

WebMemo



Published by The Heritage Foundation

No. 1772

January 11, 2008

Álvaro Colom Takes Charge in Guatemala: New Optimism for a Troubled Neighbor

Ray Walser, Ph.D.

On January 14, Álvaro Colom, leader of the center-left National Unity for Hope Party (UNE), will become president of Guatemala. The inauguration will draw several Latin American leaders to Guatemala, including Presidents Felipe Calderón of Mexico, Hugo Chávez of Venezuela, and Álvaro Uribe of Colombia. Behind the pomp and protocol, there will unfold a battle for Colom's political soul. Will the new president take a populist, anti-American track as Chávez will likely urge, or will he follow a more pragmatic, free-market course similar to Presidents Calderón or Uribe? The answer—of great importance given Guatemala's strategic significance—may depend on U.S. engagement in the weeks and months ahead.

A New President. With a population of 12.7 million, Guatemala is the most populous state between Mexico and mainland South America. Its long, largely unprotected border with Mexico is porous and has become a convenient route from the coca fields and cocaine labs of Colombia to Mexico's drug cartels and U.S. streets. That border is also well known to the illegal migrants escaping Central America's poverty. How Colom governs is of great importance to U.S. interests and security.

It has been 23 years since Guatemala's ruling generals turned the presidency over to a civilian. The horrific, 36-year guerrilla war that claimed more than 100,000 lives and produced over 1 million refugees ended in 1996. The political foundations of peace and electoral democracy in Guatemala, as in the rest of Central America, are increasingly solid. Although marred by some vio-

lence, the September general elections drew 14 candidates from a variety of political backgrounds, from the right to the leftist indigenous movement of Nobel Prize winner Rigoberta Menchú. The strong competition forced a second round of voting.

Colom, an industrial engineer, one-time vice minister of the economy, and three-time presidential candidate defeated Otto Pérez Molina, a retired general. The extent of Colom's mandate will be in dispute. He garnered just 52.23 percent of the vote in the November 4 run-off. Further, only 2.9 million of Guatemala's 5.9 million registered voters turned out for the run-off, and Colom's UNE party commands only 48 of the 158 seats in the legislature, has a mainly rural constituency, and failed to carry Guatemala City. Colom must demonstrate adeptness at consensus-building across the political spectrum, negotiation, and public relations to avoid political gridlock.

The presidency of Óscar Berger, who will step down from office on the 14th, marked an improvement over his corrupt predecessor, Alfonso Portillo, although lacking a transforming dynamic. Berger accomplished modest reforms, raised tax revenue in a country with a sub-par collections rate, and guarded macroeconomic stability. Economic growth

This paper, in its entirety, can be found at:
www.heritage.org/Research/LatinAmerica/wm1772.cfm

Produced by the Douglas and Sarah Allison
Center for Foreign Policy Studies

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002-4999
(202) 546-4400 • heritage.org

Nothing written here is to be construed as necessarily reflecting
the views of The Heritage Foundation or as an attempt to
aid or hinder the passage of any bill before Congress.

hit 5.6 percent in 2007, and new investments flowed into call centers, light manufacturing, agro-industry, and tourism. With Guatemala's financial house in comparatively good order, President Colom can ill afford to overburden the nation's productive machinery with new taxes or to scare off foreign investment.

A public opinion poll taken on the eve of Colom's inauguration revealed that Guatemalans are unusually optimistic. They feel their new president has a chance to begin to overhaul the political system and lead the country in a better direction.

Many Challenges. The new President, nonetheless, inherits a nation troubled by massive poverty, extremes of inequality, and enormous developmental challenges. Seventy-five percent of the population lives below the poverty line, only one-third of children ever attend secondary school, and 50 percent of the labor force works in agriculture. Poverty remains disproportionately concentrated in the indigenous, Mayan communities. President Colom promises to reach out to the marginalized with a largely progressive program of social democracy that displays a "Mayan face," hoping to speed up rural development, improve education, and improve access to health care.

