

Guatemala

Status Index (Democracy: 2.8 / Market economy: 2.6)		5.4	Management Index		3.6
System of government	Presidential democracy		Population	11.7 mill.	
Voter turnout	53.75 (1999) ^b		GDP p. c. (\$, PPP)	4,400	
Women in Parliament	8.8 % (2003)		Unemployment rate	n.a.	
Population growth^a	2.6 %		HDI	0.652	
Largest ethnic minority	39.2 %		UN Education Index	0.65	
			Gini Index	55.8 (1998)	
Data for 2001 – if not indicated otherwise. ^{a)} Annual growth between 1975 and 2001. ^{b)} First round, November 1999. Source: UN Human Development Report 2003.					

1. Introduction

On 29 December 1996, the government of Guatemala and the guerrilla organization *Unidad Revolucionaria Nacional Guatemalteca* (URNG) signed a treaty ending 36 years of civil war. The Peace Accords foresaw both a deepening of democracy and numerous economic reforms in the direction of a social market economy. Since then, there has been progress in certain areas; the rebel army has demobilized and state repression has declined. However, neither the Arzú government (until January 2000) nor the Portillo government (in office since then) was able to implement key components of these accords.

Political use of force is on the rise again. The political system has been discredited by corruption, poor problem-solving capacity and a focus on personalities rather than institutions; the social and economic situation of the majority of the population remains grim. Although change in Guatemala certainly took place at least in part under difficult conditions, the transformation achievements in the period under study can only be deemed fairly slight. The Portillo administration in particular failed to carry through on its promises. Especially in the area of democracy, the backsliding tendencies are multiplying.

2. History and characteristics of transformation

The history of Guatemala's transformation features a close connection between democratization and war. The military regime's first steps toward openness to democracy came midway through the war. In 1984, the armed forces initiated the process with elections for a constitutional convention, followed by parliamentary

and presidential elections in 1986. However, the spectrum of political actors in these elections remained limited, with the political left largely excluded.

The controlled opening allowed the military to maintain many enclaves of power, particularly in the area of “internal security.” Only when the government and the guerrillas entered peace negotiations were accords struck that aimed at lifting these restrictions on democracy. Of central importance here are the Accord on Strengthening Civilian Power and the Role of the Army in a Democratic Society (signed on 19 September 1996), the Accord on Constitutional and Electoral Reforms (7 December 1996) and the Accord on the Rights of Indigenous Peoples (31 March 1996). A similar situation applies for the economy, where the Accord on Socioeconomic Issues and the Agrarian Situation (6 May 1996) is the key reference point for transformation.

In the past five years, Guatemala, like many other postwar societies, has faced the dilemma of implementing the terms of the Peace Accords and repairing the ravages of war while still pursuing macroeconomic structural adjustments initiated during the Arzú administration (1996–2000). Core measures were to reduce the budget deficit through a restrictive monetary policy, raise the value-added tax from 7 % to 10 % and combat widespread tax evasion.

In addition, state enterprises such as the telephone and electricity companies were privatized. A further challenge for economic change is the battle against the illegal and criminal economy, which has mushroomed since the 1990s and relies mainly on the drug trade, money laundering and smuggling items such as automobiles. In the last years the ties of these criminal networks with politics and the state apparatus have become more and more evident.

Both the economic and political transformation processes are therefore closely tied to the question of implementing the Peace Accords. Although the Portillo government, upon taking office in 2000, proclaimed implementing these accords as a matter of state policy, there has in fact been little progress. Additionally, increasingly regressive tendencies are apparent, particularly in the area of developing democracy and in promoting the rule of law.

3. Examination of criteria for democracy and a market economy

3.1. Democracy

If Guatemala made any progress at all in transforming its political order during the period under study, it did so only in the first two years and in limited areas. Serious shortcomings remain and are becoming worse, as in the case of political representation (political apathy and organizational fragmentation along personal

lines), and especially in the rule of law (corruption, more instances of people taking justice into their own hands). Especially since 2000, regressive tendencies have proliferated to the point that the democratic stability of the system is threatened.

