

1-24-2002

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Recommended Citation

LADB Staff. "President Portillo Denies Economic Crisis." (2002). <https://digitalrepository.unm.edu/noticen/8925>

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President Portillo Denies Economic Crisis

by LADB Staff

Category/Department: Guatemala

Published: 2002-01-24

In several recent speeches and interviews, Guatemalan President Alfonso Portillo has given himself good grades for his first two year in offices. While acknowledging in his annual report to Congress that there were unsolved problems, he stressed accomplishments, which many critics dismissed as misleading or nonexistent.

In his Jan. 14 report marking the halfway point in his four-year term, Portillo said that, on balance, the state of affairs in Guatemala was "favorable and positive." Still, there were "serious limitations and even reversals," he said. "We have not been able to be part of the solution and many times were part of the problem." Half of the 44-minute speech was taken up listing his administration's accomplishments. He cited improvements in health, education, road construction, the fiscal deficit, and tax collection. He noted that the government had invested US\$17.3 million in housing for 25,000 families last year he promised to double that investment in 2002. And he announced a new anti-poverty program that would increase investment in social programs, stimulate the economy, and strengthen public finances.

Other advances mentioned include:

Distribution of 25,000 ha of land by the government's Fondo Nacional de Tierras to 38,000 farmers.

Government investment of US\$11.3 million in small businesses creating seven out of every 10 new non-farming jobs.

A 30% increase in the minimum salary, which Portillo admitted was insufficient because it only kept salaries up with the inflation level.

Reforms in the taxation system to increase collection rates and impose stiffer penalties for evasion.

A literacy campaign run by 76,000 teachers that helped 350,000 people.

250,000 scholarships for poor children.

School lunches for 1.7 million students.

Expansion of health services to an additional 9 million people reaching a total of 5.5 million.

President talks of unnamed enemies

But the administration's biggest success, he said, was having liberalized the market and driven "fractious" elements out of politics. He said "liberalization of politics" had begun the process of ending the special privileges of a minority. This process includes dismantling the protectionist state and increasing competition in such industries as cement, poultry, sugar, beer, and grains. When Portillo speaks about "traditional fractious elements," he means the private sector, with which he is often at odds. Insisting that his administration was not anti-business, he stressed that he considered as allies only those businesses that pay "dignified" salaries, live up to their obligations, and repudiate corrupt officials.

The daily La Prensa noted that he used the phrase "liberalization of politics" nine times during the speech. While sometimes the phrase clearly referred to free-market policies, at other times he alluded darkly to unnamed factions and enemies. "The state is no longer the captive of traditional fractious powers," he said. He referred to the consolidation of democracy during his administration as having "made way for the free exercise of our citizens rights, growth in the tolerance of opposition and criticism, and respect for the separation of powers." Portillo said there were serious problems of crime, poverty, and social injustice.

Hunger, he said, affected more municipalities now than it did 16 months earlier. "An honorable democracy...cannot tolerate hunger and injustice," he said. In an earlier speech, Portillo said hunger in Guatemala was the result of decisions made in 1861 to take land away from campesinos to plant coffee trees.

Among the shortcomings of the state, he listed inefficiency, lack of transparency, corruption, authoritarianism, and nepotism. Acknowledging that corruption had worsened during his second year in office, he nevertheless said that the state had no monopoly on it, and he shifted some of the blame for corruption onto the private sector for tolerating or participating in it. Portillo said he intends to press the Cabinet to review the financial structure of their ministries. "We cannot permit more excesses and abuses," he said.

Critics dismiss report as unrealistic

Opposition legislators did not agree with much of Portillo's picture of the nation's well-being. Many commentators found the address disingenuous and dismissed the new set of promises they considered unrealistic. Ottoniel Fernandez, of the opposition Alianza Nueva Nacion (ANN), said the report seemed to refer to a country other than Guatemala, not only because it did not fit facts but because it blamed some domestic concerns on the regional and world economies. "He's talking about accomplishments that we think are manifestly unreal," Fernandez said.

Raquel Zelaya, from the Asociacion de Investigacion y Estudios Sociales (ASIES), said Portillo would have done better to list his campaign promises and report on what became of them during his first two years. Leaders of the business organization Comit  Coordinador de Asociaciones Agrícolas, Comerciales, Industriales y Financieras (CACIF) were also unhappy with the speech.

