found in Guatemala, where private finance appears able to create and populate parties out of thin air. Yet it is just as important to consider the absence of any counterweight to the conversion of parties into private instruments, and in particular, given the extreme vertical and horizontal inequalities of the country, the failure to incorporate mass indigenous or poor people's movements into the national political arena.

Historical reasons are fundamental to an understanding of the seclusion of indigenous political action, which has thrived at the community level rather than on a national scale since the Spanish conquest (Caumartin et al. 2008, pp 234–235). The retreat from national political life was reinforced by the violent end to the progressive era headed by President Juan José Arévalo and Jacobo Arbenz, and the brutalities and internal divisions visited on indigenous peoples by the period of military rule and counter-insurgency that followed. Sporadic attempts at national political revival have all ended in bitter disappointment. The inclusion of members of the country's 22 ethno-linguistic groups (not including Spanish) into the fabric of official administrative and public life has certainly advanced, albeit slowly,⁵⁸ but according to one prominent Mayan activist, the same cannot be said of their incorporation into the political sphere, where indigenous representatives tend to be anonymous and scattered across party lines.⁵⁹

There are currently 19 indigenous deputies in Congress, although a number of Mayan leaders and activists contend that only two or three of these at most engage with the demands that emanate from indigenous communities. The rest, it is argued, are subject primarily to the networks of financial dependency discussed above. At the municipal level, where indigenous politicians have long excelled, there are now 113 Mayan mayors out of a total of 333 nationwide, while many customary *alcaldias indígenas* still co-exist with conventional municipal administrations. But even here, the presence of patronage and private business interests is striking. Carlos Guarquez, head of the Association of Indigenous Mayors, reports a number of cases of vote bribery, corruption and incompetence.⁶⁰

⁵⁸ Notably through the introduction of bilingual education, the roll-out of voting facilities to remote rural areas, and President Berger's programme to incorporate 300 indigenous officials in the central administration. President Colom has one indigenous member in his Cabinet, Jerónimo Lancerio Chino, although he occupies the lowly post of minister of sports and culture.

⁵⁹ Interview in Guatemala City, 19 January 2010.

⁶⁰ Interview in Guatemala City, 20 January 2010.

The sense of disillusion regarding the possibility of promoting the interests of indigenous and marginalized people in the current political system is acute. “If an indigenous person arrived in the presidency without changing the system, he or she would do more damage than good”, is the verdict of one indigenous leader, and there is no doubt that the main demonstration of indigenous political power at the moment comes in the form of local protests against free trade in farm goods, and against mining and energy projects. Indeed, atomized and frustrated engagement with national political life can possibly be taken as emblematic of civil society as a whole. Deprived of much of its structure and confidence by the armed conflict, civil society has tended to involve itself erratically in political life, embarking on a number of highly significant state-building initiatives – such as the peace accords, the Fiscal Pact of 2000, the campaign to establish the CICIG, or the Accord on Security and Justice signed in 2009 – while also embracing an intransigent anti-state stance. This latter approach has entailed alliances with the economic elite against the perceived inequities of tax reform or social welfare, such as in Rigoberta Menchú’s campaign against a proposed property tax in 1997 (Sánchez 2009, p. 117).⁶¹

The price of autonomy

This historical tendency towards distrust of the state, reinforced by huge failures in service delivery and the evidence of widespread corruption, is undoubtedly one of the principal constraints surrounding political initiative. Having learnt this lesson over the past 20 years, reform-minded Guatemala politicians must manage to campaign for very limited progress in a context of intense inter-party and intra-party competition – the natural result of a political system that is easy to access at multiple levels – and without the possibility of securing substantial support from an external, social actor.

Most prospective political leaders also absorb the lesson that it is extremely dangerous for one’s career even to seek goals further than an immediate competitive advantage. Zealous opposition to structural reform (particularly fiscal or security sector reform), instability within and between parties, single-term presidencies and distrust of what the state can or should do, combine to constitute a system in which immediate gains and crisis management are the dominant motifs. As one author puts it, “the time horizons of feeble parties operating in a chaotic party universe are short” (Sánchez 2009, p. 127).

⁶¹ An interesting parallel can now be found in the campaign by Encuentro por Guatemala deputy Nineth Montenegro, a popular veteran of civil society activism, against alleged corruption in the distribution of social welfare funds from the government’s Council of Social Cohesion.

In short, there is little external ballast for any move towards deep reform of the state or political system, and an immense range of tangible incentives within the system to persuade a politician to focus on immediate electoral need – and thus, of course, on acquiring sources of finance and support. It may seem obvious that politicians of all parties might benefit from a pact to increase tax revenues, since they would all prefer to inherit a well-financed state. But numerous interviews cast doubts over whether the political class has the desire or mettle to achieve this: in the words of one senior official, the goal of most politicians “is not autonomy, but impunity”.

At the same time, and in spite of these enormous systemic handicaps, a sizeable part of the current government, abetted from outside by a number of civil society leaders and analysts, insist that a ‘transitional’ period is now under way. While hedging their words with numerous qualifications and doubts, these individuals, primarily located in key government posts and within the executive of the UNE party, point to a range of important developments.

Taken together, these would in theory point to greater public participation, less-fragmented political competition, clear ideological polarization, and a trend towards greater government spending. In the medium term, the key to this project would be the re-election of a president representing the UNE, quite possibly in the shape of the wife of President Colom and former head of the Council on Social Cohesion, Sandra Torres – the prospect of which is treated with alarm, and promises of legal action, by some members of the private sector. Within government, however, it is argued that a second term for a cleansed centre-left party would signify the endorsement of a political programme over and above the demands of external financiers.

A road to transition?

In one crucial way, the international context for reform is remarkably favourable. The shift to the left across Central America, although reversed electorally in Panama and through a military coup in Honduras in 2009, has substantially enlarged the range of political possibilities. Moreover, the geopolitical moment in Latin America lends leaders such as Colom, who vows to lead a progressive and democratic process of redistribution, enormous cachet in Washington and elsewhere as a potential bulwark against the more radical regimes linked to Venezuela.

Without the fanatical anti-communism that brought down the government of Arbenz in 1954, or that scuppered the more etiolated efforts at socio-economic reform in the 1960s and 1970s, the moment would seem propitious for Colom and allies. Furthermore, the presence of the CICIG provides a guarantee of international engagement in defence of the legitimate government against any effort to undermine it through clandestine methods. One victim of Rosenberg’s video accusations insists, for example, that without the Commission’s prompt intervention, President Colom would have been forced to resign – a statement that Colom appears to agree

with.⁶² The CICIG was similarly quick in March 2010 to act upon threats to the life of the outspoken congressional deputy Nineth Montenegro.

However, given the systemic and ideological legacies discussed above, no reformist shift can be envisaged without alterations to the configuration of the political and economic system. On the basis of the comments and arguments of several of the principal reform actors, the following reformist trends can be discerned.

i. Greater participation

One of the bedrocks of Guatemalan political analysis, namely low electoral turnout and widespread indifference to politics, is being challenged in multiple ways. Turnout at the last election was among the highest in post-conflict history, standing at over 60 per cent of those registered to vote. Furthermore, indigenous participation, aided by a campaign to place voting booths in remote areas, reached unprecedented highs: turnout for the first round of voting in indigenous-dominated regions such as Quiché, Sololá and Alta Verapaz was higher than the national average (Supreme Electoral Tribunal 2007). This impression of a changed public attitude to political life was corroborated in research in Alta Verapaz through reports of regular local participation in community development councils, greater interest in political issues, and intense awareness among political parties of the need to tailor their messages to particular constituencies, notably indigenous people and women. These practices may of course still fall within the ambit of traditional patronage and manipulation. Yet at the same time, polling evidence points to a complex and ambiguous change in the dominant ideology. It is still too early to say that the hegemonic discourse has been supplanted, but the 2008 poll from *Latinobarómetro* found less attachment to right-wing positions than the Latin American average, while a high number of respondents counted themselves as undecided between left and right (Sáenz de Tejada 2009). However, it is also clear that the left–right division in Guatemala is less prominent in public life than the discourse of rich versus poor, and the vigorous use of anti-oligarchic populism by politicians, new economic sectors and emergent capital.