3.1.1 Political regime

(1) *Stateness*: Although the state monopoly on the use of force is no longer questioned by a political organization, as it was by the guerrillas until 1996, it is nevertheless nonexistent in wide areas. This is evident above all in the continued rise in violence and the existence of private armed bands such as paramilitary groups and organized crime. While the number of violent deaths, after peaking in 1997, at first sank by almost 4,000 per year, since 1999 it has again risen continuously and in 2002 almost returned to the 1997 level. According to the United Nations Verification Mission in Guatemala (MINUGUA), in December 2002 alone, an average of thirteen people a day died a violent death.

However, there are significant regional differences. Violence is more frequent in Eastern Guatemala where the *Ladino* people are living and where the war had played only a marginal role. So violence is not an inheritance of the civil war. Ultimately, a process of functional state disintegration can be observed in Guatemala.

Formally, all citizens have the same citizen rights, but in fact Guatemala remains split, with the primary rift separating not only white Ladinos and Indígenas, but also differentiating between rich and poor, and urban and rural populations. The political consequences of these gaps became evident during the period under study in the May 1999 rejection of a referendum that proposed constitutional changes that would have recognized Guatemala as a multiethnic, multicultural and multilingual society.

There is complete separation of church and state, although leading personalities of the Guatemalan Republican Front (FRG), belong or belonged to evangelical groups (Iglesia del Verbo). On the other hand, the Catholic Church supports the many and varied activities of civil society to reform the system. The state is present throughout its territory with basic infrastructure, although this functions only poorly because of corruption and arbitrary use of power.

(2) *Political participation*: There are no *de jure* restrictions to free and fair elections, but there is *de facto* discrimination, primarily against the indigenous peoples in rural areas. For example, they have no access to the media, little awareness of their rights, and suffer from intimidation. Generally, the elected government has the power to govern, but individual power groups—especially the

military, business and financial organizations, organized crime—can carve out their own domains or push through individual policies for private benefit. This was repeatedly evident during the period under study in the issues of decreasing the armed forces, dealing with human rights violations and setting tax policies.

Unlimited freedom of association and assembly prevails, but numerous instances of intimidation, against union members, human rights advocates and other representatives of civic groups, restrict the exercise of these rights. Freedom of opinion and freedom of the press are guaranteed, but the government seeks to exert massive influence, particularly during election campaigns.

(3) *Rule of law*: The judiciary is institutionally well differentiated, though often subordinate to political authorities in decision and doctrine. Supreme Court Judges are elected by parliament based on a nomination list, and the influence of politics in the appointment and recall of judges becomes evident again and again. Corrupt elected officials are not criminally prosecuted; immunity from criminal prosecution is one of the key shortcomings in promoting the rule of law. Granted, the public usually gives such cases critical attention, but critical journalists, NGO representatives, public prosecutors and judges are often intimidated and even threatened with death.

Civil rights are partly or temporarily compromised, or in some parts of the country not implemented at all. Crucial shortcomings arise from the executive branch's lack of commitment to the rule of law, accountability and transparency. Corruption and cronyism in public administration exacerbate the situation. This is particularly evident in the failure to address past human rights violations in the courts or in the political arena. Convictions, if any, have been won only in a few cases that received much international attention, and generally these have been limited to lesser charges.

3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: Materiel and personnel problems limit the ability of democratic institutions to function, causing significant deficiencies in the political process. In addition to corruption, cronyism and a focus on personalities rather than institutions, it is worth noting that although various functions of the central state were decentralized in mid-2002, material resources have yet to be transferred to the local level.

Particularly before elections, the government seeks massive diversion of state services and international cooperative development funds for partisan political purposes. Individual institutions of a democratic state—especially an independent judiciary—are not fully accepted by all key actors; instead, their work is blocked.

As before, this applies especially to the military, while in recent years the trade associations have come to terms with the democratic system, at least as it formally exists.

