KRISTINA SMELSER

Berkeley, CA 94704 • (805) 440-3672 • kristinatsmelser@berkeley.edu

The following is a research paper I wrote for the course *Food and the Environment* in Spring of 2019. It offers a historical critique of the U.S.'s neoliberal political agenda in Central America and particularly Honduras, which recently culminated in the Dominican Republic-Central American Free Trade Agreement. The paper first discusses the dominant narrative used to justify American intervention in Honduras before exploring the detrimental impacts of this intervention on local political stability, microeconomic welfare, food sovereignty, and nutrition-related community health.

Honduras: A Nation Held Captive by Free Trade

Introduction

The pervasion of neoliberalism and globalization into Western ideologies within the past century has prompted the United States to dramatically expand its international reach. The North American Free Trade Agreement (NAFTA) in particular — which upon implementation in 1994 removed tariff barriers between Mexico, Canada, and the U.S. — spawned further developments in U.S. trade convention, one of which being the recent Dominican Republic-Central American Free Trade Agreement (DR-CAFTA) between the U.S. and Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic (Brandt 85). Although similar trends of impact exist, DR-CAFTA has affected each Central American country in highly distinctive and circumstantial ways; its repercussions in Honduras, a nation that historically has faced colonization and intervention by the U.S., is uniquely calamitous. Careful examination into the origins of Honduras's modern-day struggles is imperative in order to accurately address the widespread impacts that DR-CAFTA, and American influence more broadly, has had on the nation. Despite arguments by the U.S. government and many corporate officials that the trade agreement has strengthened Honduras by stimulating economic growth, the signing of DR-CAFTA has in fact exacerbated political instability, government corruption, workers' repression, and losses in the food sovereignty within Honduran communities. The U.S.'s failure to assume its responsibility for these developments reflects its continuous prioritization of economic interests over the livelihood of Honduras's working class.

Emergence and Ratification of DR-CAFTA

1958 Multilateral Agreement on Free Trade and Central American Economic Integration, which served as a means of economically unifying Central American countries under a formal treaty, facilitated the U.S.'s subsequent efforts towards negotiations with the region as a whole (Abrahamson 343). Between 1983 and 2000, the U.S. used trade acts with Central America to pursue its Caribbean Basin Initiative, through which it pushed a neoliberal and anti-communist agenda by giving preferential treatment to nations that exported goods to the U.S. (344). Although this initiative has since fizzled from formal policy, both NAFTA and DR-CAFTA may be interpreted as a present-day extension of its objectives. NAFTA, signed in 1994, appeared especially enticing to powerful Central American players; indeed, Guatemalan business officials unsuccessfully requested to join NAFTA in 1993. Soon after, DR-CAFTA was proposed at a 1997 meeting between U.S. President Clinton and Central American presidents, but real negotiations did not begin until 2000 with President Bush. After a series of authorizations and Congressional votes, the U.S., along with all other countries except Costa Rica (which did not ratify DR-CAFTA until 2009), ratified the agreement in 2005 and began implementing it the following year (344).

Supporters of DR-CAFTA: The Dominant Narrative

Support and opposition for DR-CAFTA depended largely upon one's particular involvement in the Central American economy. The agreement's proponents, who primarily consisted of business and government representatives from the U.S. and Central American countries, pointed to NAFTA's success in stimulating economies and building international solidarity between social actors. These officials argued that DR-CAFTA would similarly promote economic growth and increase job opportunities in Central America (Abrahamson

347). They claimed that national poverty is primarily responsible for low labor standards in Central American countries; specifically, governments that lack sufficient revenue are unable to allocate resources towards raising labor standards. Thus, economic stimulation from international trade and investment would enable Central American countries to strengthen their labor standards and improve the livelihood of their citizens. Such processes would also generate higher demand for American goods and services, in turn bolstering the U.S.'s economy (Brandt 89). Supporters also highlighted DR-CAFTA's specific provisions for enforcing labor laws, which included a monetary fine of up to $15 million per year per violation and a potential loss of trade benefits if the fine was not paid (91). U.S. government officials argued that such labor provisions, in combination with DR-CAFTA's several environmental provisions, allow the agreement to address all three components of the "triple bottom line:" not only financial interests, but also social and ecological considerations (81).