ii. State intervention

A key part in the post-conflict political settlement in Guatemala is a sceptical attitude towards state intervention. Here the part played by the social welfare programmes launched by the Council of Social Cohesion, an inter-ministerial coordinating body led until April 2010 by Torres, may play a pivotal role. Roundly condemned by metropolitan opinion-formers, who accuse the programmes of massive corruption, the various schemes – above all *Mi Familia Progresá*, providing family subsidies of 300 quetzales a month (€ 28) in return for sending children to school and ensuring they receive healthcare – have reached several million

⁶² Interview in Guatemala City, 26 January 2010, and interview by José Zepeda with Colom, *El Periódico*, 7 July 2010.

beneficiaries. According to government propaganda, the *Mi Familia* subsidy has been claimed by 469,000 family heads in the country's 143 poorest municipalities since its inception, above all those in the indigenous-dominated departments of Alta Verapaz, Quiché, Huehuetenango and San Marcos (Government 2010, pp 18–19). Figures in the government and UNE are adamant that the scheme is well run, even if done so by Torres in an authoritarian fashion and with a lack of systematic auditing. Despite criticism, and concerns that local UNE party officials are handling the lists of beneficiaries in the party's interests, the main opposition parties appear unwilling to unwind the programmes.⁶³ Members of the economic elite likewise accept that the schemes cannot be reversed, while also denouncing the government for spending beyond its means in the midst of an economic crisis.

iii. Coherence and agglomeration

Moves are afoot within the UNE to ensure a higher standard of ideological coherence in the new intake of deputies, with as yet uncertain consequences. Given that the principal opposition to the UNE is likely to be the Patriotic Party, with deputies from other parties coalescing around these two as the election approaches, a battle based on clear ideological lines is probable. In addition, current events would suggest that the UNE is seeking to reinforce its political leverage against recalcitrant parts of the economic elite by enlisting the support of trade unions (allegedly through an effort to recreate a state-supported union that was destroyed by the military dictatorship, the Centro Nacional de Trabajadores), indigenous local authorities, rural and environmental movements, and economic cooperatives, as has already been made clear in state support for Banrural. Mass mobilization of indigenous and union members has already been attempted in response to the Rosenberg crisis of 2009, and is likely to become a more regular feature of political competition. One trade union adviser with close ties to government insisted that industrial action would form part of the armoury used to intimidate the economic elite if necessary. However, it is also apparent that the UNE is reaching pacts with other parties and local leaders for reasons of expediency, such as with two right-wing parties (GANA and FRG) in the indigenous-dominated region of El Quiché. It is also facing an internal battle between allies of Sandra Torres and supporters of the former speaker of Congress, Roberto Alejos.

iv. Polarization

The prospect of greater political polarization in Guatemala is not taken lightly by any figure in government or the UNE, particularly in light of the coup and ensuing state repression in Honduras, and given the likelihood of a recurrence of the local-level political violence that claimed 58 lives in the 2007 election campaign. At the same time, a wide range of interviewees, within and outside government, concurred that it would be of benefit to the country to engage in what veteran centre-right congressional deputy, Oliverio García Rodas, described as “a clear ideological definition by all the groups we have in this country”. While certainly stoking the risks

⁶³ Interview with Gudy Rivera, deputy for Patriotic Party (PP), 26 January 2010.

of violence and instability, it is argued that the ideological character of debate might stimulate an embrace of long-term political planning and state-building. Furthermore, one argument from government circles is that the creation of a strong, structured and ideological counterweight to the economic elite, and its political representatives, might persuade the private sector to embrace a genuine dialogue over tax and state reform. The benefit for the private sector in this process would be the creation of a stronger legal environment, in which it might ally itself with the state to exclude and marginalize organized crime.

Conclusions

The road-map that is being prepared from within certain offices of the current government is hugely ambitious, and in various ways echoes important changes that are afoot in Guatemalan society and politics. But these plans are not representative of all officials, nor of all supporters of President Colom; it even appears that Colom himself vacillates over future strategy.

These inconsistencies and contradictions, operating at multiple levels within the current administration, owe much to the volatility of a political system that revolves around the need for private finance, and in which the construction of organized political cadres by durable parties has thus far proved impossible. Time and again, solutions to urgent problems, notably in the field of security, are found in swift changes of personnel and the appointment of apparently trustworthy individuals. The confidence to carry out the sort of structural and organizational shift outlined above, involving the careful management of intense political antagonism towards the economic elite or intelligent handling of criminal violence, is not one that has yet been observed in the government of President Colom. One of the most reformist ministers in the government, Finance Minister Juan Alberto Fuentes, resigned in June 2010 in frustration over his lack of progress in securing tax reform. The government's inclination to rapid personnel changes has so far seen the passage of five interior ministers: one died in suspicious circumstances, one was reshuffled, and two now face legal proceedings.

Even if the decision was made to advance in the direction of cohesive political organization and programmatic government, the strategy would still need to rely on the tools that are available in the current system, such as patronage and private finance, most of which are adapted to intense electoral competition.

These considerations point to a compelling question: how is state and political reform to be piloted within a system whose routines and incentives support the equilibrium of intensely competitive electioneering, limited ideological choice, and grave abuses of power? By turning to the local level, it may be possible to gain some insight into these questions.

5. The local level of governance: Alta Verapaz

Alta Verapaz, on the border with Mexico, is emblematic of the most important historical tides to have swept Guatemala since the arrival of the Spaniards: its population, which is largely indigenous, has witnessed and participated in the coffee revolution of the 19th century, the civil war and the decline of the feudal aristocracy.

For these reasons, and due to the fact that it now sits on one of the main narco-trafficking routes snaking through the country, it was chosen as the site for research into the local ambit of governance. The aim was dual: first, to examine how the political and economic systems discussed in previous chapters are reflected in the country's periphery; and second, to explore how the grave flaws of the Guatemalan state in a region of great inequalities are addressed by political operators, intermediaries and criminal entrants. In short, what sort of democratic life emerges in a place where public goods are few and people's needs are many? And what precisely do these patterns of political life entail for the attempts to reform the Guatemalan state?

Social and economic backdrop

Cobán, the capital of the region of Alta Verapaz, is situated 220 kilometres north-east of Guatemala City, in an area whose cloud forest and chilly nights make it ideally suited for coffee production. Although its early history under Spanish control stood out for its relative peace and social harmony (see Appendix), the arrival of intensive export agriculture in the 19th century – much of it in the hands of immigrant Germans – ushered in an era of extreme social and economic stratification. With a population of just under one million people, the region is one of the poorest and most illiterate in the country: the last comprehensive household survey by Guatemala's statistics bureau revealed that 78.8 per cent of the population of Alta Verapaz live in extreme poverty, while 43.2 per cent can be considered destitute. The region is also, by a considerable margin, the most unequal in the country, with a Gini coefficient of 0.67 – a rate higher than that of any nation in Latin America (UNDP 2008, vol II, pp 146–148).

These figures are the product of a unique social and economic trajectory. The majority of the population is indigenous, mainly from the *q'eqchi'* ethnic minority, and many of these live in remote rural communities where they depend on subsistence agriculture and occasional paid work. Many of them are the descendants of the *mozos colonos* (serfs), the tenant labourers who lived and worked within coffee plantations, where the landlord and the priest were the dominant figures, and where, in some cases, wages were paid in the plantation's own money supply.

