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Leading Opposition Party in Guatemala Tainted by Money-Laundering Scandal

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After the Comisión Internacional contra la Impunidad en Guatemala (CICIG) revealed details of top government officials’ involvement in a massive customs-fraud network, triggering a scandal that led to the resignation of former vice president Roxana Baldetti (NotiCen, April 23, 2015), a new investigation has tainted the country’s main opposition party with money-laundering allegations.

On July 15, CICIG revealed that Libertad Democrática Renovada (LIDER) vice presidential candidate, Edgar Barquín Durán, his brother, Deputy Manuel Barquín Durán, and Deputy Jaime Martínez Lohaiza were involved in laundering US$937 million that was later used to finance political activities. Edgar Barquín’s alleged involvement in these activities dates back to 2008 when he served as president of the Banco de Guatemala and the Junta Monetaria.

CICIG’s investigation is based on recorded conversations among the Barquín Durán brothers, Deputy Martínez Lohaiza, and alleged money launderer Edgar Francisco Morales Guerra, known as “Chico Dólar.”

The Barquín Durán brothers as well as Deputy Martínez belong to the opposition LIDER party, which is leading the polls.

CICIG says Morales Guerra was the legal representative of some 200 front companies used to launder the proceeds of illegal activities in US, Japan, Hong Kong, Colombia, and China, among other countries. The funds were then allegedly sent back to Guatemala, disguised as remittances, and used to fund the presidential campaign of the Gran Alianza Nacional (GANA) in 2011.

The investigation has also revealed that officials from Guatemala’s internal revenue service as well as employees from a well-known banking institution were involved in the scam.

Edgar Barquín Durán is accused of using his position as president of the Banco de Guatemala to block investigations into suspicious transactions by Morales Guerra, and Edgar’s brother, Deputy Barquín, is accused of using congressional offices to plan the network’s illegal activities.

Edgar Barquín could be barred from running for office

Following the revelations, CICIG and Guatemalan prosecutors have requested that the Barquín Durán brothers as well as Deputy Martínez be stripped of their prosecutorial immunity.

LIDER's presidential candidate, Manuel Baldizón, denies the allegations against his party members and accused CICIG of colluding with President Otto Pérez Molina to launch a smear campaign against him and divert attention from the massive customs-fraud scandal that has led to the implosion of his party, the Partido Patriota (PP), and has led to the arrest of more than 30 top government officials. Baldizón also mobilized 5,000 supporters from rural areas who were brought to Guatemala City in an orchestrated show of support for his party.
The demonstration was compared to a similar incident in 2003 dubbed Jueves Negro (Black Thursday), in which the Frente Republicano de Guatemala (FRG) of former dictator Efraín Ríos Montt (1982-1983) unleashed a mob of armed supporters who marched on the courts, opposition party headquarters, and newspapers after his candidacy was rejected by the electoral authorities because of a constitutional ban preventing coup leaders from seeking the presidency.

On July 28, during an interview with CNN en Español’s news anchor Fernando del Rincón, Baldizón launched a tirade against CICIG and said the commission had been manipulated by powerful oligarchs who sought to discredit him and prevent him from winning the election at any cost. He added that he would register a formal complaint against the commission with the Organization of American States (OAS) and that if he wins the elections he will allow CICIG to continue with its work but will demand the removal of CICIG commissioner Iván Velásquez.

Two days later, Velásquez was interviewed by CNN and responded to Baldizón’s allegations by stating that those affected by CICIG’s investigations always sought to discredit the commission. “Taking action against corruption is a real possibility. ... This is the corruption that unifies the Guatemalan political system and we’re fighting against that. This is one of the lines of investigation that we defined since the beginning of last year because organized crime, without a doubt, has penetrated the system from municipal administrations all the way up to national institutions. This is a common occurrence in Latin America," he said.

The money-laundering scandal has tarnished the LIDER party’s reputation although it is unlikely to have a significant impact on his support base, which is predominantly rural and is swayed by bread-and-butter issues rather than corruption allegations.

However, CICIG’s investigation raises the possibility that Barquín could be stripped of his immunity and that he could be barred by the electoral authorities from running for office, which would leave his party bereft of a vice presidential candidate and would also force Baldizón to abandon the race, as the deadline to register candidates has already elapsed.

The issue is in the hands of the Corte Suprema de Justicia (CSJ) and the Corte de Constitucionalidad (CC), whose magistrates are divided between those loyal to LIDER and those loyal to the PP. Given the courts’ lack of judicial independence, it will be difficult for the process to move forward before the general elections, scheduled for Sept. 6.

**Elections fuelled by drug money**

In a second report, CICIG added that 25% of the money fueling Guatemalan politics comes from criminal organizations, mainly drug trafficking, while government contractors contribute around 50% of the campaign financing. To address the problem, it recommended reforming regulations on campaign finance and limiting private funding to 20%.

CICIG blamed this on Guatemala’s costly election campaigns, weak campaign-finance regulations, the absence of an independent media, and a political climate of impunity. "Guatemala is the perfect country to commit electoral crimes without consequences," said Velásquez, during the presentation of the report.

The report said that, in the last three decades, organized crime, particularly drug trafficking and contraband networks, have used money and violence to infiltrate political parties. Meanwhile,
wealthy businesses have privately funded candidates and political parties in exchange for lucrative public-works contracts and other political favors.

Corrupt politicians, businesses, and organized crime, revealed CICIG, often come together to create informal networks looking out for these special interests, and one of the key figures within these networks are collectors or recaudadores, responsible for handling the proceeds of organized crime in order to influence local and national politics. "Collectors have been seen in every administration and they’ve wielded substantial influence over the executive," states the report.

-- End --