(2) *Political and social integration*: Guatemala has a fragile party system characterized by great fragmentation, diffuse polarization, a highly volatile electorate and minimal anchoring in society. As yet, no governing party has been returned to office; after falling from power, parties have splintered and formed anew, recovering their focus only shortly before the next elections. Hardly any substantive differences among the various parties can be identified; the primary criterion for distinguishing one from another is the personality of the top candidate in each.

The network of interest groups is relatively close-knit, but dominated by a few strong interest positions and especially by severe power imbalances. While the trade association CACIF is one of the most effective organizations, the various groups of the indigenous population have many different formations, though with very limited political influence. Cause for concern during the period under study is the proliferation and growing influence of informal power structures grounded in the criminal economy. Evidently, retired military officers in particular have found a new power base here, which they use to thwart more far-reaching transformation processes.

According to surveys, approval of democracy fell further during the period under study, to 45 % in the year 2002 (1997: 48 %). Satisfaction with the performance of the democratic system was even lower, at 35 % (1997: 40 %). Only 11 % of those surveyed had confidence in the government, 8 % in political parties, but 25 % in the military. When asked about the takeover of power by an authoritarian regime, 64 % expressed indifference.

The ability of civic society to organize on its own is unbalanced and hindered by politico-cultural and socioeconomic barriers. The organizations generally tackle isolated problems and are short-lived because they, too, are fragmented along personality lines. The population's confidence in these organizations is likewise fairly low.

3.2 Market economy

3.2.1 Level of socioeconomic development

Various types of social exclusion are quantitatively and qualitatively quite pronounced and structurally hardened. The most crucial differences are found between Ladinos and Indígenas, as well as between urban and rural inhabitants,

and men and women. Data from the United Nations Development Program's report on human development (PNUD, 2002) clearly reveal these forms of discrimination, which chiefly affect the indigenous population in rural areas: While the human development index (HDI) for 2000 for the nation as a whole was 0.634, it was only 0.544 for the indigenous population, as opposed to 0.684 for the non-indigenous population.

The disparity is even greater between urban (HDI 0.717) and rural areas (HDI 0.563). The GDI (overall: 0.609) also reflects these differences: It was 0.501 for indigenous women, 0.665 for non-indigenous women, 0.705 in the cities and 0.512 in rural areas. The distribution of household income is likewise telling: In cities, 27.1 % of households live in poverty, 2.8 % in destitution, but in rural areas 74.5 % are poor and 23.8 % destitute. Among indigenous households 76.0 % are poor and 26.4 % destitute, but among non-indigenous households, 41.4 % are poor and 7.7 % destitute. While 54 % of income and consumption falls to the top quintile of households, the entire indigenous population's share is less than one-fourth.

3.2.2 Market structures and competition

Market-based competition is present, although mainly for the formal sector of the economy. This is far less true in the informal sector, where 72 % of the economically active population now operates (compared with 54 % in 2000), and not at all true in the criminal economy. Monopolies have recently returned to the scene, as well, especially in the exploitation of raw materials such as oil. Foreign trade has been extensively deregulated, chiefly as part of efforts toward Central American integration and the planned American Free Trade Area. One of the Portillo government's few successful reforms was financial reform in the realm of banking system and capital market, in which bank supervision and lending regulations were tightened and the central bank's autonomy was expanded. Restructuring and concentration in the banking sector followed.

3.2.3 Stability of currency and prices

In the past years, the Arzú and Portillo governments signed structural adjustment agreements with the IMF and pursued a restrictive spending policy, which reduced the rate of inflation from 10.85 % in 1996 to 6.3 % in 2000. The exchange rate for the quetzal has been largely stable in recent years. However, the main reason for this is a swelling tide of money transfers (*remesas*) from Guatemalans living abroad, who have come to be the country's second-largest source of foreign currency.

