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Guatemala's fastest growing new political force, the reconstituted Patrullas de Autodefensa Civil (PACs), re- emerged recently with a splash heard around the world. PAC mobs spilled crude oil in the Peten. Global repercussions of their destructive demonstration included a setback for the government's plans to sell bonds in Europe (see NotiCen, 2002- 09-26) and an advisory issued by the US Department of State warning travelers to Guatemala of possible PAC-related alterations in their itineraries. Members of PAC organizations sabotaged an oil pipeline in the country's northernmost and largest department in response to the government's backtracking on a commitment to pay each of them 20,000 quetzals (Q20,000), or about US$2,500, for services rendered during the 36-year civil war that officially ended in December 1996.

President Alfonso Portillo was roundly castigated, both nationally and internationally, for making the commitment to pay them in the first place. Criticisms were that the Peace Accords did not provide for it, the PACs were victimizers rather than victims, and Portillo was rewarding them for a campaign of near-terrorist acts designed to get his attention. Opposition political parties saw the payments as a payoff to keep former PAC members in the fold of the Frente Republicano Guatemalteco (FRG), the ruling party. But the Q20,000 slipped 'twixt the cup and the lip."

The government's latest offer in March was for just Q5,241, currently around US$655, to be paid in three installments, the final two of which would fall due after Portillo's term ends. Strong condemnation of the payments by opposition parties leave doubts that the remaining tranches would ever be disbursed. And this amount would go only to about 250,000 of the former members, rather than the 626,000 who applied for it.

Peace secretary Catalina Soberanis explained, "The data were taken from an archive of the Estado Mayor de la Defensa Nacional of the army, which registered 250,000 ex-patrulleros, who will be compensated." The government's stated reason for the lower payment: no money. The PAC response: no deal.

On April 1, some 8,000 prospective payees blocked the international airport at Santa Elena, and, with machetes and blunt instruments, smashed a pipeline valve at the Perenco refinery in Sayaxche, spilling some 4,500 gallons of oil. After damaging 18 meters of pipeline, they shouted, "We will only leave here dead. We want the Q20,000 they promised us." That was on April 1.

By April 7, the Secretaria de la Paz (Sepaz) announced that there would be no payments, not even at the reduced rate, for PAC members who persisted in this behavior. In the meantime, in the canton of Comanchaj, Chichicastenango, Quiche, other PAC members were alleged to have murdered Mayan priest and human rights activist Diego Xon Salazar. The local PAC there had been threatening Xon since March 2002 for having denounced their reorganization. The area in which this occurred was the scene of 344 massacres during the war according to Truth Commission documents

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(see NotiCen, 1999-03-04), and Xon was active in seeking justice for these crimes. When word of the recent PAC activity reached the US Embassy, a public announcement was put out, recapping events and advising travelers to "avoid areas where demonstrations are taking place."

This was unwelcome news to a floundering tourism industry. PAC contributed to their own losses The most serious fallout to the country as a partial result of the PAC actions, however, is the failure to get the government's stalled Eurobond issue underway. Portillo had planned to use the proceeds of a US$750 million bond sale to pay the PACs and have plenty left over for other needs. The PACs were not the only reason for the long delay, but the cynicism of the payments combined with the destabilizing influence of their actions have damaged the country's image, and consequently the attractiveness of the bonds. The most recent impediment to the placement of the debt instruments, though, has been the US war on Iraq. The earliest was a boycott by the private sector when the bonds were first brought to the Guatemalan market.

By January 2003, the government had managed to place US$125 million locally. The market-softening runup to the war forced the government back into the local market in February, this time selling bonds to small investors through Banco de Guatemala (BANGUAT), the central bank. BANGUAT offered the bonds in denominations of between US$1,000 and US$100,000, with maturities between three and ten years, at between 6.6% and 8%.

By late March, the government had placed a total of US$163.3 million, but state institutions had taken most of it- -US$142.5 million. Among the state takers were the Instituto Guatemalteco de Seguridad Social (IGSS), Fondo de Prevision del Instituto Nacional de Electrificacion (INDE), and Credito Hipotecario Nacional (CHN). While there is general agreement that the PAC commitment was the main incentive for the sale, the government was also looking to fund a projected 3% fiscal deficit with the bonds, pay its obligations to victims of the civil war, and fund land purchases for landless campesinos.

Things began to go wrong again for the major part of the sale, US$550 million, to take place in Europe when representatives of the underwriter, Morgan Stanley, came to Guatemala in February to evaluate local conditions. They found the country semiparalyzed by a teacher's strike soon after having been hit by earlier PAC demonstrations that blocked air and land travel, and left tourists stranded (see NotiCen, 2002-08-22).

There was talk that Morgan Stanley was going to balk at even acting as agent for the sale, but Ingrid Cardenas, spokesperson for the Finance Ministry (MINFIN), denied that, saying that the company just needed more documentation. "It's just a matter of time," said Cardenas, but she acknowledged that MINFIN has information that the private sector still may be operating behind the scenes to scuttle the process. One of the private sector's original objections to the issue was that the government did not disclose at the outset what the proceeds would go for. Now they know a bit more, but they remain opposed.

They have been advised that US$250 million will pay for the Peace and Reconciliation Agenda, which includes the PAC payments. They also know that US$25 million has been taken from the proceeds of the internal sale to pay the Communications Ministry's debts to private contractors.

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The war-softened market and the current PAC-besmirched local conditions may add up to the government having to accept a higher interest rate to sell the bonds. That could mean less income and a need to adjust the budget downward for the coming fiscal year. This will not sit well with the PACs.

They are fighting the government, but their other adversaries are the bond market and, according to Finance Minister Eduardo Weymann, the International Monetary Fund (IMF). "According to the deficit proposed by the government to the IMF, there is only space to pay part of the amount," he said (see NotiCen, 2001-12-20). Another constraint on PAC members' projected income is that an applicant must not have violated human rights. Also, the payments were promised to the ex-patrulleros themselves; widows and orphans get nothing.

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