In subsequent evaluations of DR-CAFTA's impact on Honduras, such advocates have insisted the agreement has had a generally positive effect on the nation and the greater Central American region. Focusing their analyses almost entirely on macroeconomic data, U.S. agencies such as the U.S. Chamber of Commerce declare the agreement a clear success for *all* involved parties, while just fleetingly mentioning that "Central America has faced significant problems in recent years" (Murphy and Busch). Substantiating their arguments with aggregated monetary statistics — for example, Central America's GDP has doubled and its annual exports have increased to nearly $1 billion since the agreement's passing — supporters emphasize the expansion of international markets for participating countries, as well as the proliferation of new investments in Central America (Hafesmeister).

Arguments in favor of the agreement largely fail to directly address the social, political, and microeconomic consequences of DR-CAFTA on Honduras's population. Further, those that do acknowledge these consequences tend to overstate recent surface-level reforms in Honduras, as exemplified by the 2018 report by IHS Markit; the report claims that free trade and globalization in Honduras have stimulated not only economic growth, but also improvements to judge appointment laws, transparency of government finances, and accountability of public officials (IHS Markit 10). Others note that the agreement "has provided alternatives to the absolute poverty that accompanies subsistence agriculture" by creating jobs in more competitive Honduran industries (Murphy and Busch). Mention of these reforms allows advocates of DR-CAFTA to justify the agreement's benefits for Honduran democracy and social welfare.

In spotlighting the macroeconomic benefits of DR-CAFTA, supporters rely on the neoliberal, Smithian assumption that economic growth and capitalization necessarily create prosperity and lift standards of living for all. Book IV of Adam Smith's *Wealth of Nations* illustrates the ability of free trade policy to enlarge free, competitive markets and stimulate efficiency (Smith 192-203). Such a process rests upon the assumption that the exchange of goods, for which each participating country possesses a comparative advantage in producing specific goods, will necessarily benefit each country's economy and in turn increase prosperity for all citizens (205-206). This concept of comparative advantage, which DR-CAFTA's proponents believed would directly result from the implementation of the agreement, was essential to their success in its ratification. However, Smithian theories of neoliberalism, which manifest themselves today through not only DR-CAFTA but also many other free trade policies, ultimately fail to consider the role that power dynamics play in the exacerbation of poverty.

<u>Honduras's Recent Political Economy and Relations With the U.S.</u>

A thorough analysis of DR-CAFTA's effects in Honduras requires broader contextualization of the nation's recent historical climate and its relations with the U.S. Beginning in the early 20th century, American businesses — primarily the United Fruit Company and Standard Fruit Company — collaborated with conservative Honduran politicians to establish large-scale banana plantations in Honduras and effectively dominate the nation's economy (Pine). These businesses hired mercenary armies to conduct strategic coups in Honduras, through which they abused Honduran workers and seized public lands while dodging corporate taxes. In the ensuing decades, close relationships between Honduran and American leaders would prove extremely advantageous not only for American companies, but also for the U.S. government; the U.S. military used Honduras as a base of operations for its 1954 coup in Guatemala, the 1961 Bay of Pigs invasion, and the 1970-80s Central American civil wars (Pine, AFL-CIO 7). As various military coups shifted power between authoritarian dictators throughout the 20th century, Honduras suffered long periods of economic stagnation, frequent social and economic instability, and large increases in wealth transfers to the U.S. (Boyer 324-325).