Though financial reform has strengthened the independence of the Central Bank, its performance depends very much on the personality of the current Central Bank chief. At present, the international financial organizations have such strong influence that the stability policy is the only option despite its social costs. However, the government always relaxes the restrictive spending policy before elections as a campaign tactic.

3.2.4 Private property

Property rights and the regulation of property acquisition are established, although here, as in other areas, deficiencies in the rule of law also take their toll. Private enterprises constitute the core of the formal economic sector; in recent years, state enterprises in the energy and communications sectors have been privatized. However, at present most economic relationships operate in the informal and criminal sectors, where they are forged on the anvil of power and not at all, or barely, under the rule of law.

3.2.5 Welfare regime

The cleavages within Guatemalan society also find expression in unequal access to basic health care services, access to education and life expectancy. Even in the mid-1990s, only a third of the economically active population belonged to the social security system; given the strong growth in the informal sector, this percentage probably has not increased in recent years. Access to social insurance systems is segmented and varies widely by territory, social stratum and sector. The social safety nets once pervasive, especially in the Indian village communities, were largely destroyed by 36 years of civil war. Equal opportunity does not exist; discrimination follows the fault lines of social cleavage; racist prejudice against the indigenous population remains widespread.

3.2.6 Strength of the economy

According to current macroeconomic indicators, Guatemala's economy is performing moderately well. The low growth in GDP is chiefly due to the crisis in the coffee sector, where prices have plummeted by 50 % in the past two years. The glaring lack of alternatives in this financial predicament could hardly have contributed to reducing poverty. The government's budget deficit has stayed within bounds; the main problem is that the tax base remains extremely low by regional and international standards, impeding urgently needed public investment in basic services and infrastructure. The government shifts to a more expansive

spending policy before elections as a campaign tactic, but this fails to yield sustained development effects.

3.2.7 Sustainability

Ecological concerns generally take a back seat to growth considerations. Although a separate department of environmental affairs was established in 2000, its financial resources barely cover its administrative costs. Core problems in the environmental sector are contaminated rivers, escalating deforestation and the environmental pollution caused by sugar cane plantations. In 2001, despite the protests of the local inhabitants, the government granted a license for oil production on the shores of Lake Izábal, once again making its priorities clear.

Guatemala's illiteracy rate of 32 % is very high for the region. The school enrollment rate for 2001 was 82 %, with average school attendance just 4.5 years. As in other sectors as well, social status determines access to and quality of education, training and higher education. Fewer than 50 % of 13- to 15-year-olds attend school; in many rural areas, the numbers are significantly lower. Expenditures for research and development, at less than 0.2 % of GDP, are minuscule.

4. Trend

At the beginning of the period under study, Guatemala was still in the first postwar stages, which kindled high hopes for fundamental improvements both in the realm of democracy and social development. These hopes were not fulfilled during this timeframe.

(1) Democracy: After initial improvements, democratic developments have shown backsliding tendencies, especially in the past three years. The military's continuing autonomy and the rise in violent crime challenge the state's claim to a monopoly on the use of force, as do the spread of corruption and the growth of organized crime. The population's political participation is formally assured but undermined by informal political practices that include cronyism, a focus on personalities rather than institutions, and corruption.

The many and varied organizations of civil society tend to work on single, isolated issues. It is impossible to identify an institution or organization in Guatemala that could draw up a coherent forward-looking national project, let alone implement it. Against this background, the centrifugal tendencies increase. Only occasionally and only at the local level are there signs of first steps toward participatory democracy.

Overall, political institutionalization and social integration have declined somewhat in the evaluation period. It has to be critically assessed that there are by far too few formal or informal channels of communication and dialogue between political system – above all, parties and parliament – and civil society. This leads to a political system that does not take societal developments into account. Not only does this result in conflicts, but also in implementation problems with regard to reform projects—even those which government and civil society had agreed upon. In the midterm and long-term perspective the level of frustration among the involved actors will increase, and in the end democratic participation mechanisms will devalue.

