

Mason Krohn
Ridge High School
Basking Ridge, NJ
Guatemala, Factor 18: International Trade

The Role of Multinational Corporations in Guatemala's Struggle for Food Security

“Guatemala was chosen as the site for the company’s earliest development activities because at the time we entered Central America, Guatemala’s government was the region’s weakest, most corrupt and most pliable” (Kurtz-Phelan). These were the words of a former United Fruit executive who provides a justification for why an American company would choose to manipulate a Central American nation and impoverish its citizens. The corporation, which is now known as Chiquita Brands International, entered Guatemala in 1902 with the help of President Manuel Estrada Cabrera who handed the company rich Guatemalan farming land, a railroad, port facilities in Puerto Barrios, and import duty and real estate tax exemptions (“Postcolonial”). By 1954, United Fruit developed a monopoly over banana cultivation, exporting over 84 percent of the nation’s bananas (Batres). So, when in 1952, newly elected President Jacobo Arbenz set out his Decree 900 in order to expropriate land from the United Fruit monopoly and offered the corporation \$1.2 million to cover the cost, United Fruit abused their power in the region (“Postcolonial”). The corporation demanded \$16 million despite claiming their land was almost worthless earlier on to evade Guatemalan property tax (“Postcolonial”). Upon Arbenz’s refusal, US government officials who were invested in United Fruit organized a coup to remove Arbenz from power and classified him as a communist (“Postcolonial”). For the past century, Guatemala has been treated as a platform for business. Since Arbenz’s forced removal from power, international corporations continue to degrade the quality of life for Guatemalans in order to export produce to wealthy countries.

Nowadays, finding Guatemalan crops is not hard while standing in the center of an American shopping mall, however, for Guatemalans, food access is limited. Countless American brands import Guatemalan produce: specialty coffee shops serving Central American beans, grocery stores selling products containing cane sugar, or even gas pumps dripping biofuels. Despite the fact that Guatemala’s agricultural industry made up 12 percent of its GDP in 2012 and 70 percent of its land is used for farming purposes, there are 4.6 million malnourished civilians within the country (“Country Fact” 1). This conundrum has increasingly damaged the Guatemalan people. Almost half of all Guatemalan children under five are growth stunted due to their lack of access to nutritional foods (“Food Assistance”). The region struggles while the majority of its crops are exported to foreign nations. This contradiction throws Guatemala into hunger pangs for its entire population while the country is exporting all of its produce.

Before tackling the issues at hand, it is important to analyze the familial situations of rural Guatemalans. There is a strong connection between rurality and the indigenous people given that the three largest groups (Maya, Garifuna, and Xinca) comprise 61 percent of Guatemala’s population and 75 percent live in rural areas (“State”). On average, 5.9 people live in each household within the nation (“Guatemala Average”). Furthermore, the country is quite young given that over 35 percent of the population is under the age of 15 which is 9 percent above the global demographic (“Guatemala”; “Population”). Access to education for indigenous families is inadequate leading to a rate of illiteracy of 77 percent within the indigenous population (Eulich). When compared to urban Guatemalans who maintain an illiteracy rate of 5 percent, indigenous education signifies stark inequality between Guatemala’s ethnicities (Barr et al. 5). Half of indigenous Guatemalans work in low-wage agriculture employed by international corporations who export the crops that Mayan Guatemalans cultivate (“State”). While indigenous parents work for substantially low wages producing exported food, their children are malnourished.

One important factor in understanding Guatemala is its struggle with providing health care. The Guatemalan government has not prioritized health and disease control for the country. Notably, the

country spends just 6.2 percent of its GDP on health expenditures (“Guatemala”). Compared to neighboring and economically similar Honduras at 8.6 percent and the United States with 17.9 percent, Guatemala’s investments in healthcare are not sufficient (“Country Comparison”). Recently, the country terminated contracts with over 80 non-profit organizations that once supplied health services to 2.4 million Guatemalans (Kimmitt). Rural families face the brunt of their government’s inaction because the majority of health resources are centered in urban locations despite 60 percent of the population living in rural departments (“State”). Because of this, one-third of indigenous women have no access to health and family planning services (Wulfhorst). As a result, disease afflicts the country. Diarrhea amounts to one of the top five killers in the nation, and Guatemala has the second highest maternal mortality rate in the Americas with 159 deaths per every 100,000 births (Kimmitt). Without government supported health care provisions and physicians, rural and indigenous Guatemalan citizens lack the ability to save themselves from even the most curable diseases.

