



GENERATING TERROR

The role of international
financial institutions in
sustaining Guatemala's
genocidal regimes


**JUBILEE DEBT
CAMPAIGN**

Generating Terror

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Cover photo: Guatemala, March 2009: *Dozens gather to commemorate the 27th anniversary of the Rio Negro Massacre at Pak'oxom Peak in March 1982 where 177 women and children were raped and murdered; one of four separate massacres that took place in the early 1980s, killing almost 400 people for their resistance to the Chixoy hydroelectric project.*
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About Jubilee Debt Campaign

Our vision

Inspired by the ancient concept of 'jubilee', we campaign for a world where debt is no longer used as a form of power by which the rich exploit the poor. Freedom from debt slavery is a necessary step towards a world in which our common resources are used to realise equality, justice and human dignity.

Our mission

Jubilee Debt Campaign is part of a global movement demanding freedom from the slavery of unjust debts and a new financial system that puts people first.

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Summary

This report examines the way that western-backed institutions, such as the World Bank, supported the government of Guatemala as it terrorised its own people in the late 1970s and early 1980s. Although the story of Guatemala's genocidal regimes has been told before, and individual projects have been extensively criticised, there has not been an attempt before to analyse the role that debt and lending from International Financial Institutions played in supporting these governments.

The report finds that:

- **There was a very dramatic increase in lending to Guatemala in the late 1970s and early 1980s – the period of the highest wave of terror in the country.** Loans of over \$100 million a year were made in 1978, 1979 and 1980, and then over \$300 million a year in 1981 and 1982 at the height of the terror. By 1985 the country's debt had reached \$2.2 billion – an increase of over \$2 billion in 10 years.
- **The most significant element of this lending was accounted for by multilaterals like the World Bank,** which reached nearly three-quarters of total debt in some years. From 1977 to 1982, multilateral institutions were responsible for 60 per cent of the lending to Guatemala. By the time the peace agreement was signed in 1997, Guatemala was repaying multilateral institutions nearly \$130 million a year, rising to over \$400 million today.
- **One project funded by the World Bank and the Inter-American Development Bank, the Chixoy Dam, was a major factor in the massacre of 400 people, mass displacement, torture, rape and starvation.** Despite these horrific events, the banks gave further support to the project 7 years later.
- **The Guatemalan government appears to have repaid almost all of the loans that funded the Chixoy Dam, costing the country significantly more than was lent because of interest charges.** Some of the debt remains on the books in 'recycled' form, as Guatemala was given new loans to repay old debt. These new loans were conditioned on implementing economic policies which opened the country to international corporations.
- Although there is acceptance by government and institutions involved that communities affected by the construction of the Chixoy Dam should receive reparations, they have yet to be compensated. Moreover, no wider reparations have been agreed for the odious lending that sustained Guatemala's governments during the period of terror.

- Few broader lessons appear to have been learnt by the World Bank, as Guatemala's economy today is opened up to massive mining operations and mega-dams that threaten to further impoverish people.

Guatemala remains a highly impoverished and unequal country, its people subject to high levels of violence, discrimination and human rights abuses. Unlike the majority of countries in Latin America, the number of people living in poverty in Guatemala has increased in recent years from 51 per cent in 2006 to 53 per cent in 2011. Tax revenue remains the lowest in Central America – which itself has the lowest tax revenue of any region in the world.

The report calls for:

- All projects from the period from 1954 onwards – and especially between 1978 and 1997 – to be audited. Payments on all loans from this period should be immediately suspended.
- Projects such as the Chixoy Dam should be audited so that proper reparations can be made to those affected and to the Guatemalan economy as a whole.
- There must be an audit of all ongoing mega-projects, driven by the communities who are being or will be affected, to see whether and on what terms they should continue.

The resistance taking place to mines and dams in Guatemala, and the experiments with popular forms of consultation and democracy which have come out of this resistance, is a cause for great hope. But Guatemalans have a long way to go to combat the racism, poverty and injustice that confronts them. The world has a duty to stand with Guatemala's people.

