

ACTION WHA-00

INFO	LOG-00	EEB-00	AID-00	CIAE-00	CTME-00	INL-00	DS-00
	EUR-00	EXIM-01	E-00	VCI-00	DIAS-00	FRB-00	H-00
	TEDE-00	INR-00	IO-00	L-00	ARMY-00	MOFM-00	MOF-00
	VCIE-00	NSAE-00	ISN-00	NSCE-00	OIC-00	OMB-00	PA-00
	PM-00	PRS-00	P-00	ISNE-00	SP-00	SSO-00	SS-00
	STR-00	TRSE-00	T-00	ASDS-00	BBG-00	IIP-00	PMB-00
	DSCC-00	DRL-00	G-00	SAS-00	FA-00	/001W	

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SUBJECT: Scenesetter for ASD Stockton's March 9-11 Visit to Guatemala

REF: 09 GUATEMALA 756; 09 GUATEMALA 106; 09 GUATEMALA 929

09 GUATEMALA 538; GUATEMALA 25

CLASSIFIED BY: Stephen G. McFarland, Ambassador, DOS, EXEC; REASON:
1.4(B), (D)

Summary

1. (SBU) President Colom's tenure has been characterized by a number of successes in the social welfare field, and growing challenges in others, especially security. The country continues to suffer at the hands of Mexican and Guatemalan drug traffickers as well as criminal gangs, and the security situation continues to deteriorate. The Minister of Government, who oversees the police, was recently fired for corruption, along with his Vice Ministers, and the National Police Chief and the head of the Counternarcotics Unit were arrested on March 2. The Guatemalan military has been a helpful support to law enforcement, though it has failed to adequately address human rights abuses by its former members during the internal conflict. The GOG has had mixed results in advancing its legislative agenda. Congress continues to pass important rule of law reform legislation, but has yet to overhaul Guatemala's creaky tax structure. USG assistance efforts in Guatemala have

REVIEW AUTHORITY: Adolph Eisner, Senior Reviewer

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focused on combating impunity, strengthening rule of law institutions, and improving citizen security and the Guatemalan government has generally supported these objectives. Controversial First Lady Sandra de Colom leads the government's efforts to fulfill campaign promises of poverty alleviation and social inclusion of indigenous people. Guatemala's economy, which is closely tied to that of the United States, is being buffeted by the global economic downturn. Guatemalan foreign policy is aimed at maintaining good relations with the USG while burnishing center-left credentials with other regional governments.

2. (SBU) Among the topics the Ministry of Defense and the Foreign Ministry will want to discuss with you are FMF and IMET funding, the Merida Initiative, and the military's role in counternarcotics and citizen security. You may also wish to encourage reform of rule of law institutions in the face of the growing threat from narcotraffickers. End Summary.

Infiltration of Narcotraffickers and Gangs

3. (SBU) The GOG has lost significant control of entire swaths of the national territory -- concentrated in border regions -- to narcotraffickers. With a homicide rate of 48.4 per 100,000, and with 6,498 murders in 2009, Guatemala is among the most dangerous countries in Latin America. The current government inherited a police force that has been chronically understaffed, usually poorly led, underpaid, and corrupt. For example, a former director of the National Civilian Police is under arrest for trying to steal more than 1000 kilos of cocaine from a drug-trafficking organization in August 2009 (Ref A). The military, which was capped at approximately 33,000 members by the 1996 Peace Accords, was reduced to approximately 15,500 under the Berger Government, although a recent government accord signed by Colom increased the cap to 20,000 (no funds, however, have been provided for the increase). It is under-staffed and under-resourced but does enjoy substantial public confidence. Gravitating toward Guatemala's weak rule of law, Mexican Zetas (the armed wing of the Gulf Cartel) displaced Guatemalan traffickers in bloody shoot-outs, and established a permanent presence in several border and interior regions (Ref B). The removal of several key traffickers from the scene in eastern Guatemala brought on a battle to fill the resulting vacuum. (Comment: The GOG believes the Mexicans are being pushed out of Mexico by more aggressive GOM actions; we believe, however, that Mexican cartels are attracted to Guatemala by the relative power vacuum in the drug transit areas, rampant impunity, and easily-manipulated banking mechanisms.) Encouraged by a homicide impunity rate of at least 96.5% (and even higher for other kinds of crime), gang members increased their extortion business in Guatemala City and other urban areas. Among their victims in 2009 were 107 bus drivers, most of whom were murdered when they failed

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to make extortion payments demanded by the gangs. Local citizen security groups in various rural departments organized themselves and exacted vigilante justice against criminals in their towns. In 2009, there were 49 lynching-related deaths and 216 injuries

compared with 8 lynching-related deaths in 2008, a six-fold increase.