CACIF president Felipe Bosch challenged Portillo on his failure to show that his policies had actually increased foreign investment or created jobs. "No one invests in the country, and there is great

unemployment as a result of the policies promoted by the FRG [Frente Republicano Guatemalteco] government," he said. Other business leaders suggested that Portillo's plans to get more loans from the International Monetary Fund (IMF) would only put the country "in a straightjacket." They added that Portillo should dispense with misleading assessments about the economy and hide nothing from the donor nations in the upcoming meeting of their advisory group, the Grupo Consultivo.

With a meeting of the Grupo Consultivo in mind, Frank La Rue of the Centro de Atencion Legal para los Derechos Humanos (CALDH) said the report was aimed more at an international audience than at Guatemalans. Political scientist Marco Barahona of ASIES told the Inter Press Service, "Many have breathed a sigh of relief that the government has only two years to go." Portillo says talk of crisis is gossip. Earlier in the week of the report, Portillo said in remarks inaugurating a generating plant in Escuintla that the country had no financial crisis and that some economic data floating about were based on "gossip and rumors" from unnamed "interested sectors." Government data, he said, showed that business profits were up, and he cited the example of Farmacias Klee, which sold more perfume than ever before in its history.

Portillo told the daily Prensa Libre that those in crisis were people who were not organized to defend their interests. "But here, those who are doing all right are complaining," he said. The reality, Portillo said, is that economic indicators do not point to crisis, not with inflation at 8% instead of the 60% at the end of President Vinicio Cerezo's (1986-1990) term, a 2.4% increase in production, and a fiscal deficit of less than 2% of GDP.

However, economist Maria del Carmen Acena said that a 2% fiscal deficit amounts to 20% of annual tax revenues and therefore is not sustainable. La Prensa Libre said in an editorial that the Escuintla speech was an example of Portillo's "lamentable and almost incredible obstinacy" in refusing to recognize an economic crisis. The editorial went on to say that "a chain of pharmacies selling perfume,...banks with higher profit margins than those in the United States, and some big businesses that have made more profit than ever before are more important to Portillo than hunger in the nation or the 47% of the economically active people who have no work and can't get any."

Portillo told Prensa Libre in a Jan. 18 interview that, despite criticisms of his performance, Guatemala has the best economic Cabinet in 60 or 70 years. He said that he had been prevented from devoting more time to governing because of the need to defend himself against attacks, harassment, and attempts at destabilization. Asked who was behind the destabilization plots, Portillo said, "It is the economic superhierarchy." He told the daily Siglo Veintiuno that he would identify one of the plotters from the private sector by name in his memoirs. "I never felt safe," he said.

An evaluation of the administration by the Centro de Investigaciones Economicas Nacionales (CIEN) suggested that much of the problem in government is traceable to conflicts between Congress and the president. The apparent aimlessness of government stems from divisions within the administration, which in turn reflect divisions within the governing FRG. Portillo, who sees himself as something of a reformer with a radical even Marxist background shares party leadership with the ultraconservative Efran Rios Montt, who is both head of the FRG party and president of Congress.

Alvaro Velasquez, of the Programa de Participacion y Democracia of the Stockholm-based Institute for Democracy and Electoral Assistance (IDEA), says the administration is also hobbled because some in government have links to the authoritarianism of the civil-war years among them Rios Montt who led a military government in 1982-1983. These influences have hampered Guatemala's ability to conform to the 1996 peace accords, to reduce corruption, and to increase democratic participation.

Election activity heats up

Portillo told Prensa Libre that he was now entering the period when presidents normally lose power, an observation borne out by a Vox Latina poll that showed only 8% of respondents had any confidence in him. Only 5% said they would vote for Portillo again, and 41.2% responded that he was the worst president in Guatemalan history. As his approval ratings move close to zero, political experts foresee an early scramble to take advantage of the administration's weakness. While the next presidential election is not scheduled until December 2003, preliminary maneuvering is already in progress.

Another poll, by Prensa Libre/Vox Latina, found that Portillo's adversaries in the 2000 election, Oscar Berger of the Partido de Avanzada Nacional (PAN) and Alvaro Colom of the Alianza Nueva Nacion (ANN), were the most favored among potential candidates with 19.8% and 17.7% respectively. However, "none of the above" received the most votes (24.5%) in the poll.

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