At the other extreme, the coffee farmers, or *finqueros*, have lost much of their fortune and power in the wake of the collapse of prices and the entry of Vietnam into the world market. Their decline forms part of a general social upheaval across the region, where the new crop for export, cardamom, has enjoyed an extraordinary boom over the past decade, with the value of foreign sales of the spice increasing ten-fold by 2009 to US\$ 579.4 million.⁶⁴ This crop has been taken up by *ladino*⁶⁵ and indigenous farmers alike, intensifying economic segregation in Mayan communities while lessening the previous horizontal divide between the two peoples. A further sign of the breakdown of traditional rural hierarchies can be found in the estimated 1,000 farm invasions that have taken place since the peace accords of 1996 to demand payment of back wages, or to protest against dismissals. Conflicts over land ownership, meanwhile, have been intensified by the spike in the value of land and the increased availability of credit, much of it through Banrural.⁶⁶

While the economic and social landscape of the region has been profoundly reshaped by new forms of connection with the global economy – including the movement of Andean cocaine to North America, discussed in more depth below – the same cannot necessarily be said of the state's presence in Alta Verapaz. The militarization of the region, dating from before the civil war, resulted in a number of massacres and the destruction of 61 villages as part of the counter-insurgency campaign from 1978 to 1983.⁶⁷ Since then, the military presence has been wound down and the last base in the region closed in 2004, although President Colom has now reversed this policy out of fears over the territorial spread of criminal cartels.

However, the provision of public goods by the state on behalf of the population was and remains scarce and erratic. Civilian security matters have been left in the hands of a police force that currently numbers 325 officers, or one for every 3,000 inhabitants. The poverty figures, malnutrition rates, lack of labour rights, difficulties in access to the courts and general absence of social welfare mean that many inhabitants must look elsewhere for vital services, for example to customary indigenous authorities, political operators or illicit networks. In the words of one

⁶⁴ Figures from Guatemala's central bank, covering the years 1999 to 2009.

⁶⁵ Ladino is a particularly Guatemalan term, signifying non-indigenous rather than mixed race (*mestizo*) (Rodríguez Pellecer 2009, pp 7–8).

⁶⁶ Interview with local agricultural expert, Cobán, 22 January 2010.

⁶⁷ Information from the Historical Clarification Commission 1999, Conclusions and Recommendations: map of massacres (<http://shr.aaas.org/guatemala/ceh/report/spanish/graphics/charts/page82.gif>). See also Schirmer 1998, Chapter 2, especially p. 44.

noted local historian, the state in Alta Verapaz, the site of Bartolomé de las Casas' great experiment in respect for the indigenous peoples of the Americas (see Appendix), is now "post-coffee, post-war and narco-friendly".⁶⁸

Political institutions: corrosion and competition

The signature trends of Guatemalan political life over the past two decades are faithfully reflected in the highly segmented social and economic milieu of Alta Verapaz. On one side, power over the region has seeped from the *finquero* class towards a democratic political establishment that tends to use archaic methods of control and manipulation. In the words of one noted political columnist, "this means corruption, patronage, political demobilization. The presidential candidates protect and promote local *caciques* who entrench authoritarianism and intolerance in the Guatemalan political system."⁶⁹ At the same time, this democratic playing field has reached a level of consolidation that enables multiple new entrants to join, stimulates public participation, and produces what one noted local politician described as "tremendous competition".⁷⁰ As a result, political life in the region tends to straddle a complex grey area between semi-feudal traditions and a lively political marketplace.

Political patronage has become the principal vehicle for the allocation of scarce state resources, and the most successful politicians in the region base their electoral appeal on their ability to prise out these resources and deliver public goods. To do so, each political actor must mediate between numerous poles of state revenue and political representation (notably the region's 17 municipalities, nine congressional deputies, the governorship – the formal link with central government – and the organs of state-funded development and welfare), as well as establishing strong relations with private enterprise in the area.

A leading example of this complex interweaving of formal offices and informal relations is the way in which a local public works project, such as a school, can be financed and built. If a project proposed by one of the community or municipal development councils (COCODES and COMUDES) is to prosper, it must be approved at the municipal level, followed by the technical unit of the Council of Departmental Development, and then by that same Council, whose budget in Alta Verapaz for 2008 stood at 70 million quetzals (about € 7 million).⁷¹ Once

⁶⁸ Interview in Cobán, 22 January 2010.

⁶⁹ Gustavo Berganza. 2007. "Democracia nacional, cacicazgo local". *El Periódico*, 18 May 2007.

⁷⁰ Interview with Haroldo Quej, 22 January 2010.

⁷¹ The Council consists of 49 members, according to the formal list in the website of the national Planning Secretariat. The two largest groups are those of the local mayors, and those of delegates from the main state agencies operating in the region. There are also representatives from various civil society organizations. See [http://sistemas.segeplan.gob.gt/siscodew/DDPGPL\\$DEPARTAMENTAL.REPRESENTANTES?pCODCONSEJO=1600](http://sistemas.segeplan.gob.gt/siscodew/DDPGPL$DEPARTAMENTAL.REPRESENTANTES?pCODCONSEJO=1600) (accessed 15 April 2010).

approved, it is passed to the central state, where the Ministry of Finance and the Planning Secretariat (SEGEPLAN) draw up the final list of national public works, which is handed over to the Congress for definitive approval in the shape of the *Listado Geográfico*.

From the starting point of a democratic initiative by a COCODE, numerous informal powers are brought to bear on the final selection of public works, and the possibilities for political intervention, through mayors, deputies or their supporters, are enormous.⁷² Until very recently, the Guatemalan Republican Front (FRG), a populist party founded by the former military president Efraín Ríos Montt with vigorous indigenous support and strong links to the army, operated as a crucial go-between in Alta Verapaz between different layers of government. Ruling six municipalities, and with a sizeable caucus in Congress (14 deputies in 2007), the FRG was regarded as a key power-broker in the region, and a determining factor in plotting the course of regional development.

One of the leaders of the party, and a former vice-presidential candidate for the FRG in the 2007 elections, is the *q'eqchi'* politician Harold Quej, whose career began as a poorly paid school teacher in the municipality of San Pedro Carchá. Quej's charisma, speaking skills, and his organizational prowess in the Mayan community have earned him a reputation as a key *cacique* in the region, able to deliver on his promises of public works.⁷³ In many ways, he can be considered the most prominent indigenous leaders in Guatemala today.

This meteoric political rise, Quej acknowledged in an interview, has depended on extensive support from private business – in his case, initially from local shopkeepers and from selling campaign t-shirts. “If you want to be a mayor and don't have friends to help you, you're not going anywhere,” he says. At the same time, his loyalty to the political party he first represented, the FRG, has eroded. Along with the party's two deputies elected for Alta Verapaz in 2009, Quej recently changed sides, joining the more powerful right-wing Patriotic Party (PP); this appears part of an ongoing process of polarization between the UNE and the PP as the dominant forces in Guatemalan politics.⁷⁴ His observations, made prior to his decision to leave the FRG, make it clear that his party loyalty has been thoroughly instrumentalized: “I'm a *q'eqchi'* in a party that we've made a winner in the place where I live... I am the FRG. The way we think is what the FRG is. We don't have a manual of political operationality to guide us.”

According to his critics, Quej has also used his powers to amass a considerable political fortune: “He's buying huge ranches, radios, hotels,” claims one indigenous activist.⁷⁵ Such allegations are not uncommon in Alta Verapaz, where the intimacy between public and private sectors appear

⁷² Inversely, one civil society activist warned that the involvement of COCODES in handing out social welfare subsidies was causing the councils to be corrupted by political interference. Interview in Cobán, 22 January 2010.

⁷³ One story told about Quej is that he came to Ríos Montt's attention through his ability to translate FRG speeches and documents into impeccable *q'eqchi'*.

⁷⁴ In neighbouring Quiché, meanwhile, the FRG has formed an alliance with the UNE party.