Post-WWII, the U.S. began pursuing an "economic diversification and expansion" model in Honduras in order to stimulate the country's agricultural industry (Boyer 323). In conjunction with the Honduran government, U.S.-led international development agencies worked with renewed vigor to establish cattle ranches and banana and sugar plantations, which necessitated the further enclosure of previously-communal land. For a brief period of time in the 1970s, subsistence farmers largely managed to defend their food sovereignty and instigate short-lived reform by forming cohesive peasant unions (324). However, in the following decade their successes soon dissolved as a result of militant land occupations conducted by international players, whose land claims were settled through the National Agrarian Institute's judicial proceedings. As time progressed, these settlements increasingly favored capitalist developers over peasant unions, which simultaneously lost most of their bargaining power with the government (324-326). Unable to advocate for protective policies or food quality standards, peasant farmers began to suffer from devastating debt crises, decreases in public spending, and land expropriation at high rates. More broadly during the 1980s, Honduras's emerging system of capitalized food production and global distribution was becoming increasingly dominant over traditional, minimally-commercialized production by peasants (338).

DR-CAFTA: Effects in Honduras

DR-CAFTA's opponents, who predominantly consisted of Central American inhabitants, trade unions, certain NGOs, and politically-leftist Americans, recognized the agreement's potential to exacerbate Honduras's deep-rooted problems. Throughout and after the process of ratification, they argued that the agreement reflects and magnifies existing power imbalances between the U.S. and Honduras. Indeed, DR-CAFTA removes nearly all tariffs on U.S. imports to Honduras, yet leaves untouched many U.S. tariffs on Honduran exports like sugar (Schortman 334). Opponents also asserted that the treaty's fine provisions for labor law violations are very weak; if a country fails to improve its labor practices but pays the fine, the U.S. will not revoke trade benefits and moreover, the U.S. merely returns those fines to the accused government (Brandt 94-95). Thus, they argued, U.S. companies would be incentivized to move production into Central American countries, where they can easily exploit deficient labor standards and minimize their output costs (94). Honduran resistance to DR-CAFTA, fueled by these concerns and many others, was so fierce that the nation's congress had to ratify the agreement in a secret meeting at midnight in order to avoid dissent from opposition parties (Bacon 24).

The predictions of these apprehensive opponents have largely played out in Honduras since the agreement was ratified. International funding of large Honduran export firms, and particularly of biofuel manufacturers, escalated in response to its ratification; this funding resulted in the expansion of monocrop plantations, heavy use of agrichemicals, and displacement of farmers (Finley-Brook 646). However, the most dire consequences of the agreement did not emerge until political upheaval began several years later. In 2008, Honduras's president Manuel Zelaya passed a law that substantially raised the minimum wage and, soon after, agreed to the establishment of a constituent assembly on constitutional reform (Pine). Enraged by his egalitarian actions, *maquiladora* (garment factory) owners demonstrated their sheer economic and political power in Honduras and incited a military coup in 2009. The coup overthrew Zelaya, establishing an extreme right-wing, oppressive, and business-friendly new regime that has shown little regard for the wellbeing of its lower class citizens (Pine).

The U.S. government has since supported this regime through its actions; ignoring the Organization of American States' demands to unconditionally reinstate Zelaya, the Obama administration refused to recognize the military coup as such, to denounce the new regime, or to impose fines or sanctions on the country (Pine). In fact, "the same entrepreneurs who lobbied in favour of CAFTA were implicated in the presidential coup;" evidently, American acceptance of the coup was based chiefly on material and economic motives (Finley-Brook 646). In October of 2018, the U.S. Department of Labor issued a report analyzing Honduras's recent progress in improving labor conditions and found that its government has largely failed to enforce laws preventing child labor, illegally low pay, and anti-union violence. Despite its findings, this report did not initiate any new proposals or actions from the U.S. government; further, the U.S. has neglected to collect fines or resolve cases for these systematic labor violations (Finnegan).