Introduction

“The Chixoy Dam...is known throughout the world as an illustration of development at its worst: where internationally-financed construction occurred in ways that sustained state-sponsored terror, massacre, and genocide”

Barbara Rose Johnston,
Center for Political Ecology¹

Over the last 50 years, the Guatemalan people have experienced waves of terror which, at their peaks, have been labelled as genocide by many observers. Decades of murder, torture, abduction, and impoverishment claimed an estimated 200,000 lives. Still today Guatemala lives with the legacy of this terror, most notably through the deep levels of poverty suffered by rural communities, and very high rates of inequality. This terror arose from a history of exploitation of Guatemala's natural resources by foreign governments, most notably that of the United States which overthrew the country's democratic Government in 1954 and ushered in decades of military rule.

This briefing looks at the most intense period of terror, during the late 1970s and early 1980s, during which the odious governments of Guatemala were bankrolled by spiralling debts, most notably from multilateral institutions such as the World Bank. We examine one specific project supported by the Bank, the Chixoy Dam, which led to massacres, torture, displacement and impoverishment.

More than 30 years later, surviving individuals and communities have still not received reparations for the damage done by the World Bank's project. The Bank continues to support projects, in Guatemala and elsewhere, which serve the interests of global and local elites rather than the peoples of the countries concerned. The people of Guatemala continue to see their country's wealth exploited for the benefit of the few, rather than the democratic development of their society.

A brief history of the West's role in Guatemala's impoverishment

Guatemala is a country that has never been able to throw off the weight of empire. Its economy exists for the benefit of the United States and its society is structured to make this reality work as smoothly as possible.

In the early part of the last century, the US-based United Fruit Company was the major player in the Guatemalan economy, controlling the port town of Puerto Barrios, the country's railways, postal and telegraph systems.² The dictatorial regimes of the day ensured the Company received lucrative contracts, low taxation, and high profits from international trade.

In 1944, decades of dictatorship were thrown off and a popular, democratic government brought to power, first under Juan José Arevelo and then Jacobo Arbenz. These two governments incurred the opposition of the United Fruit Company when they attempted to redistribute a certain proportion of their unused lands to poor farmers, paying them only the amount the Company had claimed the lands were worth when they had been undervaluing them for tax purposes.

US foreign policy at the time was dominated by Secretary of State John Foster Dulles and his brother, CIA chief Alan Dulles, both of whom were connected with United Fruit Company and were avowed anti-communists. Many other members of the Eisenhower Administration were also connected with the Company.

Under the guise of fighting communism, Eisenhower's administration destabilised Arbenz's government, fermenting a right-wing coup which overthrew Arbenz in 1954. Deeply repressive governments ruled Guatemala for the next 40 years, usually with high levels of US support. The governments of this period instituted waves of terror against not only political activists, but the rural population at large.

In response to government terror a number of guerrilla groups sprang up from the 1960s onwards, with strong links to the rural population. In attempting to wipe out these guerrilla movements, government terror campaigns, with the armed forces working hand-in-hand with death squads, saw the death or disappearance of an estimated 200,000 people.³ The campaign was particularly targeted at the rural indigenous population in the highlands. The campaign reached levels in the early 1980s which have been widely described as genocide.⁴

A peace accord was signed in 1996, though Guatemala remains beset by violence, a legacy of this terrible period. Only days after a ground-breaking human rights report, 'Guatemala: Never Again' was published in 1998, the report's spokesman Bishop Gerardi was assassinated.⁵ Assassinations of political activists, journalists and labour leaders continue to this day.⁶

A legacy of social injustice

Another legacy of the period is poverty. Guatemala ranks 131 out of 187 countries on the United Nations Human Development Index⁷, which attempts to measure the real standard of living by looking at factors like life expectancy and literacy rates. In the Americas, only Haiti ranks lower.

