

## Honduras and Nicaragua: Compare two models of political economy

### *The basic argument*

The basic issue can be described as the question: **What is the meaning of development?**

- the accumulation of wealth and resources for a few? Or the improvement of life and self-reliance for the many?
- individual rights at the expense of collective rights? Or is it the protection of both, each protecting the other.
- using the land and labor of many to create wealth for a few? Or to create a decent life for the many and their communities?

At the basis of much of this is the problem of **extractivism**—basing the political economy of a country on the extraction of the country's resources and selling those resources abroad

Extractivism has been the operating system in Latin America, since the **Spanish invasion and colonization in the 1500s**. Taking the land and subjugating the labor of others in order to extract wealth is the essence of **empire, the imperial enterprise**. The bases of Spanish colonial rule in Latin America were the **mines, the plantations, and the cattle ranches—all of using the forced labor of Indigenous peoples to extract the wealth of the land**.

Alongside this colonial regime of extraction was the **myth of El Dorado**, the Spanish search for the city of gold. The lure of this myth has a **modern version**—that the road to personal and national wealth is extractivism, including mining, export agriculture, logging, and tourism.

**Neoliberal and socialist Latin American governments are both vulnerable to the lure of this extractivist myth**. But it can play out very differently in the political economies of neoliberal as opposed to progressive or socialist countries, and comparing Honduras and Nicaragua—close neighbors with long historical, social, and cultural ties—reveals very different paths to development, with major consequences for the people and the nation.

Political economy —how the economic and political power function together — interdependent economic and political structures

### *Honduran and Nicaraguan political economy*

#### **Honduran political economy based on extractivism**

- Major foreign companies, Canada, U.S., China, European countries
- Mining has long been a source of wealth and political power for the elite
- Fruit companies introduced another source of wealth and political power for foreign interests and Hondurans who could take advantage of this
- Government or those who control it make money by selling **concession, especially mining concessions. Political power and brokers**
- **Logging** — cover for drug trafficking, crime — money laundering
- Today in Honduras, extractive industries include mining, logging, export agriculture and corporations that make agricultural products — Dinant, and even tourism
- The **2009 coup** eliminated the Zelaya government that had declared a moratorium on new mining concessions until local communities could be heard — directly threatening the elites sense of entitlement and economic interests
- **After 2009 coup, increased concessions -more than 1/3 of the country**

- **Important** — **Government abandons regulation of extractive areas** to the control of companies and private interests. **Government intervention** — employ police and army to assist extractive industries and large landowners at the expense of rural communities and small farmers
- **Corruption became the operating system**—wealth, impunity, lack of accountability or transparency in the government — Government set example for **ignoring the law**
- **Forced displacement and eviction led to rise in unemployed, poverty, dependency, and vulnerability to crime — conditions promoting emigration**
- Honduras has systematically **eliminated, weakened, reduced its small farmers and communities through extractivism and neglect**. Agrarian Reform and INA and cooperative experiment became government policy, with neglect and opposition.
- **Results** — 73% poverty rate, high crime rate, violence, corrupt police and courts, rampant corruption, breakdown of institutions and services and trust, hunger and food dependency, mass emigration
- The **extradition and conviction of former President Hernandez in New York** — U.S. need to remove embarrassments and clean the image so as to continue business as usual.
- **New government**, January 2022, Xiomara Castro — reform but many problems, vulnerable, will be difficult to totally reorient foreign extractivist model so it can benefit communities and make people less dependent and more self-reliant— Her platform uses the term “import substitution” as a goal.