⁷⁵ Interview, Guatemala City, 26 January 2010.

to have been tainted by corruption – and where deputies are regularly accused of ignoring the plight of citizens. One civil society leader points to the technical unit of the Departmental Development Council as the entry point for over-pricing and kickbacks in contracts for public works. The flight of congressional deputies from one party to another (six out of the nine elected in 2007 have changed sides, three of them to the Líder party) also points to the importance of private interests in political life: two of these deputies, both formerly from the ruling UNE party, are alleged by senior government sources to have formed a corrupt cabal with the former regional governor, in which they charged a 30 per cent commission for public works contracts.

The current governor, José Adrián López from the pro-business GANA party, was appointed by the central government in November 2009 to replace the disgraced former governor. A widely respected cardamom farmer and a specialist in security matters,⁷⁶ López's time in office has also been spent channelling the limited resources of the state. In his case, he has offered his phone number to many of the 123 local security boards (*juntas locales de seguridad*), which are responsible for monitoring local crime and insecurity. A lack of trust in the police force, he says, leads the boards to prefer contact with him first, so that he can then relay the information to the police and monitor exactly how the force responds.

A narco-economy

It is obvious from the above that a state with limited reach and intermittent presence is co-opted and shaped by a political elite that is intimately allied, as a matter of necessity for the careers of individual politicians, with private business. Such an arrangement depends on multiple possible points of entry for public–private transactions, in which the boundaries between legality and illegality are not always perfectly delineated – and are certainly not patrolled in practice.

The conditions have proved immensely attractive to narco-traffickers, who are estimated by the US State Department to be transporting 250 tons of cocaine, around a quarter of global production, through Guatemala each year (US Department of State 2010, p. 310). Numerous interviews in Alta Verapaz reflected the scale and rapidity of penetration by the drug trade into the fabric of the region's social and political life. Comments by civil society and political leaders indicated, among other things, that 30 per cent of resident in Cobán were in some way financially supported by the drug trade (as guards, mules, informants and prostitutes), and that the Mexican hit-squad Los Zetas was present across the region, often in brutal competition with local cartels (International Crisis Group 2010, pp 15–16). A local correspondent for a leading national daily newspaper said that he made a point of not reporting on narco-trafficking for fears over his own safety. One local businessman said he knew several traffickers, and that they had

⁷⁶ López is close to Adela Torrebiarte, the former interior minister, who led a charge to purge the police forces of corrupt elements in 2007 following the murder of three El Salvadorean deputies and their driver.

been friends since childhood, while another pointed to *finqueros* descended from Germans who had recently become drug capos. A politician admitted that some municipalities might have become subject to narco “control”, while a local civil society leader was adamant that “the narcos will support anyone and everyone. The last thing they want is a conflict with the political class.”⁷⁷

For the US and Guatemalan governments, concerns over a failing state and captured territory have already prompted a resurgence of strategic interest in the region. Sources in the US embassy acknowledge that Alta Verapaz is fast falling under drug cartel control,⁷⁸ while President Colom opened a new military base in neighbouring Quiché province in December 2009 with the aim of combating organized crime across the north of the country. Of particular concern is the use of an overland route linking the under-policed Atlantic coast, via illegal airstrips in Alta Verapaz and Petén, to the indigenous communities in the central and western highlands of the country – and from then on into Mexico, allegedly on popular ‘chicken’ buses.

However, there is some debate over exactly how much territorial control and political interference might be in the narco-traffickers’ core interest. Civil society actors perceive that unlike contemporary Mexico, or Colombia in the 1990s, the cartels have no strong desire to impose territorial control over what is in effect a brief leg of their trading route. Instead, the principal goal would be to induce institutional and political indifference to the drug trade, alongside broader public support for their activities. “What the narco-trafficker wants is to move freely from one side to another. He tries to keep people in the middle happy so they will try to protect him,” argues Governor López.

Therefore, the existence of a pure ‘narco’ representative in the political life of Alta Verapaz can in all likelihood be dismissed. Instead, drug money and favours would appear to seep into the private funding streams that support each politician’s personal ambitions, and are also being used to supplement the income of police officers. On the other hand, explicit acts aimed at gaining grassroots public support are commonly reported by local observers. These include the provision of vehicles to sick people in remote indigenous communities so they can be transported to hospital (likewise, it is rumoured that the economically priced private hospital in nearby Morales has been funded by drug money), financial support for basic community facilities and, of course, the employment of young people from poor areas.⁷⁹

⁷⁷ Interviews in Cobán, 21–23 January 2010.

⁷⁸ Interview in Guatemala City, 16 January 2009. It is notable that the signing by President Colom and US ambassador Stephen McFarland of an agreement to hand over US\$ 6.7 million as part of the Mérida Initiative took place in Alta Verapaz in November 2009. “Estados Unidos y Guatemala firman acuerdo para combatir al crimen organizado”, Guatemalan presidency website. <http://www.guatemala.gob.gt/noticia4.php?codigo=4198&titulo2> (accessed 29 July 2010).

⁷⁹ Attempts to arrest members of one alleged cartel in the south-eastern Guatemala, the Lorenzana family, were met with public protests in August 2009 in the town of La Reforma, Zacapa. “Guatemalan drug traffickers flaunt local support”, Reuters, 6 August 2009.

It is uncertain precisely how much violence is caused by this organized criminal presence. A number of gun fights and abandoned corpses have been recorded in and around Cobán, but the murder rate across Alta Verapaz is low compared with that in other parts of the country, while in rural areas outside Cobán and Santa Cruz Verapaz it remains significantly below the norm for Central America.⁸⁰ According to locals, violence linked to the drug trade is almost exclusively between rival cartels – particularly since the arrival of the Zetas into the region two years ago⁸¹ – and tends not to affect members of the public. At the same time, direct threats to drug operations by the state tend to be met with extreme violence: it is widely rumoured that the death threats against the deputy Nineth Montenegro in March 2010 were a response to plans to arrest a leading drug trafficker based in Cobán.⁸²

Conclusions

Anxiety over the spread of armed violence and narco-trafficking in Guatemala has turned the international community's gaze back to the country. But close study of the political and social landscape of Alta Verapaz would suggest that the clandestine empowerment of drug cartels is not a territorial occupation of the sort witnessed in northern Mexico – nor is it even overtly violent in many areas. The drug business has instead locked into the opportunities and incentives that have evolved in the region, establishing a symbiosis with a 'post-coffee and post-conflict' political economy.

This symbiosis can be seen in a number of ways. First and foremost, it is notable that drug money has followed and reinforced the penetration of the political system by private finance. By seeking out the same routes of influence, narco-traffickers would appear to have raised the quantity of money in and external pressures on the political system. But instead of competing for a dominant position in this funding market, which would enable the cartels to capture the loyalty of the local political elite at the cost of greater rivalry with other sources of influence, it would appear that these cartels prefer to maintain an indirect influence on and veto power over local politics and security affairs through numerous, scattered points of entry.

⁸⁰ This statement is based on murder rates collected in UNDP 2007, p. 26 and Procuraduría de Derechos Humanos 2009, pp 278–282.

⁸¹ The emblematic moment of the Zetas' penetration of Guatemala came in the form of a shoot-out with 11 members of the local cartel led by Juan José ('Juancho') León, who was also killed, in Zacapa on 25 March 2008. The trial of 14 alleged Zetas accused of the murders began in Guatemala City on 28 July 2010.

⁸² The trail of murders that have followed official efforts to apprehend the mastermind behind the drug-related killings of three El Salvadorean deputies and their driver on 17 February has so far claimed over a dozen victims, according to certain accounts (Briscoe 2009, p. 13). The fiendishly complex case, for which nine people are being held in custody, is due to go to trial around October 2010.

In this way, the cartels can prove they are of direct (financial) benefit to individual politicians. Even if the politician in question refuses this support and money, he or she may well have strategic allies who are benefiting from these funds. And even if no party or strategic ally benefits in any way, the flow of drug money will help to perpetuate a broader transactional system that undermines the possibility of a more consolidated and coherent political system. It is thus either in the direct, indirect or structural interest of the politician to offer limited resistance to drug finance.

