

# ***MESOAMERICA***

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## **HONDURAS**

### **President Zelaya Confronts Multinational Oil Companies**

On 15 Jan, the government of President Manuel Zelaya Rosales said that it would take over the oil storage facilities of various transnational oil companies in Honduras after negotiations failed with company officials in preparation for obtaining cheaper oil from Venezuela and elsewhere.

According to government sources, the transnationals have overcharged Honduras about \$53 million a year for petroleum products. So far the affected companies have not made any public statements about the matter.

Zelaya said he signed a presidential decree on 13 Jan “for the public good” authorizing his government to temporarily use the fuel storage facilities of Esso (owned by Exxon Mobil), Texaco (owned by Chevron) and the local distributor DIPPSA. “This is not nationalization,” stated Zelaya, “rather it is the temporary use of storage tanks by means of a rental agreement with the companies at a fair market price.”

However, on 5 Feb, DIPPSA officials challenged the government’s initial rental offer and were holding out for a higher price for the use of their 800,000 barrel storage facilities.

Zelaya’s decree gives the government the go ahead to sign a contract with Conoco Phillips, winner of the international bidding for the contract last Nov, to import about 8.4 million barrels of gasoline and diesel fuel during ’07, and to use the fuel storage tanks of the other companies until Conoco Phillips has constructed its own fuel storage facilities in Honduras.

Also, the government announced an average reduction of 10% in the consumer price of both fuels as a result of this arrangement.

Zelaya had previously accused Texaco and Shell of conducting “energy terrorism” by delaying the arrival of their tanker ships to Honduras to create a fictitious fuel shortage and to justify the jacking up of their gasoline and diesel fuel prices.

## **Government Launches '07 Anti-Poverty Plan**

In mid-Jan, President Zelaya promised that during the next three years his administration will confront the economic and social challenges faced by nearly five million Hondurans who are immersed in poverty and misery. At the same time he claimed that “poverty had been reduced by 3%” during the first year of his administration.

The ability of the Liberal Party to remain in office after Zelaya’s term in office ends depends on the success of this anti-poverty program, critics argue.

Zelaya’s administration continues to apply an economic program approved by the International Monetary Fund (IMF) that contemplates a further reduction in the fiscal debt during '07. Many economists expect that the inflation rate for '07 will be lower than it was during '05, mainly due to anticipated lower oil prices on the world market. They are also optimistic about the nation’s economic future because of Honduras’ participation in the World Bank’s Heavily Indebted Poor Country (HIPC) initiative, the ratification of DR-CAFTA, and its rigorous completion of IMF policies.

## **Dam Development: Environmental Destruction, Murder and Repression**

The debate about the viability of the Patuca Hydroelectric Dam and the present administration’s plans to go ahead with its construction has finally brought the mega-project to the attention of the Honduran public.

According to activist Miriam Miranda of the Honduran Black Peoples Fraternal Organization (OFRANEH), the government’s plans override public interest and fail to consider the serious environmental consequences for the Miskito and Tawaca Indigenous people who live on the Caribbean coastal wetlands and in the lower and central parts of the Patuca River basin.

For more than 10 years, there has been talk of plans to build a series of dams on the Patuca River. As well, Plan Puebla-Panama is advocating the construction of an unknown number of dams, which would supply energy to Honduras’ neighbors through the Mesoamerican Energy Interconnection Initiative (SIEPAC).

After a trip to Taiwan last Oct, President Zelaya announced that he had obtained \$250 million in financing for the construction of the Patuca Dam from the Taiwanese government; the dam will create a 72-square mile reservoir. The project will be carried out by the Tai Power Company, which has been granted a 15-year concession for energy production.

What is interesting about this process is that long before the company obtained the environmental permit to construct the dam, serious infrastructure planning for the project was already underway. Last Dec, the daily *El Heraldo* reported that, according to statements from the Commercial Office of the Taiwanese Embassy, a team of Taiwanese engineers was in the Patuca region to conduct studies to determine the size of the area the reservoir would cover and to determine if there are any archeological ruins in the area.