The majority of the Guatemalan population is indigenous, mostly Mayan⁸, although other ethnic groups also make up significant minorities. 80 per cent of indigenous groups live in rural areas,⁹ particularly the poverty-stricken highlands that stretch across the centre of the country. The political and business class of Guatemala, meanwhile, largely consists of so-called *ladinos*; the Spanish speaking, non-indigenous and mixed population.

Indigenous people face much discrimination and suffer very high levels of poverty. Poverty rates of the indigenous population are estimated at around 73 per cent, as opposed to 35 per cent for the non-indigenous population.¹⁰ While national poverty rates fell between 2000 and 2006, the poverty rate among the indigenous population actually rose, and rose fast. While, nationally, poverty fell by 9 per cent from 2000 to 2006, indigenous poverty rose by 22 per cent in that same period.¹¹

These high levels of racism can impact development decisions. In 2006, the United Nations Development Programme (UNDP) called on Guatemala to address "historically racist attitudes", for fear "the country will become increasingly hard to govern".¹² Such ingrained attitudes make it easier to push through contested projects because those opposing them can be more easily portrayed as 'primitive'.

Guatemala's efforts to address this poverty are significantly out of step with the rest of the region. Since 2002 there has been much progress in Latin America, thanks to positive growth and economic policies that have helped distribute this growth more fairly. Between 2002 and 2011, the region's poverty declined by 12.5 per cent (from 44 to 31 per cent).¹³

In fact, Guatemala's most recent poverty assessment shows an increase in poverty from 51 per cent in 2006 to 53 per cent in 2011.¹⁴ This is especially stark when placed against a GDP growth of at least 3% every year except 2009. It points to a model of growth which is actually having a detrimental impact, even in purely economic terms, on the poorest in society.

Tax revenue as a percentage of GDP remains the lowest in Central America, which itself has the lowest tax revenue of any region in the world.¹⁵ What's more, this tax revenue is largely made up of regressive indirect taxes, which fail to redistribute wealth towards the poorest. Indirect taxes like VAT account for 72 per cent of tax collection.¹⁶

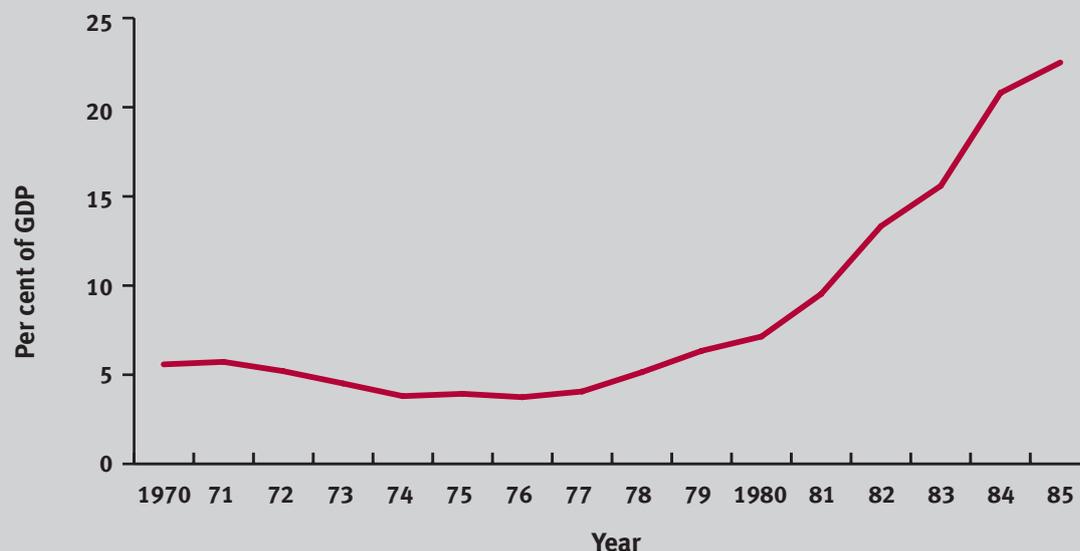
As an extremely 'low tax, low spend' nation, Guatemala fails to use mechanisms to redistribute wealth or to encourage equitable development. It is small wonder that poverty and inequality in Guatemala are so high.