A second consideration flows from this mutual interest, shared by politicians and organized crime, in the controlled corrosion of political institutionality. For traditional or conventional business, there is a delicate tightrope to tread between the desire to maintain privileged access and the need to safeguard the political system against criminal capture. This issue, previously mentioned in Chapter 3, is acutely felt in Alta Verapaz. The local branch of CACIF is pressing to enter the Departmental Development Council, and is reportedly eager to introduce a system of social auditing on development expenditures. A number of sources pointed to great concern among leading businesses and farmers: “They have been placed on the margins of all political processes”, argues one civil society leader.⁸³

Third, it is evident that the intensification of political competition, the efforts by political parties to reach out to indigenous constituencies and to women, the structural innovation of local development councils and easier access to ballot boxes are heralding a transformation in Guatemalan political participation. A variety of observers and analysts in Alta Verapaz concurred with this assessment, even though some were insistent that traditional feudal practices and the strategic use of fear by politicians remain commonplace.

But how may this blossoming participation reshape political life in peripheral regions such as Alta Verapaz? It is rather too early to say, though a number of possibilities are mooted. One possibility, for which there is considerable evidence, is that participation will be met with ever-greater electoral competition and fragmentation, channelled through an increased supply of patronage options by parties and criminal networks, often using charismatic figureheads. The alternative, in which the intensity of competition is gradually transformed into a more structured, programmatic political choice, allowing a reduced number of parties to maintain stable links between the centre of the country and the regions, also appears to be under way in Alta Verapaz through a migration to two leading parties. Lastly, there is the clear possibility of a public delinking from all structured political life in favour of greater collective and community organization, supported by skilled and nimble political operators, and possibly funded from beneath by organized crime.

⁸³ Interview, Cobán, 22 January 2010.

6. The transactional state

The preceding chapters have established that Guatemala is entering an unpredictable period of change in its governance structures, marked above all else by the emergence of challenges to its post-conflict, elite-led status quo. These challenges – one from the organization of a structured centre-left political force, and the other, and more important, from the occupation and annexation of informal power mechanisms by emerging actors, entrepreneurs and criminal forces – are set to reconfigure the nature of the state. But will the new Guatemalan state be more or less fragile? Will it be more responsive to citizens' needs, in welfare and security, or less?

A number of possible scenarios will be depicted in the concluding chapter in an effort to a clearer grasp of these shifts in the Guatemalan political firmament. Beforehand, however, it is important to pinpoint the relevance of more general theories of state fragility to the experience of the country, in order to assess whether Guatemala lies on a definitive institutional trajectory, comparable to other cases, or simply *sui generis*. In this respect, it is worth while to turn to some of the rich recent literature on the topic of fragility.

The elite bargain

A key historical feature of the Guatemalan state is its relative antiquity and continuity from the Spanish colonial era – distinguishing it markedly from more recent post-colonial creations in other regions. The state, albeit in many cases despotic and patrimonial, is known and recognized across the land. However, the post-conflict settlement has shattered the previous character of elite bargains, which had controlled the shifts in political power from independence up to the 1980s. In most cases, these shifts had seen emerging economic powers align themselves with the military and certain civilian political actors to generate regime changes, and produce a harmonious “expansion of the oligarchy” (Dosal 1995, p. 20). The post-conflict economic elite, in contrast, established unparalleled control over all aspects of statehood and economic life. Ironically, a sign of its success is that the modes and mechanisms of its influence, as well as certain clandestine legacies of the counter-insurgency, are being co-opted by rival forces that are

enormously difficult to assimilate within this elite. This is, in the words of a recent report, “the optimization of corruption through violent criminal practices” (Acción Ciudadana 2010, p. 5).

A number of theorists have understood the elite bargain or consensus as the foundational stone of political order in fragile states, serving to control violence between sections of the elite (military, religious, economic, political) through the distribution of sovereign rents (such as land rights, tax collection rights, or access to natural resources) (North et al. 2009, pp 18–21; Di John and Putzel 2009; Anten 2009, pp 32–35). It could be argued, in the case of Guatemala, that a hierarchical bargain has been arranged, in which the state’s budget and elite finance are used as patrimonial resources that can be distributed to loyal sub-elites in the public sector and civil society.

This bargain, however, is not an equitable arrangement, but a strategic concession. The dominance of the economic elite, discussed in Chapter 3, is a peculiar Central American artifact, combining an established and legitimate state structure (the overriding goal of the peace process), the rise of a new global ideology (neo-liberalism), flawed post-conflict institutions and the flow of money. Its epitome, in the case of Guatemala, was the hegemonic role played by CACIF throughout the 1980s and 1990s.

But this elite has evolved, operating on political power by essentially fragmenting and segmenting the public sector in a way that exacerbates the institutional legacies of civil war and shapes the incentives of multiple, supposedly autonomous individuals. Officials with control over important economic prerogatives, such as customs exemptions and business licences, may be targeted and captured. The political system is broken up into small, volatile parties, while the state itself is crowned by a one-term, and thus chronically short-termist president, many of whose officials are delegates of economic powers. In this process, the elite finds many willing partners. At the same time, the elite itself has become increasingly fragmented and divided.

The flaws of controlled democracy

Previously, the model of controlled democracy was mentioned as relevant to Guatemala, and to other Latin American transitions. But the Guatemalan case amply demonstrates the instability of this political settlement. An obvious flaw is the inability to modify the country’s multiple sources of inequality, which may feed into social unrest (as some indigenous analysts in Guatemala predict will occur in the near future⁸⁴), or lead to the provision of willing hands for transnational criminal networks. The spread of corrupted networks in the state and security forces, and the failure to address the clandestine legacies of war, contribute to the wave of violent crime. And

⁸⁴ Indigenous protests against the commemoration of Columbus’ discovery of the Americas were marked by violence last year. See *El País*. “Una violenta protesta indígena deja al menos un muerto en Guatemala”. 13 October 2009.

lastly, the political marketplace, the byproduct of a democracy stripped of coherent, organized and ideological parties, is occupied by alternative sources of finance.

This intensification of political competition through proliferating transnational sources of funding, accompanied by a surge in armed violence, certainly resembles the conditions of the patrimonial marketplace in numerous sub-Saharan African states. However, the scope of this competition is somewhat, and subtly, distinct.⁸⁵ Violence, as employed by organized crime in Guatemala, is either part of a criminal act such as a heist or murder, or a defensive mechanism aimed at warding off the intervention of the security forces and sowing public fear. Unlike the violence of insurgencies in parts of Africa, it does not seek to extract more money from a sovereign, but instead to protect that part of the state or territory which has already been captured. In short, violence is the guarantee of institutional access in a corroded state environment.

Likewise, the political marketplace in Guatemala is intensely competitive, yet its cleavages are not shaped by the different varieties of capital – traditional, emerging and criminal – since these tend to mix together. Nor do political leaders strictly represent an ethnic or popular base, which they can use to mount an insurgency or sectarian claim; instead, entrepreneurs gain temporary and fragile popular leadership through their interactions and brokerage with the state.

A more apposite term to describe this sort of political structure is that of a ‘transactional state’. Typically, as the Mexican political scientist Carlos Flores has argued, a democratic but weak state will allow for “cooperative links between criminal organizations and public officials... that are atomized, given the incapacity of the State to establish solid authority and the fragmentation of power generated by the democratic schema” (Flores Pérez 2009, p. 127). The constant atomized transactions are at the heart of Guatemalan public life, blurring the divide between public and private sectors, and generating very volatile relations of command and obedience hierarchies between the two. In this context, criminal networks can sometimes achieve focalized control over individual officials and parts of the state. The recent murder of the head of human resources at Guatemala’s high security jail⁸⁶ showed exactly how criminals pick out key figures to capture and terrorize so as to neutralize normal procedure across entire institutions.