Loss of Food Sovereignty In Honduras

One of the most devastating and widespread effects of DR-CAFTA and American intervention more broadly has been the loss of food sovereignty among Honduran communities. Heavy investment in *maquiladoras* and large-scale, industrialized production facilities by international companies has spawned the displacement of subsistence farmers, who have continually been forced from their land. The majority of these farmers must then resort to seeking work in low-wage *maquiladoras*, where they face dangerous working conditions, inescapable poverty, and hunger (AFL-CIO 7). The parallel decline of rural populations and subsistence farming has resulted in widespread hunger among low-income Hondurans; since the 1990s, the poorest peasants of Honduras's southern and indigenous western regions have experienced chronic food shortages as the production and purchase of traditional foods becomes increasingly difficult (Boyer 341). Once known as the food supplier of northern Central America, over the past three decades Honduras has become extremely reliant on imports for basic foods such as rice, maize, beans, and sorghum (321).

These movements echo those described in Mike Davis's *Late Victorian Holocausts*, in which British colonialism in India during the late 1800s gave rise to land enclosure, displacement of peasants, urbanization, and devastating losses in India's economic sovereignty. Prior to foreign intervention, many traditional Indian communities thrived off of subsistence farming, through which they maintained a complex system of local food reserves. Under this system, they managed to compensate for most crop failures caused by unstable weather patterns (Davis 26). However, the invasion of the British brought about the demolition of these self-sufficient communities and reserve systems; with the establishment of railroads, the telegraph, and other transportation infrastructure, British profiteers began demanding that these peasants instead produce cotton and grain for direct export. Indian communities were hence stripped of their food sovereignty and forced to become increasingly dependent on volatile global food markets. When combined with once-manageable weather extremities, the impacts of these market fluctuations were catastrophic; they ultimately caused widespread famine, ecological poverty, and hysteria-driven crime within Indian communities (Davis 33-36).

While U.S. colonialism in Honduras has taken on far less overt and extreme forms than that of British Empire in 19th century India, potent similarities exist between American and British prioritizations of profit over the lives of millions of Honduran and Indian residents respectively. This prioritization of profit accounts for both the rise of DR-CAFTA and, more broadly, the U.S.'s persistent intervention in Honduras since the early 20th century.

Changing diets in Honduras

The U.S.-led industrialization of Honduras's economy and food production system in particular has dramatically altered the distribution of foods that low-income communities have access to. Honduras's rising commercial and industrial class has mostly cut ties with local peasant unions in order to pursue partnerships with agribusiness food chains, particularly foreign-owned industrial food manufacturers and franchise restaurants (Boyer 340). Aeleka Schortman's 2010 study analyzed the proliferation of transnational fast food chains in northern Honduras since the 1990, which she attributes primarily to the liberalization of Honduras's free trade policy. Schortman found that these corporations have captured a large share of Honduras's food markets, using their capital and generous tax breaks to invest in infrastructure, market their products, and offer cheaper prices (Schortman 333). These transnational companies are also bolstered by U.S. subsidies, which ensure "U.S. agricultural products can out-compete unprotected Honduran farmers" who fail to receive any government support (334).

Such a trend has proven contentious in northern Honduras. While some citizens criticize these fast food restaurants for disparaging food traditions and deteriorating consumers' health, many others have largely embraced them because of their convenience, competitive prices, and palatable options (Schortman 323). Regardless of these disagreements, it is undeniable that as lower-income Honduran populations grow increasingly reliant on these transnational markets, their range of food options is contracting. With the expanding availability of highly-processed convenience foods and coinciding scarcity of fresh, traditional options, low- and middle-income Hondurans have faced higher rates of not only malnutrition but also obesity, diabetes, and cardiovascular disease (Boyer 341).