Drug trafficking, violent crime, and gangs (*maras*) are primary concerns for Guatemalans of all classes. Many, such as outgoing Vice President Stein, warn that Guatemala is on the brink of becoming a "narco-state." The murders of three Salvadoran members of the Central American Parliament and their driver, including the son of the founder of El Salvador's governing party, in February 2007 focused international attention on the country's lawlessness and narcotics problem. Guatemala's murder rates are among the highest in the world; officially, 6,033 were slain in 2006. The police and judiciary appear ineffective against the tide of crime. In 2005, for example, the Office of the Public Prosecutor reported that only 46 murder cases out of 4,352 went to trial. It is incumbent upon Colom to shake up the police and judiciary to make headway in the battle against crime.

Affordable and secure energy is a major concern for Guatemala and all of Central America as the cost

of petroleum surpasses \$100 per barrel. In the run-up to inauguration, President-designate Colom signaled to Caracas an interest in participating in Petrocaribe, Venezuela's long-term oil loans and subsidies program. A positive response by Chávez may be too hard to resist.

If Guatemala is admitted to Venezuela's oil subsidies program, Hugo Chávez will likely look for concessions, but proud, independent-minded, Guatemalans may be reluctant to hop on his Bolivarian bandwagon. Cutting against Chávez, Mexico, through its Plan Puebla-Panama, has demonstrated a desire for stronger energy and trade ties with Guatemala and Central America. Tighter regional integration and cooperation on economic, commercial, and security ties would be mutually beneficial.

The U.S. Role. The U.S. has worked to foster an outward, growth-oriented direction for Guatemala. The U.S.–Central American Free Trade Agreement (CAFTA) entered into force with Guatemala in July 2006. CAFTA has already helped unlock the potential of non-traditional exports, attracted new foreign investment, and increased Guatemalan imports from the U.S. President Bush's visit to Guatemala in March 2007 highlighted strong U.S.–Guatemala ties.

Direct foreign assistance from the U.S. stands at about \$50 million. The U.S. currently provides approximately \$18 million annually in assistance for counter-narcotics and the judiciary. The Merida Initiative—a three-year program primarily designed to support the battle against drug traffickers in Mexico—calls for an additional \$50 million for regional projects in Central America, including Guatemala.

The U.S. is also connected to Guatemala by a strong human bridge. An estimated 1.2 million Guatemalans are believed to be in the U.S., as many as 60 percent of them illegally. Remittances from the U.S. to Guatemala totaled \$3.61 billion in 2006, representing roughly 10 percent of the country's GDP. Deportations to Guatemala for crimes and immigration violations approached 21,000 in 2007. Close to 5,000 Guatemalan children were adopted last year, mainly by U.S. parents, but stricter scrutiny to avoid abuse of the adoption process may reduce adoptions in 2008.

Recommendations and Conclusion. Washington should take four concrete steps to pull Guatemala's new president into the free-market, democratic fold:

- The White House and State Department should move to engage President Colom constructively, including an early invitation to Washington for a White House visit;
- The Department of State, the Department of Justice, and the Pentagon should continue to strengthen judicial, police, and counter-narcotics assistance for Guatemala's courts and police as part of a more proactive strategy for Central America;
- Congress should fund the Merida Initiative with its modest but important funding for Central American counter-narcotics and anti-gang actions as well as increase International Military Education and Training funding and consider reinstating Foreign Military Financing; and

- The U.S. should encourage Guatemala to introduce reforms that will make it eligible for a Millennium Challenge grant.

As Central America's largest nation and economy, Guatemala remains a strategic country, a potential anchor for longer-term stability in Central America. It is not in the U.S. interest, despite the misgivings of some, to watch Guatemala become a narco-state or a failed state. Many in Washington believe the U.S. can work with a pragmatic Colom and his new government team. The success of his presidency would have important repercussions for the people of Guatemala and for U.S. policy in the region.

—Ray Walser, Ph.D., is Senior Policy Analyst for Latin America in the Douglas and Sarah Allison Center for Foreign Policy Studies, a division of the Kathryn and Shelby Cullom Davis Institute for International Studies, at The Heritage Foundation.