Guatemala's history of debt: Propping up a regime of terror

“the World Bank and Inter-American Development Bank... loans were the primary source of foreign aid to a nation ruled by a military dictatorship engaged in systematic state-sponsored destruction of Mayan peoples.”

Barbara Rose Johnston, Center for Political Ecology¹⁷

Graph 1. Foreign debt stock of Guatemalan government 1970-1985 (in per cent of GDP)¹⁸



Graph 2. External loans disbursed to the Guatemalan government, 1970-1985 (\$ million)¹⁹



Guatemala's terror was initiated by the coup of 1954, when the US government perceived its corporate and foreign policy interests to be threatened. Unsurprisingly, such outside interference continued to dog Guatemala's history throughout the next four decades, and indeed even to this day. Guatemala's governments were heavily dependent on Western, particularly US support to stay in power. Part of this support came in the form of rapidly accumulating loans from so-called 'multilateral institutions' like the World Bank and the Inter-American Development Bank. Just how extreme this lending regime to Guatemala's odious governments became is examined for the first time here.

The lending of Western states and banks and the multilateral banks they control (importantly including the World Bank, International Monetary Fund and Inter-American Development Bank) was an important element in sustaining the long period of military rule which followed the coup against President Arbenz in 1954. Particularly worrying, however, is the very

dramatic increase in lending that coincided with highest wave of terror, which reached genocidal proportions in the late 1970s and early 1980s. The most significant element of this lending was accounted for by multilaterals like the World Bank, which reached nearly three-quarters of total debt in some years.

Until 1974, Guatemala's debt was relatively stable, reaching \$120 million in that year. Thereafter, debt increased rapidly, with loans of over \$100 million a year in 1978, 1979 and 1980, and then over \$300 million a year in 1981 and 1982 at the very height of the terror. By 1985 the country's debt had reached \$2.2 billion – an increase of over \$2 billion in 10 years.

From 1977 to 1982, multilateral institutions were responsible for 60 per cent of the lending to Guatemala.²⁰ The proportion of Guatemala's debt owed to the such institutions rose, reaching two-thirds by the early 1980s. The proportion then fell as the 1980s wore on, but started rising again in the late 1980s as the terror intensified once more.

In 1988 multilateral institutions lent a record \$165 million, with a further \$90 million from foreign governments. By the time the peace agreement was signed in 1997, Guatemala was repaying multilateral institutions nearly \$130 million a year, rising to over \$400 million today.

These figures are some of the most damning indictments imaginable of the role of the International Financial Institutions. When even the US government came under pressure to reduce support for the regimes in Guatemala, these institutions were able to continue supporting these regimes without accountability to Western parliaments, let alone the people of Guatemala.

In the next section, we will investigate the immediate impact of some of this lending. But the general impact of propping up these regimes of terror, mean that debt accrued in this period should be regarded as 'odious': loaned to illegitimate and unaccountable governments, detrimental to the people of Guatemala, with the full knowledge of the lender. Successor governments should not repay odious debts, and should receive compensation for any debts that have been paid.

Odious and illegitimate debt

Odious debt is an established legal principle. Debts are 'odious' under this principle when:

- A loan is made to a despotic power
- This loan is used not to benefit people of the country concerned but to strengthen the regime
- The borrower knew the situation in the country, and should have known the loan would be used inappropriately

In these case, lenders may be said to have committed a hostile act against the people of the country concerned and cannot legitimately expect repayment of such debts.

