Guatemala Human Rights Commission / USA

Fact Sheet

Neoliberalism

What is Neoliberalism? *Neoliberalism describes a set of economic policies that seek to break down barriers to international trade and investment through free trade and free markets. Proponents see it as the best means for international economic development although it remains very controversial among less developed nations. Neoliberalism developed out of the laissez faire ideas of Adam Smith that the government should not intervene in economic matters. It is neo because it has reemerged in today's globalizing world as the guiding principal for the world economic system used by such organizations as the World Trade Organization, the International Monetary Fund and the World Bank.*

Principles of Neoliberalism

- Fiscal policy discipline
- Tax reform
- Competitive exchange rates
- Trade liberalization
- Low and relatively uniform tariffs
- Liberalization of inward foreign direct investment
- Privatization of state enterprises
- Deregulation
- Protection of property rights
- Market determined interest rates.

Opposition to Neoliberalism

- Violates the Sovereignty of other nations.
- Rich countries exploit developing countries for markets and cheap labor.
- Harms the environment because of increased industrial production and transportation use.
- Government policies increase the power of multi-national corporations, which benefits the upper class over the lower class.
- Independent Farmers and businesses not able to compete with large corporations

DR-CAFTA

- The Dominican Republic-Central America Free Trade Agreement is an agreement between the United States, the Dominican Republic, and Central America (excluding Panama) that is very similar to NAFTA.
- The agreement eliminated 80% of tariffs and will gradually eliminate the rest within a decade.
- The countries must respect and enforce intellectual property rights and environmental laws.
- It also prevents generic pharmaceutical companies from using the test data of US companies to market their medications and drugs.
- Corporations are allowed to sue states over profit loss from law or policies but it is very difficult for states to sue the corporations.

Neoliberalism in Guatemala

- One consequence of neoliberalism is the exploitation of Guatemalan mineral wealth by foreign mining companies that keep up to 99% of the profits.
- Large hydroelectric dams will be built in Guatemala with an extensive electrical grid to export electricity to the United States and not to the Guatemalans who pay high prices for electricity.

Consequences

- Foreign mining companies have contaminated the environment, disrupted agricultural production and used up local water sources.
- Guatemala is no longer the granary of Central America but rather relies on imports to feed a population that suffers malnutrition and hunger problems
- After one year of DR-CAFTA Guatemala's trade deficit with the United States tripled.
- The price of corn, a staple in Guatemala, rose significantly
- Pfizer sued the Guatemalan generic pharmaceutical company Biocros over its use of one of their active ingredients.

Founded in 1982, the Guatemala Human Rights Commission/USA (GHRC) is a nonprofit, nonpartisan, humanitarian organization that monitors, documents, and reports on the human rights situation in Guatemala, advocates for survivors of human rights abuses in Guatemala, and works toward positive, systemic change

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Cases in Guatemala: Goldcorp and Del Monte

Goldcorp in San Marcos:

Environmental and Social consequences

Goldcorp is a large Canadian mining company that currently owns the open pit Marlin Mine in San Marcos Guatemala, which it purchased in 2006 from another Canadian mining company, Glamis Gold. Local opposition to the mine has been fierce with 98% of the local campesino population rejecting it in a 2005 referendum that did nothing to halt the development of the mine. The farmers feared that the mine would contaminate and use up the water they needed to grow crops.

The mining laws of Guatemala that make it so easy for Goldcorp to operate originated with the neoliberal government of President Alvaro Arzu (1995-1999). The law aims to attract foreign investment by creating favorable conditions for investors. Currently, Goldcorp retains 99% of their profits with only 1% going to Guatemala.

Communities through the leadership of Monsignor Alvaro Ramazzini have called for a two-year moratorium on the granting of mining concessions. There are currently over 356 granted licenses with foreign companies owning 10 percent of the land in Guatemala.

Mining and other projects have increased as part of the government's plans for development and modernization, under the framework of the Central American Free Trade Agreement, CAFTA. According to Ramazzini this model of development often leaves communities socially divided and environmentally damaged, and leads to an increase in poverty and inequality.

Many environmental and social problems have been attributed to the mine including lung problems due to dust, over 40 dry wells, cyanide leakage, skin diseases, large cracks in homes, tensions between private security guards and community members, unfair land purchase practices, water contamination, and death threats.

The mine is also in violation of several international and Guatemalan laws. Covenant 169 of the International Labor Organization, the UN Declaration on the Rights of Indigenous Peoples, and the Guatemalan Constitution all maintain the right of indigenous peoples to make decisions over the exploitation of their natural resources. Guatemala will have to confront the difficulties of neoliberalism and develop better policies that benefit the local communities.

Del Monte Foods:

Violating worker's rights

Fresh Del Monte Produce is a food production and Distribution Company based in the Cayman Islands which operates large banana plantations in Guatemala. Over the last decade and a half they have been accused of gross labor violations that have led to the death of many Guatemalan workers. In 1999 a subsidiary company named Bandegua fired 918 workers in violation of the union contract. After deciding to protest the violation, armed thugs threatened Union Leaders at gunpoint, forcing their resignation. More than 8 of the former workers have also been shot and killed after they took over former Del Monte Land to avoid starvation.

In 2008 Guatemala union leaders along with the AFL-CIO filed a formal complaint with the United States government citing workers rights provisions in DR-CAFTA and alleging illegal firings, threats and eight assassinations. The complaint referenced five cases including the Del Monte one. One Port Union leader was even killed in front of his child.

The Department of Labor's Office of Labor and Trade affairs reported that the Guatemalan government is unable to carry out labor inspections, does not have the authority to sanction labor violations and that the court orders are not enforced. Despite these findings the Bush administration failed to take the next step under CAFTA by consulting with the Guatemalan government and possibly fining them.