This transactional state is impeded from carrying out an efficient and socially optimal use of its resources; it is also hindered in its primary goal of guaranteeing public security. But it would be a mistake to think that the state will somehow wither away, or eventually succumb to a form of insurgent criminality. For both sides of the transaction, the state, weak and poor as it may be, is still the necessary condition for their operations: an official must have public powers to derogate

⁸⁵ The different ways in which the various elites are engaged in the political marketplace have already been discussed in the conclusions of Chapter 3.

⁸⁶ See footnote 25.

for the benefit of the criminal, while a criminal must be able to rely on a certain quantity of social order (Flores Pérez, pp 133–134). Attempts to establish a more thoroughgoing mafia takeover of the state have failed without exception across Latin America, not least in Colombia in the early 1990s or in pockets of Mexican territory. The lesson of these failures, and the internal logic of the transactional state, is the necessity of treading a fine balance: public institutions must maintain a certain legitimacy while remaining in practice ever more fragmented, and thus open to selective abuse and capture.

The agents of transaction

Transactions between public officials and private parties to shape the decisions and actions of the state tend to be regarded as the typical ploy of organized crime. In Guatemala, however, the emergence of a transactional state is much broader in scope, affecting not just the criminal and clandestine corruption of institutions, but the legitimate actions of the elected government. The leaders of a fragmented and corroded state tend, time and again, to seek implementation of their policies through private interests, appointees that are linked through personal relations to the government, and the use of informal mechanisms of power.

As a result, the reformist project embraced by President Colom and the First Lady, as well as cadres of the UNE party, has advanced through non- and semi-institutional means. Perhaps the most prominent example has proved to be the Council of Social Cohesion, which has run the government's welfare programmes since its creation through two executive decrees in 2008 and has a current annual budget of € 170 million.⁸⁷ Its unpaid head, Sandra Torres, was nominated and later (in April 2010) removed from the council without consultation of Congress.⁸⁸ According to a senior and influential figure within the UNE, it was her very proximity to the president, as his wife, that ensured this improvised council's edicts were closely followed by government departments. "It wouldn't have worked at all if anyone else had been put in charge."⁸⁹

The dependence of reformist projects on the character of individuals within the governmental apparatus and on their network capacity (through family or class connections or through their mobilizing power) is manifest in numerous ways. Frequent changes in the Interior Ministry (five ministers under Colom), the police force (four chiefs) and the Education Ministry (three ministers) are emblematic of the difficulties faced in appointing non-corrupt officials who are able to maintain enduring personal relations with the highest ranks of the executive. The frequent use of presidential commissions to tackle chronic problem areas, including the lauded appointment of civil society leader Helen Mack as police reform commissioner, also reflects this

⁸⁷ *El Periódico*. "Cohesión social ha ejecutado Q807 millones en seis meses". 28 July 2010.

⁸⁸ *Prensa Libre*. "Expertos cuestionan decisión presidencial". 22 April 2010.

⁸⁹ Interview Guatemala City, 20 January 2010.

faith in the ability of trustworthy colleagues and allies to remodel recalcitrant or criminalized institutions.

On the grounds that a transactional paradigm can be found across the breadth of the Guatemalan state, in which private interests and alliances constantly mediate or channel the application of public policies, a number of different agents of transaction can be identified. Although the actors listed below bridge legitimate and criminal activities, and are thus *ethically* distinct, the means by which they operate reveal certain commonalities:

- **Relational reformists.** Appointees of the executive whose personal probity and/or intimate connection with high-ranking members of the executive give them the authority to undertake major state reform and institutional innovation. Examples include Sandra Torres and Helen Mack. At a lesser level, the executive is frequently called upon to unseat allegedly corrupt officials and replace them with ‘safe’ figures (e.g. following the sacking of six regional governors dismissed in November 2009). Criticism has also been directed by respected security analysts at the CICIG’s former chief Castresana for assuming exceptional powers of intervention in his efforts to reinforce the rule of law.⁹⁰
- **Executive factions.** Figures who combine public office with strong links to organized and licit private interests, e.g. ministers and high officials with business linkages (former Mining and Energy Minister Carlos Meany, the President’s private secretary Gustavo Alejos), or with significant family connections to the elite (Vice-President Rafael Espada). At a lower level, these factions include representatives of competing political parties and politicians in ministries and security forces.
- **Grassroots mobilizers.** Closely linked to state and political party actors, these seek to further organized class or social interests while also favouring the political agendas of government or opposition. Examples include: Joviel Acevedo (head of the teachers’ union Asociación Nacional del Magisterio), indigenous movements (which managed to bring about the suspension of activities in the Marlin gold mine in June 2010), parts of the trade union movement (Unión Guatemalteca de Trabajadores), or networks of welfare beneficiaries linked to the UNE. As for the opposition, the Chambers of Industry and of Trade, as well as the CACIF, are potent mobilizers of influence.
- **Political entrepreneurs.** Figures who use powers of aggregation, networking skills and mobilizing capacity to secure private or group interests, largely through informal pressure on state officials. Foremost among them are intermediaries for the private sector, such as former CACIF president Marco Augusto García Noriega. Other examples are presidential hopefuls and numerous local *caciques*. This category also includes semi-clandestine figures who represent opaque interests in the security world and private sector, e.g. Luis Mendizábal.

⁹⁰ Edgar Gutiérrez. 2010. “La desproporción”. *El Periódico*, 11 March 2010.

- **Entrenched parallel authorities and corruption networks.** Connect public officials with groups of emergent and criminal capital. May seek control of key official decision-makers at local and ministerial level or, if more ambitious, penetration of Congress and the judicial system. Alleged examples include former UNE deputy Manuel Castillo, currently awaiting trial for the murder of three El Salvadorean deputies and their driver in 2007.

Institutions and the elite

A central issue for the future of governance in Guatemala is whether or not state reform efforts manage to transcend the working methods of public–private political transactions. Should the UNE party continue in the executive following the elections of 2011, the question is likely to become more pressing: will programmes in welfare, security reform and tax increases be incorporated within the work of stable bureaucracies, or remain subject to the volatility of constant changes of personnel and private influence? Will political parties be detached from their local and central funding bases, or remain under their sway?

The response of the economic elite to these developments will be pivotal. It is possible that the traditional economic elite will face a more hostile political environment in coming years, not unlike that under the administration headed by former President Portillo, whose anti-oligarchic populism is said to have encouraged CACIF to sign up to a Fiscal Pact on tax reform (Sánchez 2009, pp 118–123). A possible response will be a strident defence of elite interests through use of the media and allied civil society groups, as well as the deployment of informal back-channels of influence through sympathetic ministers and officials.

However, it is also possible that the legitimate business class, faced with the proliferation of emergent criminal networks, violent crime and the loss of influence in key governing organs – not to mention its receding powers in various regions – will carve out a fundamental change in direction; the tangible effects of violence and instability have also been interpreted as the main possible source of change in elite attitudes to the state in Mexico.⁹¹ The transition to democracy, according to economists Acemoglu and Robinson, can fruitfully be understood as a credible commitment by elites to future, non-revolutionary redistribution (Acemoglu and Robinson 2006, p. 27). Similarly, the elite’s embrace of a rule-governed private sector that respects the autonomy of the judicial and political systems might be perceived as a commitment to the future provision of public goods. In return for this commitment, the business class would gain from the state recognition that it has an entitlement to be consulted on matters of core economic interest, expect certain sectoral benefits from government policy, and enjoy a safer investment climate.

⁹¹ Edgardo Buscaglia. 2010. “Mexico pierde la guerra”. *Esquire*, March 2010.

Business would also demand a pledge that illicit rivals be excluded from all political and legal processes.