(2) *Market economy*: Guatemala's development status has improved slightly in recent years. However, this is attributable mainly to gains in per capita income rather than improvements in other HDI indicators. The war's end and international aid programs have made a substantial contribution here, which is expressed in the slight but greater than proportional improvement in the situation of indigenous households.

However, the growth of GDP waned continuously in the period under study. Guatemala's economy remains highly dependent on external factors such as fluctuations in the international price of coffee, the scope of foreign money transfers and international development cooperation. The central problem is the low tax base, any increase in which is thwarted by massive resistance from special interests. Although the government, the business community and civil society organizations concluded negotiations on the Fiscal Pact in May 2000, its key provisions—increasing the value-added tax—were initially rejected by Parliament and did not become law until 2001.

On the other hand, the fiscal reforms introduced in 2001 can be termed a success for government policies. However, the relatively stable macroeconomic development data are cancelled out by the growth of the economy's informal and criminal sectors, which are not included in the macroeconomic statistics. To this extent, a qualitative deterioration must be reported.

Table: Development of socioeconomic indicators of modernization

	HDI	GDI	GDP index	Gini index	UN Education Index	Political representation of women	GDP per capita (\$, PPP)
1998	0.619	0.603	0.59	55.8	0.61		3,505
2000	0.634	0.609	0.61	n.a.	0.62	8.8 % (since 1999)	3,821

Table: Development of macroeconomic fundamentals (1998–2002)

	1998	1999	2000	2001	2002*
Growth of GDP in %	5.1	3.9	3.4	2.4	1.9
Export growth in %	16.3	7.2	-2.7	8.7	-9.0
Import growth in %	23.0	20.1	-1.8	13.4	8.4
Inflation in % (CPI)	7.5	4.9	5.1	8.9	6.3
Unemployment in %**	3.8	n.a.	n.a.	n.a.	n.a.
Budget deficit in % of GDP	2.2	2.8	1.8	1.9	1.1
Current account balance in billion \$	-1.039	-1.026	-1.049	-1.238	-1.202

* Estimated; ** The national statistics count as unemployed only those who are over 10 years old and work less than one hour a week, so the national statistics are not meaningful.

Sources: GDP and inflation: CEPAL 2002; otherwise PNUD 2002.

5. Transformation management

5.1 Level of difficulty

Guatemala is a middle-income country with a medium education level, high ethnic and social fragmentation, weak civil society traditions, serious problems in the rule of law and fragile institutional stability. Although 36 years of war mean that the transformation process must be considered difficult, at least in theory there was a chance that momentum generated by the Peace Accords and massive support from the international community would enable the country to tackle fundamental reforms during the period under study.

The world economic situation, especially the collapse of coffee prices, and natural disasters such as Hurricane Mitch, El Niño and prolonged droughts placed constraints on transformation. At the same time, however, they demonstrated the urgent need for fundamental reforms. Overall, however, the difficulty level of the transformation must be considered only moderate, because the Peace Accords and

international support had laid the foundation for a qualitative broadening of the transformation process.

5.2 Reliable pursuit of goals

Although both the Arzú and the Portillo governments made verbal commitments to the transformation of Guatemalan society foreseen in the Peace Accords, in practice they took up only individual aspects, if any. Particularly as elections approach, medium- and long-term goals take a back seat to calculated campaign tactics. As the consultative groups met, pressure from the international donor community to draft long-term reform policies brought success only in regard to macroeconomic projects, especially curbing the budget deficit and controlling inflation.

Needed reforms are hindered both by friction between the executive branch and Parliament (personalized by the intra-party rivalry between President Portillo and the head of Congress, Ríos Montt) and by vetoes on the part of key actors that include the military, trade associations. Under these circumstances, the government's predictability and the reliability of citizens' expectations are only imperfectly assured.

5.3 Effective use of resources

Available resources are used only somewhat efficiently. Most administrative posts are awarded on the basis of party politics. Although the budget deficit and government borrowing have held relatively constant during the period under study, year after year there are considerable differences between the budget estimates and actual expenditures. This was particularly serious during the period under study in the defense budget, where estimates have always been much lower than the final sum. In the Peace Accords, the government had committed to limiting defense expenditures to 0.6 % of the GDP, but it has exceeded this limit ever since.