Miranda stated, “We should point out that the Department of Natural Resources (SERNA) notified our organization that, as of 4 Dec, no environmental permit had been issued for construction of the dam. This is somewhat like what happened in Alice in Wonderland—the sentence is given before the charges have been made.”

“It would appear that when it comes to mega-projects the preferred tactic is to obtain financing first and deal with the environmental permit later. So, the whole process becomes merely a bureaucratic one, involving political, not environmental decisions,” Miranda observed.

Near the end of Dec, the local press reported there was opposition to the project from the inhabitants of the areas that would be flooded by the Guayape and Guayambre rivers if the dam is built. However, President Zelaya announced firmly that the government was determined to proceed with the construction of the dam, despite opposition to it and, in response to accusations of politicization of the project, he said “the State must exercise its power and fulfill its mandate.”

Then, several days later, on 20 Dec, in the police station in Guarizama (Olancho), which is located very close to the dam construction site, apparently two activists from the Olancho Environmental Movement (MAO) were killed by National Police agents. “The MAO is a courageous organization that has decided to defend the forests of Olancho against the massive destruction that has been carried out in that part of the country,” stated Miranda.

The death of the MAO activists allegedly is linked to a campaign of intimidation against those who defend the forests in Honduras. The destruction of the forests is endangering the country’s water supply. In the last 20 years, water levels have dropped and rivers have suffered irreparable sedimentation.

“The activists who were killed had been arrested, and then riddled with bullets by the National Police. In the meantime, the elite in power continue to allow illegal cutting in the forests—it should be noted that President Zelaya is a logging magnate. The destruction is happening so rapidly that it is doubtful that it will be feasible to maintain the water levels necessary to provide sufficient water for the Patuca Dam on a permanent basis,” Miranda argued.

### **Ciudad San Mateo Corruption Scandal Reemerges**

In ’92, during the government of Nationalist Rafael Leonardo Callejas (’90-’94), one of the major acts of corruption in the country’s modern history was committed: a fraudulent land development scheme using public funds. This involved the purchase of land and the planned construction 10,000 houses for a new urbanization, called Ciudad San Mateo, located in the Guacerique River valley southeast of Tegucigalpa, the nation’s capital.

According to lawyer Enrique Flores Lanza, now President Zelaya’s legal advisor, this housing project was conceived by government officials and private individuals as a means of illicit enrichment by fraud, using funds from the National Institute of Public Employees’ Retirement and Pension Fund (INJUPEMP).

The original land purchase by INJUPEMP was for \$1,780,000, plus an initial investment of \$850,000 to provide the infrastructure for the new urbanization: streets, water, sewer and electrical services. Then INJUPEMP paid an undisclosed amount to a consortium of three construction companies for the construction of 2,000 middle-class houses on the property, which was later declared to be unsuitable for such a large development because of dangers posed to the environment. The total amount of INJUPEMP’s investment was an estimated \$45 million.

In ’95, during the administration of Liberal Carlos Roberto Reina (’94-’98), INJUPEMP officials uncovered the fraud and brought legal action against the construction consortium for committing a

series of irregularities. Although the State won the court case in '05, the consortium's lawyers immediately filed an appeal, which has yet to be resolved by the Supreme Court.

Also implicated in pending legal action for fraud against the State are several former directors of INJUPEMP, several former government officials who are business partners of the construction consortium and related financial institutions, and several of the land owners who were responsible for the bankruptcy of the same financial institutions.

To make matters worse, the current government plans to build a dam and reservoir, called Guacerique II, whose waters would flood 480 hectares of land in Ciudad San Mateo and most of the 2,000 uninhabited houses located there. Part of the \$230.8 million cost for this water conservation project, which will supply needed fresh water for the city of Tegucigalpa, includes \$110 million to compensate land owners of properties to be inundated by the reservoir during the next four years. Ironically, some of these landowners are among those accused of fraud against the State in the INJUPEMP corruption scandal and the related bankruptcy of several financial institutions.

—*Clifton L. Holland*