Impact of Corruption

4. (C) International Commission Against Impunity in Guatemala (CICIG) Commissioner

Carlos Castresana publicly characterized Guatemala's rule of law institutions as being in a state of "collapse." Vulnerable judges, prosecutors, and police in rural areas are unprepared to confront narcotraffickers' increasing challenge to state authority. Corruption is endemic in all branches of government, although the Attorney General's Office underwent a major house-cleaning in February 2009 and is much improved.

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The USG, CICIG, and other donor countries worked together closely during the election period to encourage a new, and improved, Supreme Court (Ref C). Authorities seized approximately 11 metric tons of cocaine of the 300 metric tons of cocaine estimated to have passed through Guatemalan air, sea, and land space during 2009, up from 3 metric tons in 2008. On March 2, the National Police Chief, Baltazar Gomez, and head of the police Counternarcotics Unit (DAIA), Nely Judith Bonilla, were arrested in connection with the April 2009 attempt by police officers to steal cocaine from a Zeta warehouse in Amatitlan. On February 28, Colom dismissed his fourth Minister of Government Raul Velasquez because of concerns about a contract for gasoline coupons signed by the Ministry of Government in September 2009. Funds from the contract were disbursed to 18 different companies and more than 6,000 patrol vehicles were left without gasoline. The new Minister of Government, Carlos Menocal, promptly fired Velasquez's three remaining Vice Ministers. Colom has also replaced Ministers of Defense, Education, Agriculture, Communications, Economy, and Health since taking office in January 2008. The high turnover of working-level officials has also slowed the implementation of USG initiatives associated with Merida and other programs.

5. (SBU) Despite institutional shortcomings, some vetted units such as DEA's Sensitive Investigative Unit (SIU), the anti-gang unit (PANDA), and the Attorney General's Special Methods Unit (UME) worked well and in close coordination with CICIG and the USG. The Ministry of Government needs additional vetted and better-trained police to combat narcotraffickers. The expansion of the Model

Guatemalan Army

6. (SBU) Throughout 2009, the Army helpfully supported police in patrolling dangerous neighborhoods, and made important intelligence and operational contributions to counternarcotics efforts. Its modern record of human rights observance is excellent. The Army failed, however, to fully comply with a presidential order to turn over four conflict-era military plans, and its efforts to address the theft of thousands of weapons from its stocks, some of which were resold to narcotraffickers, were entirely inadequate (Ref D). Recalling the country's bloody civil conflict, human rights groups continued to express concern about the military's limited role in citizen security. In November 2009, the Ambassador hosted a meeting for visiting U.S. Southern Command Deputy Commander Lieutenant General Ken Keen, the top three Guatemalan military officials, and leading human rights activists to discuss ways to work toward improving security together.

Rule of Law Reform

7. (C) The new Supreme Court has taken positive steps on asset seizures, but to date has failed to act to adequately equip and

prepare the new, designated high-impact court. Supreme Court President Erick Alvarez's public spats with CICIG Commissioner Castresana and other initial actions are not encouraging. The Attorney General's Office progressed dramatically during 2009 under new leadership [REDACTED]

[REDACTED] President Colom named well-known human rights activist, Helen Mack, to become the new Commissioner for Police Reform in May. [REDACTED]

[REDACTED] It is doubtful that Mack can succeed without strong political backing, money, and societal consensus about the urgency of police reform.

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USG Efforts

8. (SBU) USG assistance in Guatemala is focused on helping the GOG combat impunity, support critical rule of law institutions (i.e., police, courts, and prosecutors), and improve citizen security. By closely coordinating bilateral and Merida funding, the Embassy seeks to: (1) support communities at-risk, expand prevention

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efforts targeted at youth, and strengthen law enforcement and judicial institutions; (2) improve intelligence-gathering and investigative capacity of law enforcement agencies; and (3) build upon successful USG-supported police units. So far, the USG has established two Model Precincts in violent Guatemala City suburbs which use a community-policing model to better engage with the local community. They have been extremely effective at reducing gang-activity and related crime. The USG has also established five 24-hour courts - "one-stop-shop" arraignment courts which take initial statements, review evidence, request and issue judicial warrants, and provide assistance to victims.