It is precisely this sort of ‘intra-elite competition’ that is regarded as the principal historical impulse towards the creation of an open-access state, which is marked by the provision of rights for all citizens irrespective of their personal status or influence (North et al. 2009, pp 190–194). In making this transition, powerful groups ensure a stable, structured relationship with state institutions, while dispensing with most of the personalized and informal ties – the transactional ties, in the case of Guatemala – that run between different elite factions. Whereas other accounts of state-building stress the importance of a coercive warlord or political chief allying themselves with productive capital out of military interest – a scenario that is far from that of current Guatemalan reality – this interpretation of the shift towards rule-bound governance would appear highly pertinent to the conditions of much of Central America (North et al. 2009, p. 241).

This transition to an open-access state, these authors argue, can only take place if certain ‘doorstep conditions’ have already been met, including a basic rule of law governing relations between elites, and civilian control of the military. However, neither of these has been effectively consolidated in Guatemala. Nor is it certain how this new relationship with the state may come about. If, as seems likely, Guatemala enters a period of intensifying ideological polarization, then it is possible to envisage strong and unified business support for the principal opponent of the UNE, likely to be Pérez Molina or another candidate from the right-wing PP.

The issue of tax reform, which stands at the crux of any new era of relations between the state and private sector, is sure to be at the heart of this political antagonism. At the same time, the most logical vehicle for such a transition to more impersonal, institutionalized governance would be a tax increase that is clearly linked to targets in the rule of law (such as reduced criminality, improved policing, judicial efficiency) and in state reform. A new body for dialogue between business, government and unions – not unlike the Social and Economic Council proposed by the Dutch Institute for Multi-Party Democracy, whose model has recently been adopted by the El Salvadorean government of Mauricio Funes – might be an ideal forum for this sort of pact.

Yet it is at present hard to see how the aggressive, antagonistic and short-termist climate of political life could evolve into such a institutional revolution. A substantial degree of unity in the business class would be essential, as well as a willingness by both government and the elite to commit themselves to steadily abandoning transactional methods. But recent crises in security and the judicial sector suggest that both the economic elite and the current reformist government are still drawn towards improvised solutions and tactical alliances with clandestine interests.

7. Conclusions and recommendations

This paper has striven to cast light on the three areas in which the future of state-building and political competition in Guatemala will be determined. By exploring not merely the surface phenomena of governance in these areas, but also the clandestine systems of finance, incentive-making and criminal activity, it has endeavoured to trace the scale of the dilemmas facing the country. On one level, it might be said that the fate of the current centre-left administration, and the results of the elections in 2011, will be crucial factors determining the future of the Guatemalan state.

However, it is evident from the analysis of the previous chapters that a more competent, less corrupt and better funded state – the central goal of the international community since the peace process of the 1990s – will depend on a more profound transformation of the practices that are espoused by the elite, political parties, local leaders and also, crucially, the current ‘reformist’ government. In other words, Guatemala will have to wrestle with the full dimensions of its transactional state, and the difficulty of responding to the current security crisis through institutions that are corroded by these practices.

These conclusions aim to assemble the various threads of the preceding discussion to pinpoint the most salient trends in Guatemalan governance, mould three possible scenarios for the coming years, and identify possible donor responses to them.

Trends

Whether there is now sufficient momentum to achieve this transformation in political operating practices is a matter of grave doubt. The key trends affecting governance, listed briefly below, appear to point in different directions. They include the following:

- **fragmentation.** Political life remains a victim of weak party structures. Strong evidence of factionalization of business community, especially in wake of Rosenberg crisis, but opposition to tax hikes still virulent.
- **criminal entry.** Organized crime is developing a presence at multiple levels of power, often in competition with the traditional elite (but sometimes in collusion). Drug cartels claim territorial niches. Crime wave also sparks public calls for more effective security policy.
- **increasing participation.** In national elections and local decision-making bodies, fear of involvement in the political process is diminishing. Intense indigenous interest and engagement in local forums, though no organized movement yet at the national level.
- **international context.** Partial turn to left in Central America, although reversed in Honduras and Panama, and absent in Costa Rica. Colom favoured as one of various counterweights to radical left.
- **international presence.** Led by the prominent CICIG (with plans now afoot to spread this model across Central America), though also evident in quiet US and IMF support for tax reform.
- **polarization.** Consolidation of two principal political poles, from left and right, ahead of elections in 2011. Tensions could possibly give rise to new crisis, or legal actions against Torres and/or Pérez Molina. Possible surge of local political violence due to battles over presence on winning party lists.
- **party-building.** Dominance of two 'ideological' forces. Party cadres are under development. A number of smaller parties may disappear as local *caudillos* change sides.
- **social welfare.** New programmes popular in rural areas, though they are targets of criticism on grounds of corruption and party-based patronage. Difficult to eliminate, despite cost. Recipients of programmes could form key constituency for mobilization.
- **greater complexity in social stratification.** Vertical inequality starting to assume greater role than traditional horizontal inequality between ethnic groups.
- **transactional practices.** Public-private methods are increasingly used by state, group interests and criminal networks to pursue goals, licit or illicit. Short-term calculations remain dominant in the political marketplace.

Scenarios

These overlapping and at times contradictory trends are the basis for intense speculation in Guatemala: whereas some predict increasing criminality and institutional failure, amounting to a deepening of the country's predicament over the past decade, others see the inception of a stronger state, able to respond to the country's vital needs. Using the trends identified above as a working tool, three broad scenarios – optimistic, realistic and pessimistic – can help discern the possible medium-term futures facing the country.

i. Optimistic

Victory in 2011 for the UNE candidate, or the PP candidate (a late replacement of Pérez Molina), brings to power a president with 60 loyal deputies in Congress. Strong support from the United States and the newly interventionist IMF for tax reform; after fighting the idea, the representative bodies of the economic elite are scared by the evidence of increasing criminal violence (notably, a gun battle in the neo-liberal bastion, the Francisco Marroquín University), and the drug cartel's use of anti-oligarchic messages to gain support in rich agricultural areas. A deal on security, tax and welfare is signed and implemented; 10,000 new police officers are immediately recruited on generous new pay scales. A new office is created to enforce strict controls on political party funding; a state TV channel is created. The CICIG leaves the country, but its legacy includes a permanent UN monitor, similar offices across Central America, and a body of trained Guatemalan prosecutors forming an investigative corps that continues to undermine the trafficking rings linked to the state. Economic growth leaps to five per cent a year as the Mexican economy pulls out of a slump and Central American economic integration speeds up.

ii. Realistic

The UNE or PP candidate, who is Pérez Molina, wins the presidency by a narrow margin in the second round of voting. A web of cross-party alliances ahead of the poll means the new president can count on only 40 deputies. Tepid tax reform is passed, with most of the new revenue coming from an increase in value-added tax and a one-off payment by mobile phone firms. Rates of crime and violence remain stable, and even start to diminish in some urban areas, but rural areas increasingly fall under the sway of competing criminal cartels linked to popular local political entrepreneurs. In a show of strength, one cartel overruns government buildings in Petén for a few days, prompting a year-long military occupation of the region. A right-wing faction connected to the traditional elites starts to attract deputies, and is linked to threats against reformist business leaders in the capital.

CICIG leaves the country, and part of its specialized investigative squads are incorporated in the corrupt structures of the police and the prosecution service; those who remain loyal continue to struggle against targeted killings of officials and public displays of criminal terror. Economic growth improves, but remains sluggish, at around three per cent.

iii. Pessimistic

A late-comer in the presidential race with a populist discourse against crime and corruption wins. Having no party structure behind him, he assembles a shaky alliance in Congress that is unable to pass any legislative reforms. A number of ministers are soon revealed to have strong links to the criminal underworld. Attempts to unseat them within the last months of CICIG's mandate lead to unprecedented acts of targeted violence. Mexican cartels use the opportunity to place allied politicians and police officers in charge of three regions on the frontier with Mexico. The economic elite, in discussions with the UNE and PP, proposes a package of security and tax reforms, only to be opposed by a massive mobilization of rural workers and neo-liberal fundamentalists. In an effort to get the support of congressional deputies voted on departmental lists, the president hands over important powers in local investment and security-making to the regions. Some indigenous groups rejoice, but in other parts of the country a process of feudalization, with strong criminal presence, begins; a furious reaction from the United States and Mexico leads to the international isolation of Guatemala. Economic growth is non-existent as investor flee to other countries in the region.