This forfeiture of food sovereignty and its devastating health consequences are not confined to Hondurans; this pattern has also emerged among many historically marginalized communities within the U.S. The documentary "Bad Sugar" focuses specifically on the Tohono and Pima tribes of southern Arizona, both of which have suffered extremely high diabetes rates that have emerged only within the past century. The drastic decline in the health of these communities can be attributed to the damming of the Gila River in the 1900s, which diverted their water to white settlements upstream. For centuries, the Tohono and Pima had used this river water to irrigate their crops, thus making it vital to their agricultural autonomy, diets, and livelihoods. The loss of such a resource initially resulted in widespread starvation across these tribes, then later in their complete dependence on the U.S. government for food provisions. These replacement foods have consisted almost entirely of highly-processed, innutritious options that have dramatically exacerbated their rates of obesity and especially diabetes (“Bad Sugar”). The dispossession of the tribes’ precious resource, and its ensuing effects on their diet and health outcomes, bears a strong resemblance to the processes that have taken place in Honduras.

Conclusion

Bitter irony lies in the revelation that “free trade” has subjected Honduras to an unequal and unjust partnership with the U.S. DR-CAFTA has indeed stimulated Honduras’s macroeconomy and foreign investment, but its impacts also infiltrate Honduran communities in ways that macroeconomic theories and statistics cannot holistically analyze. This recent extension of American intervention in Honduras has exacerbated the nation’s pre-existing political corruption and volatility, abuses of workers, and dependence on imported and industrialized foods. The U.S. government and other international agencies fail to acknowledge these more insidious and destructive consequences, instead choosing to denounce the Honduran government for allowing its citizens to emigrate out of the country. Rather than allowing these injustices of political repression, violence, famine, and poverty to continue driving the most vulnerable Hondurans from their homeland, it is ultimately imperative that the United States take responsibility for its historical and present role in bringing about these afflictions.

Works Cited

Abrahamson, Peter. “Free Trade and Social Citizenship: Prospects and Possibilities of the Central American Free Trade Agreement (CAFTA-DR).” *Global Social Policy*, vol. 7, no. 3, Dec. 2007, pp. 339–57. *SAGE Journals*.

AFL-CIO. *Trade, Violence and Migration: The Broken Promises to Honduran Workers*. AFL-CIO, 2015.

Bacon, David. “Migration Is a Form of Fighting Back: Looking at the Root Causes of Migration.” *Dollars & Sense*, no. 338, Oct. 2018, p. 21.

“Bad Sugar.” *Unnatural Causes: Is Inequality Making Us Sick?* (Episode 4). 2008.

Boyer, Jefferson. “Food Security, Food Sovereignty, and Local Challenges for Transnational Agrarian Movements: The Honduras Case.” *The Journal of Peasant Studies*, vol. 37, no. 2, Apr. 2010, pp. 319–51. *DataCite*.

Brandt, Christian. “Laboring Toward Equality: NAFTA’s Effects and CAFTA’s Wisdom.” *Hamline Journal of Public Law & Policy*, vol. 27, no. 1, Fall 2005, pp. 77–114.

Davis, Mike (2001) *Late Victorian Holocausts: El Niño Famines and the Making of the Third World*. Verso.

Finley-Brook, Mary. “Geoeconomic Assumptions, Insecurity, and ‘Free’ Trade in Central America.” *Geopolitics*, vol. 17, no. 3, July 2012, pp. 629–57. *DataCite*.

Finnegan, Brian. *The U.S. Needs to Do More to Protect Basic Labor Rights in Honduras | AFL-CIO*.

Hafemeister, Jason. *CAFTA-DR: A Trade Partnership That Works | USDA Foreign Agricultural Service*.

IHS Markit. *Country Reports - Honduras*. IHS Markit Ltd., Jan. 2019, pp. 1–41. *EBSCOhost*.

Murphy, John, and Zachary Busch. “CAFTA-DR Notches 10-Year Record of Success.” *U.S. Chamber of Commerce*, 5 Aug. 2015.

Pine, Adrienne. *Foosball with the Devil: Haiti, Honduras, and Democracy in the Neoliberal Era – New Politics*. 2010.

Schortman, Aeleka. “‘The Children Cry for Burger King’: Modernity, Development, and Fast Food Consumption in Northern Honduras.” *Environmental Communication*, vol. 4, no. 3, Sept. 2010, pp. 318–37. *EBSCOhost*.

Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations* (Book 4). 1776.