9. (SBU) USG military support includes Foreign Military Financing (FMF), International Military Education and Training (IMET), the Humanitarian Assistance Program, as well as counternarcotics assistance through the 1033 and 1004 accounts, that established a special Navy unit that responds to threats in the Pacific. In FY 2010, the USG anticipates providing more than USD 15 million in military assistance, the majority of which stems from a Beyond the Horizons Humanitarian Assistance Exercise.

10. (SBU) The GOG has generally been a strong supporter of USG priorities. President Colom publicly expressed his satisfaction with the Model Precinct program and pledged to establish 10 more in the next two years. The GOG is also providing all the fuel for the NAS-supported helicopters, used by GOG entities during counternarcotics and other operations, including those which target U.S. fugitives and support Central Skies. The GOG also recently established a Maritime Intelligence Center using its own funds; the USG will assist with technical training and equipment.

Advances in Poverty Alleviation

11. (SBU) President Colom was elected in 2008 on the strength of support from rural voters to carry out a poverty alleviation and rural development agenda and has dedicated the majority of GOG resources to these programs. As GOG efforts on other fronts faltered, President Colom increasingly ceded power to his wife, Sandra Torres de Colom. As head of the government's Social Cohesion Council, which administers social welfare programs concentrated on the rural poor, the First Lady became the GOG's principal standard bearer. Under her leadership, the GOG expanded its flagship poverty alleviation program, "My Family Progresses," a conditional cash transfer program (CCT) that provides monthly stipends to poor mothers in exchange for keeping their children vaccinated and in school. By the end of 2009, "My Family Progresses" had reportedly disbursed stipends to over 477,000 mostly rural and indigenous families. This is up from 28,000 families in 2008.

12. (C) Business elites and other opinion leaders continued to deride the program as fostering dependency on the state, lacking transparency, and as a vehicle for political patronage and corruption. The Constitutional Court directed the Ministry of Education, which maintains the records relating to "My Family Progresses," to release the records to independent Congresswoman Nineth Montenegro no later than January 29, 2010. However, on January 28, the Ministry of Education invoked confidentiality provisions of the Freedom of Information Law and placed a seven-year hold on release of the information. The Comptroller General, who is sympathetic to the First Lady, publicly stated that his review of a sample of "My Family Progresses" recipients had uncovered no significant irregularities. Subsequent court battles resulted in additional deadlines imposed by the Constitutional Court that were readily ignored by the Ministry of Education. On February 24, President Colom, Minister of Education Bienvenido Argueta, and Superintendent of Banks Edgar Barquin announced that beneficiaries would begin to receive their CCTs in February via saving accounts, though beneficiary information would be protected as a "bank secret." On February 25, the Constitutional Court granted a request filed by Montenegro to dismiss Argueta for failure to comply with a court order. Despite the criticisms and lack of transparency, "My Family Progresses" remains popular with the rural poor. The Social Cohesion Council's "Solidarity Baskets" program in 2009 provided basic foodstuffs to more than 400,000 urban families living in extreme poverty, according to official records. As part of the Open Schools Program, the government opened 192 primary schools on Saturdays in poor areas throughout the country to provide students a safe place to learn and play on weekends.

Food Security Worsens

13. (U) During 2009, Guatemala's levels of food and nutritional insecurity reportedly were the worst in the Western Hemisphere and exceeded those of many African nations - 43.4% of children between the ages of three to 59 months suffered from chronic malnutrition. The lack of rainfall and higher fertilizer prices led to crop losses between 40 and 90 percent in the most affected areas, collectively known as the "Dry Corridor." Guatemala crossed a tipping point that left many families without access to farming inputs or food to supplement crop losses. President Colom declared a food security "calamity" in September 2009. Given below-average rainfall levels throughout the country, low soil moisture, and continued lack of access to funds for farming inputs, the food security crisis is expected to continue into 2010 and expand into the northwest highland region. The USG responded to the needs of Guatemala's most vulnerable by: providing a single-year program of USD 15 million focused on food aid coupled with nutritional and health education in 295 communities in the Dry Corridor; continuing