Recommendations

The international community has every reason to be concerned over the future of Guatemala. The last scenario mentioned would see Guatemala turn into a virtual failed state, and a zone in which organized crime could operate unimpeded. At the same time, the net contribution of foreign aid as a proportion of Guatemala's GDP is relatively small, now standing at 1.5 per cent.⁹² There is, in short, relatively little financial leverage over the country, and especially not over its economic elite, which has shrugged off multiple donor demands for tax reform, as well as toppling a UN-backed referendum on constitutional reform.

Frustration at the inability to meet the promises of the peace accords is indeed a hallmark of donor attitudes towards the country. Progress towards the socio-economic targets, in particular,

⁹² Dutch development aid stands at 67 million for the period 2008–11, while the European Commission envisages spending of 135 million for the period 2007–13 (Royal Dutch Embassy 2009; European Commission 2007). According to the OECD, total net development aid hovers at around US\$ 500 million a year, placing Guatemala sixth on the list of aid recipients in the Americas.

has been notoriously scant, and many donors continue to invest in programmes for poor indigenous communities. Efforts to support the construction of strong institutions, particularly in the field of security and the judicial system, have been marred by political meddling and the entrenchment of new corruption rings in these services. Recently, the international community appears to have adopted a new tack, supporting regular strategic interventions in Guatemalan public life, whether through the CICIG, lobbying of Congress, or public comments to the media. While not always content with the direction chosen by the government (notably in its ministerial appointments), donor countries appear relatively satisfied with an approach based on dialogue and selective political pressure.

It is unlikely that Guatemala, a lower-middle-income country, will enjoy a major boost in its development aid revenues in coming years. However, its role as a security concern will continue to guarantee it a place on the list of aid recipients from the United States and Europe. In this context, a number of recommendations as to the future involvement and role of donors can be given on the basis of this governance analysis.

i. The strategic moment

A number of trends point towards the possibility of a major reform in taxation in the next administration, so long as this is clearly combined with guarantees from the state regarding progress in meeting security goals and in safeguarding the integrity of the private sector. The key issue for donors is to gauge the opportune moment for an offer of aid, and to assess how this might be targeted. The current initiative of a Socio-Economic Council for dialogue between employers, unions and the government, supported by the Dutch Institute for Multiparty Democracy, is ideal for a more mature stage of relations between state and business. In the meantime, donors could consider a range of possible interventions, including technical assistance in the area of earmarked taxes (i.e. taxes that are clearly allocated to a particular function), support for an integrated trade union front or association of cooperatives, and efforts to press the local economic elite into accepting the new international orthodoxy on state regulation of the economy.

ii. Institutional reforms

A host of reforms to state institutions have been financed by the Dutch and other donors since the peace accords. However, a number of these have fallen prey to corruption (such as parts of the police force) or to capacity limits; an example of the latter is the National Institute of Forensic Sciences (INACIF) morgue, a centre of excellence that was financed to process a total of 2,000 corpses a year, one-third of the current murder toll. Instead, donors must give serious consideration as to how they can create an institutional culture that values monitoring and transparency. This could involve focused support for monitoring agencies, or for parts of the judicial system concerned with administrative malfeasance. To deal with this problem at the regional level, efforts must concentrate on the disconnection between local

people and security forces, and on the possibility of federating local security boards into a representative public body able to track the patterns of violent crime, and the forces' reactions to these.

iii. Managing polarization

It is essential that the international community adopt a realistic and pragmatic posture with regard to the likelihood of a fierce political battle over the next two years. Right-wing parties, and large parts of the economic elite, will zealously oppose a new mandate for a UNE president, above all if the candidate is Sandra Torres. Torres herself is rumoured to be more radical and anti-oligarchic than her husband. Yet at the same time, as a number of veteran politicians in the country argue, it is by no means bad for the political system that the country embark on a period of intensifying ideological antagonism, in which policy, long-term planning and loyalty to party values become more decisive than the search for private finance. At the same time, it is essential to prevent a violent outcome, and above all an attempt to overthrow the legitimate power-holder (as in Honduras). The effects of a coup would be devastating for the country. In short, the benefits of a rigorous, participatory public debate on future policy should be safeguarded by the international community through offers of substantial election monitoring, the provision of platforms for policy debate, efforts at greater voter registration, and regular dialogue with key political leaders.

iv. The future of CICIG

It is highly likely that the CICIG will retire from Guatemala within the next two to three years (its mandate is currently due to expire in 2011). The international community should accept this, and prepare for the aftermath. In addition to giving support to the CICIG's handpicked teams of prosecutors and police officials, it must wholeheartedly support reform processes in the police and judicial system, and seek to maintain their continuity and longevity by helping to construct new institutional procedures: in the Police Academy, in the relations between HQ and local police units, and in the force's relations with the judicial system. Performance-related pay, regular assessments, and the federation and organization of local citizen boards will be part of this process. Above all, it must seek to build on the exceptional efforts of individual officials to make systemic changes in the professional incentives of duty officers, judges and prosecutors.

Appendix: the history of Alta Verapaz

The history of Alta Verapaz is unique in Central America. Following the conquest of Guatemala by the forces under Pedro de Alvarado – a colleague of Hernán Cortés in the conquest of Mexico – the brutalities visited upon the local indigenous populations, including slavery, were used to justify the introduction of the New Laws by the Spanish Crown in 1542. These laws afforded a measure of protection to indigenous communities so long as they agreed to convert to Catholicism.

Alta Verapaz itself was taken under the wing of Dominican friars led by Bartolomé de las Casas, who played a crucial role in promoting the New Laws. A few years beforehand, De las Casas has ventured into the indigenous territories of northern Guatemala with the aim of peacefully converting the natives to Christianity, and allowing them in return the right of self-determination. This deal was the basis for government in the region over the ensuing centuries, and extended into the decades after the declaration of Guatemala's independence in 1821, with most locals living in isolated villages that were run according to customary law. But the Liberal Revolution of 1871, followed by the presidency of Justo Rufino Barrios, sparked the aggressive occupation of what were communal lands by new coffee growers, many of them immigrants from Germany. By the start of the 20th century, Guatemala was producing over 10 per cent of the world's coffee beans.

Although relations between the indigenous peoples, largely *q'eqchi'*, and the immigrant, creole and *mestizo* populations have been far from perfect, it is often maintained that the region does not suffer the racist extremes of the western highlands. Economic inequality and discrimination, however, are intense, and overlap with racist attitudes. Treatment on the huge coffee farms of the *mosos colonos* was harsh, and reinforced in the 1930s by the infamous vagrancy laws obliging indigenous peoples to provide between 100 and 150 days of unpaid labour every year. The progressive governments of Juan José Arévalo and Jacobo Arbenz between 1944 and 1954 introduced important reforms in labour law (abolishing the vagrancy law) and agrarian reform, although the relative isolation of Alta Verapaz somewhat reduced the impact of this pivotal piece of legislation – which served as the precursor to the right-wing 1954 coup. Alta Verapaz was later

a crucial territory in the civil war, and reportedly the third-worst affected by human rights violations after El Quiché and Huehuetenango.

One famous moment in the region's history occurred in 1968 when the then local bishop, Juan José Gerardi, who was murdered in 1998 after releasing a report on the human rights violations during the civil war, pronounced in his sermon an end to the physical separation of indigenous and mixed-race or white congregations in the Cobán cathedral. The indigenous faithful were invited to occupy the pews instead of standing against the walls. Soon after, ranch owners and coffee growers began deserting the Catholic church in favour of the new evangelical movements from North America.

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