The extensive malnutrition of Guatemalan youth goes beyond short heights and grumbling stomachs. Since nutritional foods are sold off to foreign markets, infants lack access to produce like vegetables, and instead they rely heavily on carb diets consisting largely of tortillas (Loewenberg). Nutritionally, a typical Guatemalan dish is comprised of cereals (primarily maize), sugars, and beans (“Nutrition”). In fact, carbohydrates make up approximately 61 percent of Guatemalans’ intake (Bermudez et al. 284). Thus, even if these children are fed, they receive poor nutrition which cannot support early development (Loewenberg). Consequently, many young children suffer from mental disabilities as a result of their deficient nutrition. With half of the country’s children being malnourished, these conditions are commonplace (Loewenberg). Both iron and vitamin A are severely underrepresented in the Guatemalan diet (“Nutrition”). Vitamin A deficiencies lead to vision decline and are the leading cause of preventable blindness in children worldwide (Boyd). The mass exportation of nutritional crops takes a toll on the health conditions of Guatemalan youth, yet companies choose not to give up their practices.

However, it seems quite improbable that a nation with such a focus on agriculture can go hungry. The underlying issue is who actually owns this farming land. Guatemala has a wide discrepancy in land distribution, given that 1.86 percent of the farms own 52 percent of arable land (“Country Fact” 1). Over time, Guatemalan farming families have faced economic trouble which caused them to hand over their land to wealthy exporting companies looking to buy massive amounts of farming space (Niezen). Thus, instead of the traditional family farm, Guatemalan farming means a few companies conducting large scale production to feed a global supply chain (Guereña and Burgos 8). In stabilizing food security, the question arises: what is the purpose of a farm if not to provide for locals? When tracing the path of these crops, somehow only a handful of them end up going to the citizens of Guatemala. In fact, many large Guatemalan landowners gave up on the domestic market long ago for steadier cash income and governmental assistance. Meanwhile, already struggling small Guatemalan farmers are too strapped for resources to hold onto their land (Niezen). As a result, they are often left with no choice but to cash out and sell the land to eager foreign buyers (Niezen). This feeds into a downward cycle of poverty where the wealthy slowly chip away at the power of the poor.

The most profitable practice for the Guatemalan landowner is supplying biofuel or other products for global demand rather than renting out land to a subsistence farmer (Rosenthal). Since Guatemalan farming land is owned by an elite few, they make the ultimate decisions and place the crops and land in the hands of whatever gives them the most profit (Rosenthal). Often times, the cash flow comes steadier from a global corporation rather than a farmer bringing their crops to the market. This decision is also heavily incentivized by agrarian policies that improve access to the global market. For instance, international agricultural businesses benefit from tax exemptions, market protection, targeted infrastructure improvements, and other beneficial incentives (Guereña and Burgos 8). Policies like these serve as barriers against small farms since they cannot keep up with large competition. As a result, public investors have been supporting crops such as tropical fruits, meat, and biofuels (grains and soybeans) to

funnel into the global market rather than the sustenance yields that support Guatemalans (Guereña and Burgos 8). The nation's three largest exports are bananas, sugar, and palm oil which are created in huge plantations operated by foreign companies (Rosenthal). Thus, production of small domestic produce is wiped out and prices for basic crops like corn and vegetables skyrocket.

While Guatemala focuses its production on crops being sent to the international market, basic food staples become inaccessible, especially to workers employed by the same international industries. In fact, Guatemala imports half of its corn (Rosenthal). Due to their reliance on imports, Guatemalan markets are vulnerable to external factors. For example, Guatemalan tortillas have doubled in price as a result of the United States focusing its corn supply on biofuels instead of Central American consumers (Rosenthal). The average poor rural family in Guatemala spends 80 percent of their income on food consumption (Lawrence). Prices continue to steadily rise for food staples while Guatemala narrows its food production on global market sales. As these prices rise, plantation workers and small farmers cannot keep up with paying for their families' food (Lawrence). These laborers, who represent a significant part of the workforce, are paid incredibly low wages that do not in any way support living conditions. The typical Guatemalan banana plantation worker receives a salary between 1,500 and 1,800 quetzals a month; however, the National Statistics Institute (a governmental organization in Guatemala) reports that a minimum of 4,100 quetzals are needed to provide food to the average family (Lawrence). Unsurprisingly, nearly 67 percent of indigenous people live in extreme poverty (Sullivan). Thus, while their wages diminish due to international agribusiness, rural families have minimal income to purchase goods that have rapidly increasing prices, once again due to international agribusiness. Global corporate involvement not only inflates the prices of staple foods, but lowers the wages Guatemalan workers receive.