Respect for Market Economics

14. (SBU) A pragmatist, President Colom has been careful to preserve the free market mechanisms that are slowly helping poor Guatemalans to slip the bonds of extreme poverty. He has embraced CAFTA-DR as a boon to small farmers, who have increased non-traditional agricultural exports to the United States. Colom has also resisted the temptation to tax remittances from Guatemalans in the United States, which at approximately \$3.8 billion in 2009 (slightly lower than 2008 due to the global economic downturn) have done far more to transform the countryside than any government program, or even trade. Driven by external factors, GDP growth fell in 2009 to about 0.6% as the main drivers of the economy -- tourism, remittances, and exports -- slowed sharply, although Guatemala did far better than others in the region by showing positive growth for the year.

Anemic Tax Collection

15. (U) The sharp slowdown in the economy led to lower tax revenues, which were 18% below 2009 projections. As a percentage of GDP, tax revenue declined from 11.3% in 2008 to 10.4% in 2009 - well below the Latin American average of approximately 14.5%. To cover the gap in tax revenues, the GOG was forced to cut budgets in most ministries as well as outlays for municipal governments, and took on additional debt during the year. The government will continue to depend on public borrowing to finance the 2010 budget. Tax revenues are projected to increase by 5.4% in 2010. Increased public spending is projected to lead Guatemala's total public debt as a percentage of GDP to increase from 20% in 2008 to 25% in 2010. While this level is not high by international standards, Guatemala's limited ability to collect taxes has led the IMF to urge Guatemala to begin to reduce its public debt.

Legislative Alliances Shifting

16. (SBU) The balance of power in Guatemala's 158-member Congress is split among more than a dozen parties. The party structure has changed significantly since the 2007 Congressional elections with the UNE party, Patriot Party (PP), LIDER, and GANA holding the majority of the seats. The governing UNE party has lost ground in Congress to opposition LIDER as deputies have begun to jockey for leadership positions and align themselves with the next potential electoral winner. Presidential elections will be held in 2011. Retired General Otto Perez Molina, leader of the opposition PP, is

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the leading presidential contender at this point. Other leading likely contenders include left-leaning First Lady Sandra de Colom, centrist Manuel Baldizon of LIDER, and rightist preacher Harold Caballeros of VIVA. President Colom is increasingly ceding responsibility for governance, particularly on social policy, to his wife as she prepares a likely presidential run. Despite an increase in pre-election maneuvering, the GOG advanced part of its legislative agenda with passage of a plea-bargaining law and a law creating high-impact courts to prosecute narco-trafficking and other dangerous cases. The Embassy actively supported this legislation and is looking for ways to help the GOG implement these initiatives.

Foreign Policy

17. (C) Your visit follows on the heels of that of the Secretary of State on March 5. The mantra of the GOG's foreign policy continues to be maintenance of good relations with all countries in the hemisphere, which explains the GOG's reluctance to take a stand against anti-democratic practices by Venezuela, Nicaragua, and like-minded governments. President Colom and his ministers remain mindful, however, that their most important bilateral relationship by far is with the United States. The MFA continued to raise U.S. immigration reform with USG officials during the year.

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due to the overriding importance of this issue to the Guatemalan people. The MFA resisted Russian and Iranian advances during the year. Advancing regional integration is high on the GOG's agenda, and it regrets Nicaragua's departure from the region's otherwise centrist trends. The GOG publicly condemned the coup in Honduras, and went on to recognize the Lobo Government. Guatemalans have closer business and family ties to El Salvador than to any other Central American country; GOG relations with the Funes government are good.

Conclusion

18. (SBU) Your visit to Guatemala presents an opportunity to address security cooperation in the context of rule of law. The Minister of Defense and the other senior GOG representatives you will meet will be eager to discuss the Obama Administration's agenda generally, FMF and IMET funding, the Merida Initiative, and the military's (limited) role in citizen security. We suggest that

you encourage GOG leaders to undertake institutional reform as an integral part of the GOG's effort to combat narco-traffickers, who so far have proven much more nimble than the state in the ongoing contest for control.

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