Although various decentralization laws were passed in 2001, the financial resources needed to carry out the assigned tasks have yet to be transferred to the local level.

The Portillo government's implementation of the reforms it announced when it came to power has been spotty at best. Especially in the area of justice and the rule of law, serious shortcomings persist. Although progress was made during the period under study in the provision of public services, these are far from adequate in view of the existing disparities and deficiencies. The administration's efforts to

combat corruption are worse than inadequate; indeed, corruption is a central feature of the state machinery.

The political and economic elite extensively ignore and discredit cultural traditions. For instance, a social reform policy could build on the traditional solidarity relationships in the Indian village communities, either revitalizing them or developing them further. Only in the area of justice have some steps been taken at the local level—supported and fostered by international development partners—to revive and strengthen the customary law of the indigenous peoples. However, these cannot be propagated nationwide.

5.4 Governance capability

Although missteps bring some reaction, this generally happens only under external pressure, as was the case, for example, with tax policy. The interests reinforcing the status quo are not called into question. The government lacks adequate authority to implement fundamental reforms. One reason is that key decision-makers are somewhat haphazard and shortsighted in determining where interests lie; another is the cronyism and focus on personalities rather than institutions in the executive branch and Parliament.

The reformers make mistakes—some of them serious—in the choice of instruments and strategies; as a result, resistance blocks the reforms sought. Examples of this are both the 1999 referendum on constitutional amendments and the negotiation of the Fiscal Pact, which in May 2000 brought decisions on many changes, especially in tax policy. Implementation of these measures first ran aground in Parliament; later, significant segments of the organizations that had signed the Fiscal Pact turned against it.

In its effort to stabilize the budget, the government cut state expenditures primarily in the area of public sector investments. This reduced the deficit to the limits stipulated by the IMF, but it also meant giving up political and economic opportunities to manage development. While social welfare expenditures remained constant during the period under study, defense spending continued to rise, despite the end of the war and in defiance of agreements in the Peace Accords.

5.5 Consensus-building

Although the important actors say they accept the goals of democracy and a market economy, this does not mean that they can reach consensus either about what these goals mean or which steps must be taken to reach them. The reformers

have no way to curb the power of the key vetoing forces, chiefly the military and organized crime (see also provision 5.4 of the Fiscal Pact). Although the government—with support from the international community—has been able to prevent further division of society along the cleavages, the causes of conflict remain unchanged. The government does not expressly promote openness to solidarity; however, by its lack of integrative policies it at least indirectly reinforces social tendencies toward fragmentation.

The impunity awarded to gross human rights violations and the failure to address the genocide of indigenous Guatemalans during the civil war are major shortcomings of the country's postwar development. The international community has repeatedly demanded that the recommendations of the Historical Clarification Commission's recommendations be implemented; the Portillo government, upon taking office, promised clarification at least in a few spectacular cases, but this has not yet happened. Furthermore, important actors reject and block such steps, sometimes even violently through intimidation and murder.

5.6 International cooperation

The political actors work with bilateral and multilateral donors but use this only partly to improve policies. A distinction must be made here, especially between government authorities whose financial interest in cooperation is more tactical, and actors in civil society, who make every possible effort to gain maximum leverage from international development cooperation. In the various meetings of the consulting groups and elsewhere, the government always presents itself as a partner open to reform, but in practice the promises made there are carried out at most in the financial area. Political and social demands in particular are largely ignored.

Regionally, key actors cooperate mainly in efforts toward Central American integration, but this always takes a back seat to promising bilateral relationships. Without pressure from the international community, the transformation process probably would have long since come to a standstill or even lost further ground.

