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Guatemala Presidential Candidates' Coffee Strategies

by LADB Staff

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The continuing low prices for coffee on the world market have removed the commodity from its place at the top of some of the region's exports, without a substitute having been found to replace lost income. During the past few years, emphasis has been placed on improving quality, on managing production, and on several value-added schemes. Replacing coffee had not been discussed. With national elections set for November in Guatemala, the question is a campaign issue. Coffee brought the country about US\$590 million in the 1997-1998 coffee year.

The central bank (Bank of Guatemala, Banguat) said that the 2001 coffee year saw coffee income tumble to US\$300 million, and in 2002, coffee earned US\$160 million (see other article in this edition). Along with the dollar loss came 77,500 direct job losses, and perhaps a million jobs lost total.

The contenders weigh in

All the presidential candidates are aware of the decline of coffee as a leading producer of foreign reserves, and each has incorporated a response to the problem into his campaign. The Guatemalan newspaper Siglo Veintiuno recently asked all leading candidates to outline their responses to the coffee crisis in writing. Oscar Berger, far and away the leading contender according to recent polls, has folded the coffee question into a three-part plan encompassing the peace accords, basic agricultural-infrastructure modernization, and the maquila sector.

The agricultural plan is contingent on Guatemala's getting current on its commitments under the 1996 Peace Accords because the state is obligated under those accords to provide protections and guarantees of access to productive lands and a modernized land registry. Without deeds and other legal instruments pertaining to their ownership of land, campesinos and other producers cannot gain access to the credit they need to create alternatives to producing coffee or working on large coffee fincas.

"As a result of this policy," said Berger, "we expect to provide incentives for rural agricultural employment through the promotion of campesino businesses producing vegetables, fruit, forest products, ecotourism, and crafts, among others, both for the internal market and for export." Berger also sees food security as an issue for many of the people hurt by the coffee downturn. Built into the agricultural section of his plan is the creation of emergency programs in the most vulnerable rural zones that will encourage family gardens.

A program that provides small producers with fertilizers will be expanded, as will a master irrigation plan, training and technical assistance, and help with business organization for small and medium-sized rural growers. Credit will be extended more widely to individuals, cooperatives, and other kinds of organizations, and at reduced rates of interest with eased collateral requirements. In areas

below 1,000 meters in altitude that can no longer compete in the coffee market, diversification programs will aim at substituting higher-value products with guaranteed markets.

In second place in the polls, but significantly behind, is Alvaro Colom of the Unidad Nueva Esperanza (UNE) party. Colom's approach to the coffee crisis is circumscribed and direct. "Understanding that the international market demands competitive standards in the management of this product, and through the lack of political will of previous governments and of the present one, this market has been affected in production, marketability, and generation of employment," said Colom. "We will encourage the production and diversification of nontraditional products to compensate for the deficit in hard-currency income."

The Colom campaign stressed, as did Berger's, the urgent need to straighten out title and other legal problems related to land, and, for much the same reason, to permit the campesino to produce and compete. "We have been planning and working with more than 480 agroindustrial cooperatives all over the country to improve productive efficiency so that, together, government and coops can obtain for Guatemala an increase of 1.2% in GDP," he said. Colom said that his government would be an intermediary and facilitator in international negotiations to get better prices in international trade. He did not go into the specifics of how he would do that.

Leonel Lopez Rodas of the Partido Avancada Nacional (PAN), the technocrat party that held the presidency in the administration before the current one, said, "We consider the subject of coffee a national problem, and we have therefore contemplated an investment of 500 million quetzals (US\$62.5 million) to convert coffee plantations located less than 1,500 meters above sea level," said Lopez Rodas. "We are convinced that the coffee problem is one of lack of industrialization, since the price of a cup of coffee [in importing countries] hasn't gone down."

Lopez Rodas added that the next president would have to initiate a strategy to bring in private investment that would concentrate on finished products for export, replacing coffee. "The generation of employment is a fundamental objective of our government," he said. "There are three main ways to achieve this objective: First, the extension of soft credits for those who want to start their own businesses, principally young people and women. Second, we have the firm intention of constructing 60,000 houses a year with which we will generate 600,000 jobs a year. Lastly, encouraging tourism will be another central objective of our government and is a key piece in the process of economic reactivation and for the generation of employment in Guatemala." Lopez Rodas also said that the next government should start aggressively exporting fruit to the US as a way of stimulating rural employment and earning significant hard currency income.

Floriculture is another such agroexport opportunity for which there needs to be improvement in airport and other port infrastructure to handle large-volume shipments. The next government must, said the candidate, put in operation a large-scale flower exportation plan. Fritz Garcia-Gallont of the UNE party said that the priority now is to create conditions for generating rural employment, along with state intervention in areas where there is genuine hunger and extreme poverty. This would be part of a sustainable rural-development policy featuring emergency programs and projects over the short, medium, and long terms.

Immediately upon taking office, Garcia-Gallont would issue an emergency agreement for the purchase and distribution, in coordination with the Instituto de Nutricion de Centroamerica y Panama, of a basic food basket that would provide those in greatest need with a regular diet that meets health requirements. Provision of other health services would be coordinated with the food program, with as much as possible being bought locally through nongovernmental organizations (NGOs) to stimulate economic activity. Many of the affected people would be coffee workers who lost the means of sustenance when plantations were abandoned, or small producers whose harvests were not worth gathering. A UNE government would also reprioritize the Ministry of Agriculture. At the same time, Garcia-Gallont does not view the coffee sector as a lost cause and would reactivate the Consejo Nacional del Cafe to improve quality and initiate value-added schemes.

UNE also has a legislative package it would bring to bear against the coffee crisis. The centerpiece would be the elimination of the tax (Impuesto a Empresas Mercantiles y Agropequarias, IEMA) and simultaneous negotiations with the financial system for moratoria on foreclosures and making credit extension more flexible. Garcia-Gallont also favors conversion of low-lying coffee farms.

Repeal of IEMA is not a new idea for UNE. The party sponsored a bill to this end in the Congress about a year ago in response to lobbying from the nontraditional-products export sector. The initiative has failed for several reasons, not least because the state would have to replace a substantial revenue source. UNE's plan to convert coffee farms to other production would involve the reactivation of cooperatives and other associations, as well as assistance to entities in the production chain that perform value-added activities and food production, both in the internal and export markets.

Efrain Rios Montt, candidate of the Frente Republicano Guatemalteco (FRG), did not submit an answer to the question. This is the second time he has failed to respond to questions from the press about plans to deal with specific issues. One week prior to the Siglo Veintiuno query on coffee, it had asked candidates about their response to crime. Absent a statement from Rios Montt, the newspaper asked his running mate, vice presidential candidate Edin Barrientos. Barrientos told the paper that there was a plan calling for the creation of a US\$60 million trust fund that would promote the cultivation of avocados, limes, tangerines, and cacao. There were no further details.

Rios Montt's relations with the press are strained, probably because of the coverage of his campaign, stained as it is with recurring violence and judicial maneuvers, the propriety of which are still in litigation.

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