Beyond the lack of staple food production, the negative effects of Guatemalan monoculture encouraged by global corporations extend even further. In the case of melon production within Guatemala, there has been complete depletion of soil nutrients when these crops were not rotated. Consequently, the current soil is now composed of clay and high levels of sodium which does not support healthy crops (Ausher 1). Furthermore, due to Guatemala's lack of crop diversification, disease has spread across melon fields. This condition causes symptoms such as melon collapse or vine decline which leads to great losses in crops (Díaz-Pérez et al. 379). The harms of monoculture have also affected coffee production in the region. A disease called "*roya*" (meaning rust) has boomed in Central America in recent years (Renton). The infection tears away at the leaves of coffee bushes inhibiting production (Renton). As a result, land and food is wasted. Despite the consequences of monoculture, large global corporations continue to supply goods to international markets and grow only one type of produce.

Since Guatemala is a democracy, one would think that its people have a say in the government's trading policies and overall relationship with corporations. However, voter disenfranchisement of indigenous Guatemalans complicates the issue of international trade in regards to food security. For example, in Guatemala's 2010 presidential election, 400,000 Mayan Guatemalans were turned away from polls simply because Guatemala's Registro Nacional de las Personas (RENAP) could not computerize the spelling of Mayan names (Eulich). The national registry displays institutionalized discrimination keeping indigenous peoples out of their own government. The RENAP registry created a new identification card in 2007 called the DPI, but since its implementation, errors beyond just the spelling of names prohibit indigenous people from accessing government programs (Eulich). Yet, it is difficult to fix these mistakes because, as aforementioned, 77 percent of indigenous Guatemalans are illiterate and cannot communicate with government agencies by reading or writing Spanish (Eulich). Due to barriers in voting, for its past two presidential elections, Guatemala's Mayan party only received 3 percent of the vote (Daugherty 11). Progress in reforming international trade and land distribution will not be a concern for the Guatemalan government unless those who face the drawbacks of current policies, the indigenous people, can elect their own leaders.

International trade has predominantly brought harm to Guatemala. The minimal positive economic impacts of this trade disguise the underlying problems that it presents. Companies rob the land that once belonged to individual farmers. Through competition, small farms fail and get left behind. Rows upon rows of palms and sugar cane plants fill valleys of Guatemala, but citizens struggle to find enough nutritional food to live. By replacing small farms, monoculture has led to crop disease and youth malnutrition. Altogether, this problem is only getting worse. The average price of staple foods in Guatemala is predicted to double by 2030 (Lawrence). Large companies in the region such as Pantaleon Sugar Holdings continue to grow. The company had recent annual growth of 30 percent due to new rising demand (Rosenthal). In addition, biofuel mandates across the globe drive further production. By 2020, Europe must have 10 percent of its transportation fuels comprised of biofuel (Rosenthal). International trade grows increasingly problematic for Guatemala each day and it must be slowed now.

Guatemala needs to impose tariffs on agricultural products as a deterrent to harmful agribusiness, curtail its incentives for international corporations, enforce higher wages, and work alongside local organizations and farmers in order to return farms and crops back to its own people. First, in conjunction with the World Trade Organization, Guatemala needs to implement new trade deals that place tariffs on agricultural exports in order to make industries such as palm and sugar producers less profitable so that small farmers have the ability to compete. Next, ideally, the Guatemalan government would revise its legislation that gives incentives to these international businesses. This means removing tax exemptions, market protection, and targeted infrastructure improvements for international agribusinesses that pose a threat to small farmers. Along with this, Guatemala should follow standards set by the International Labor Organization and truly enforce higher minimum wages for plantation workers to improve access to staple foods and bring down the competition of agribusinesses since they will put more of their profits towards sustaining a workforce. Plataforma Agraria, a local political organization based in Guatemala City, has started making strides towards solutions (“Demandas Políticas”). They call for financing of poor rural farmers and have introduced legislation before the Congress of Guatemala (“Demandas Políticas”). Building upon already existing efforts like these will ensure progress for impoverished rural farmers that face competition in global markets.