#### **Nicaraguan political economy to promote self-reliance**

- **Extractive industries in Nicaragua**
- **Agricultural products, coffee, tobacco, gold and mining, tourism**
- Nicaraguan elite and **commodity booms** — coffee, cotton
- Unlike Honduras, **mining has not been a backbone of the economy in the past nor the major source of wealth and power**. Same with logging and tourism. Agriculture, cattle, tobacco the major sources of wealth for Somoza and the elite.
- **1979 Revolution** brought promise of land for small farmers and communities that could be source of subsistence and small-scale profit for farmers and a way to shift export agriculture more toward the small farmers and communities.
- There was **debate** among the comandantes about the roles of small farming and government state farms
- The revolution — **mixed land regime** — some rural communities got land as cooperatives, but title was not always guaranteed. Some land was held by government as plantations or farms providing work and export crops, or adding to food supply
- Some land was left in hands of a few large producers who were exporting products — rum
- **This mixed economy was not always pleasing to some small farmers and rural communities, but it is now the structure in which rural communities thrive, services are financed, and there is accountability.**
- Now this structure and its support from the government lets the country become **almost self-reliant in food**.
- **How this is funded** — Nicaragua receives funds from ALBA/Venezuela that are generated by oil extractivism — uses these to fund projects. Loans and grants from international sources — projects for communities —maintain reputation for efficient use and transparency in using funds
- Like democratic socialism of Jamaica or Chile —both of which were attacked by U.S.
- **Conflicts in gold areas** —Bonanza, Siuna—private interests take land from the Indigenous and local people who fight back — conflicts—**Government intervenes**

- Media portray this as government helping private interests to take land from local communities, or that government is repressing private initiative.
- Nicaraguan government not perfect, Nicaragua a diverse country. Officials may be taking money for concessions, **but the concessions are always regulated or restricted.**
- **Nicaraguan laws, treaties, land guarantees**
- **Government tends to intervene as a broker or to protect communities**
- **Results** — increasing living standards, food self-reliance, development of infrastructure and social services, education and health care

**Honduran model — extractivism enriches the few and makes the many dependent**  
**Nicaraguan model — extractivism finances projects of social development for the many**

### *Each country's dilemma*

#### **Internal and external solidarity**

- Internal solidarity — the relationship of trust and mutual support within a country and between people and their government
- External solidarity — relationship of support from people of one country to those of another
- 1980s U.S. solidarity movements with Nicaragua, less with Honduras, more fractured today
- Easy to see how internal and external solidarity are related

#### **Honduran dilemma**

- Ongoing pressure from foreign interests like US, Canada, and attempt to stifle movements to different model.
- Honduras is vulnerable because of the long history and deep integration with U.S. economy and dependency on it.
- And especially because the past 12 years of corrupt extractivist governments left the country broke and in debt, Honduras desperately needs income to finance its social agenda for the people, or it will lose political support from the people.
- If Honduras tried to forego foreign investment and U.S. aid and development, this might generate hostile pressures from U.S. and other foreign companies and governments.
- In addition, the core of the colony-like relationship of Honduras to the U.S. has historically been the **close collaboration of the military of both countries**. This abides even as governments come and go. Uncertain how the Honduran military would react if the new government tried to take a much different route to “development.”
- **This is a dangerous time for the new government.**
- **As a result, many Hondurans who support the new government of Xiomara Castro are in a wait-and-see period if the government can deliver on its reform promises. This tends to weaken internal solidarity, and confuse external solidarity movements for the new government.**

#### **Nicaraguan dilemma**

- U.S. threats and actions push Nicaraguan government to drastic measures which can also turn people against it, and be used as propaganda for the claim of “dictatorship” — same strategy as used against Cuba, others
- U.S. Sanctions against Nicaragua are also meant to hurt the economy and hinder financing of social and other programs for the people in order to create popular disillusionment and foster internal opposition

- But Nicaragua has been able to work around this by including foreign investment that is regulated to benefit the country and the people; by reliance of ALBA; and by maintaining good standing with international financial agencies.
- **Nicaragua is also targeted by a media campaign that eagerly reports the worst, usually with (1) false or distorted "facts," (2) no historical or social context, and (3) narrowing and manipulating the meaning of terms like democracy and human rights, and applying them inappropriately.**
- **These conditions are intentionally created and manipulated by the U.S. to divide external solidarity movements, urging criticism of the Nicaraguan government and diverting attention away from criticism of the interventionist policies of the U.S. government. This is what we have seen especially in the past few years.**

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