6. Overall evaluation

In view of the initial conditions, current status and evolution, as well as the key actors' management, this assessment of the transformation process in Guatemala arrives at the following concluding evaluations:

(1) *Originating conditions*: Because of the long civil war and its social, societal and material costs, the starting conditions were rather difficult. Although the

fundamental institutions of a formally democratic political system were in place, they were not yet substantially developed. Key political and economic actors, such as the military, trade associations and to some extent political parties, tried to keep the transformation process at this formal minimum. After the end of the war—a goal they had fought for together—the organizations of civil society again devoted their efforts mainly to isolated and sectoral objectives.

In the economic realm, the 1996 Peace Accords laid out an ambitious program for fundamental reforms aimed at mobilizing domestic and foreign resources to spur growth and reduce poverty. However, the world economic situation (collapse of coffee prices) and the devastating effects of various natural disasters (El Niño, Hurricane Mitch, drought)—though these were largely caused by the failure to include environmental factors in past development—worsened the initial conditions for implementing this program.

(2) *Current status and evolution:* After initial progress, the reform process came to a halt even before the change of administrations in January 2000; since then, at least in some areas, especially the rule of law, backsliding tendencies are evident. In addition to the functional disintegration of the state (eroded monopoly of power), there is cause for concern above all in the population's further loss of confidence in democracy as a form of government. In the face of severe problems, the majority now even endorses authoritarian models to solve them.

The relatively strong economic growth at the start of the period under study has steadily slowed, so that there is now a risk of a downturn. Given that the slight improvements in the HDI came mainly from growth, here, too, negative trends must be feared, although there will be a time lag before these are measurable. This will surely take a further toll on the democratization process.

(3) *Management:* During the period under study, the government and other key actors were unable either to qualitatively broaden the advance toward democracy or to implement the measures, especially in the area of tax policy, necessary for qualitative economic reform. Guatemala's politics and its economy remain oriented toward personal interests and not to the reconciliation of conflicting social interests. In the economic arena, in part because of the low domestic tax base and inept implementation, the reforms announced could be effected only very slowly and inadequately. In the political arena, advances were hindered mainly by a lack of will and the absence of a broad consensus for transformation, consensus that went beyond maintaining the status quo.

7. Outlook

Considering developments during the period of study, and in view of the impending withdrawal of the UN Verification Mission to Guatemala (MINUGUA)—which means removing an important external control mechanism—in 2004, there is reason to fear that the backsliding tendencies will continue to increase.

The key strategic task for the immediate future is to constrain those actors who profit from incomplete transparency, the absent rule of law and the state's functional disintegration. This can happen only through fundamental reforms of the political system, i.e., in favor of real accountability of elected officials, and the establishment of a truly independent judiciary. The commission on the investigation of "parallel power structures" which the government and the international community had agreed upon will play a pivotal role. Only naming at least some of the wire-pullers and calling them to account will result in a decisive breakthrough for the rule of law in Guatemala.

Because the reform-oriented domestic actors are very weak and fragmented, processes of consensus-building, coordination and concerted action must be fostered. The international community must play a key role here. Demands for more democracy, transparency and rule of law must be credibly and coherently communicated; unlike the latest measures of the United States, they cannot be ambivalent. In January 2003 the U.S. government refused to certify Guatemala in the battle against the drug trade, stating that the government had not cooperated sufficiently. However, the political and economic consequences this should have entailed were not forthcoming, because otherwise the U.S. government would have had to interrupt its plans for extending the free trade agreement with Central America.

In the economic arena, the main tasks are the social integration of hitherto marginalized population groups and the construction of a development model that, unlike the present one, depends far less on the exploitation of raw materials and is not as vulnerable to external shocks. Investments in human capital and in the social infrastructure play a key role here. To this end, the repeatedly announced reforms of public finances must finally be implemented.

The core tasks for Guatemala's transformation were agreed on and listed in the 1996 Peace Accords. The resolute, rigorous implementation of these measures in all areas remains the crucial challenge for the country's key actors. If qualitative progress is not made in the foreseeable future, the state's functional disintegration, the drug trade and organized crime will reduce the transformation process to ashes.