Finally, involving the people of Guatemala in the solution will create even greater improvements. This means setting out programs for voter empowerment of indigenous Guatemalans. Hiring Mayan translators into the RENAP registry enables indigenous Guatemalans to correct their voter registration and gain access to polls. Indigenous Guatemalans are the people most affected by the poverty and malnutrition caused by international trade; therefore, indigenous representation in the Guatemalan Congress can serve to change the status quo and bring about beneficial reform. Next, supporting small farmers and helping plantation workers transition into working their own land will ensure more steady employment, lower prices for staple foods across the nation, and generate far more nutritious produce. The best way to promote this support and education is through the non-governmental organization Semilla Nueva. The non-profit based in Guatemala City partners with the Inter-American Foundation as well as the International Maize and Wheat Improvement Center (CIMMYT) in order to assist rural Guatemalan small farmers located in the departments of Retalhuleu and Suchitepéquez (*Semilla Nueva*). The primary goal of Semilla Nueva is to educate small farmers on how to grow crops that are nutritious and environmentally sustainable. For instance, alongside CIMMYT, the organization developed and introduced the ICTA B9 seed which grows Quality Protein Maize (QPM), a biofortified crop that supplies more than two-and-a-half times the available protein of regular corn, except this seed improves prior QPM crops through drought-resistance and open pollination (a feature that allows farmers to save and replant their seeds instead of having to purchase new seeds annually) (Bowen 4). Moreover, Semilla Nueva operates an Experimental and Training Center in La Maquina, Suchitepéquez, Guatemala in which they host hundreds of local farmers who participate in multi-day courses in the field (Bowen 7). As a result of Semilla Nueva’s work in both farming education and seed provision, seeds including ICTA B9, a newly developed high iron bean seed, and a recently found orange sweet potato high in vitamin A, reached close

to 5,000 families in 2016 alone (Bowen 11). Currently, the Inter-American Foundation is helping the organization expand to 15 more communities in southern Guatemala, but if Semilla Nueva were to gain more funding from areas like USAID or the Guatemalan government, they have the potential to expand their programs across rural Guatemala, tackling poverty and providing nutritional food for the entire populace (*Semilla Nueva*). Lastly, the Guatemalan government ought to subsidize small farms that are operated by Guatemalans and supply communities. Furthermore, the government should establish microloans for farmers looking to purchase agricultural equipment. This would make agrarian careers aside from working in plantations appealing to Guatemalans, and it would allow small farmers to stand a chance against the competition of international corporations who have more resources and capital. All of these reforms take the power held by these foreign corporations and place them back in the hands of the people creating a more self-sufficient Guatemala.

Since United Fruit orchestrated a coup of Guatemala in 1952, the country's fate has been decided by companies based in foreign lands. Poor land distribution, governmental incentives, and indigenous voter discrimination has enabled global agribusinesses to export large quantities of the country's food. The international agricultural industries working in Guatemala have brought a plethora of problems to the nation including juvenile stunted growth, a wide range of diseases and disabilities caused by malnutrition, inflated prices of staple foods, low wages for plantation workers, and plant disease stemming from monoculture. To fix these issues, the Guatemalan government needs to take away the advantages corporations receive as well as support rural, small, and local farmers.

Without reform, foreign companies will continue to hold Guatemalans in their clutches and exploit Guatemalan land. Cane sugar will sit upon European and American shelves while Guatemalan children suffer from malnutrition. Biofuel will power the engines of first world cars while Guatemalan plantation workers are trapped in poverty. While a daunting task, insulating the Guatemalan economy against agricultural trade can only serve to improve the current situation and return farming land back to the people. The mere fact that Guatemalans sit upon rich farming land, yet continue to starve is absurd and demands change. It is the duty of both the Guatemalan government and the international community to fix this problem and not stand idle in the aisles of grocery stores or the lines of cafes, but rather to implement policies and construct a healthy Guatemala.

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