Odious debt has been considered by debt campaigners to be too narrow a definition to cover all the types of debt which should not be repaid. This has led to the concept of 'illegitimate debt'. Illegitimate debt is a broad concept that exposes the many injustices of current lending system including loans incurred:

- By undemocratic means or by undemocratic regimes
- For morally reprehensible purposes, such as suppression
- In secret, without participation of legitimate representatives, or in a corrupt manner
- Carrying extortionate terms of interest
- For useless projects that failed to benefit the country concerned, or caused harm to the people or environment

As the United Nations Independent Expert on Foreign Debt and Human Rights, Dr Cephias Lumina said in 2009:²¹

It can be argued that a common thread implicit in most definitions of illegitimate debt is the theme of injustice... Illegitimate debt impedes the realization of human rights due to improper actions on the part of the lender, borrower, or both. The negative impacts cut across all sectors but are particularly profound in relation to the provision of basic services in the areas of health, education, housing, water and sanitation.

The Chixoy Dam

One particular series of loans serves to prove that this lending had not only general, but specific fatal consequences for Guatemala's people. In the late 1970s, as the terror in Guatemala was reaching genocidal proportions, the World Bank and the Inter-American Development Bank agreed to support a large hydroelectric dam on the Chixoy River. The banks financed the \$900 million project to the tune of \$400 million.²² The construction of the Chixoy Dam was to form one part of the terror that engulfed Guatemala at this time.

The Chixoy Dam was built close to an area called Rio Negro in the region of Rabinal in the Guatemalan highlands. Rio Negro was a town of around 225 families of Mayan-Achi people. The area was heavily targeted between 1978 and 1983, with hundreds of towns completely destroyed.

The creation of the Chixoy Dam entailed the flooding of lands to build a reservoir which in turn meant many communities would have to be evicted. Perhaps unsurprisingly the dam therefore engendered a great deal of opposition from the Rio Negro communities. This opposition was met with ever fiercer repression, with the armed forces using the excuse of counter-insurgency to increase their presence in the area.

On 12 February 1982, around 70 community members were murdered, the first of four massacres. On 13 March, 70 women and 107 children were massacred, many after being repeatedly raped or tortured, by the forces of military President General Romeo Lucas Garcia and associated paramilitaries known as civil defence patrols (PACs). Later still, the soldiers returned to Rio Negro, burning all homes and possessions, killing animals and destroying crops.²³

With the elimination of the Rio Negro people and town, it was easy for the government to advance with its plans to build the Chixoy Dam. According to International Rivers, the project forcibly displaced more than 3,500 Mayan community members. More than 6,000 families living in the area also suffered loss of land and livelihoods. 33 communities were impacted by the dam. In all, more than 400 people were massacred because of their opposition to the dam.

Barbara Rose Johnston stated in a letter written for International Rivers:²⁴

...Chixoy Dam construction occurred without securing legal title to the land. Involuntary resettlement took place at gunpoint. When the reservoir waters rose in January 1983, ten communities in the Chixoy River Basin had been destroyed by massacre, including the village of Río Negro. Survivors were hunted in the surrounding hills, and forcibly resettled at gunpoint. In the few instances where compensatory agreements had been made, the signed Actas disappeared when leaders of those communities were assassinated. While resettlement villages were eventually built, the original development plans were discarded and a militarized guarded compound was built in its place. Compensatory efforts at the time, and in later years, were grossly inadequate to meet the basic needs of displaced communities, let alone provide redress for the full extent of lost land, property, communal resources, livelihoods and lives.

As a result of Guatemala's terror, many thousands of communities and individuals were separated from their sources of livelihood and sustenance. Among these, the survivors of Chixoy have lived in extreme poverty and have continued to press for reparations for their ongoing experience. According to Grahame Russell of Rights Action: "After the 1982 massacres, Rio Negro survivors remained in the mountains, living on plant roots, and corn. Some died of diseases, others of hunger, and some were found by the soldiers and killed."²⁵

The World Bank supposedly exists to promote development capable of reducing poverty. A Probe International report in 2001 showed that "members of the Rio Negro community live in extreme poverty in comparison to neighbouring communities. However, before dam construction, the community enjoyed, relatively speaking, a high standard of living."²⁶

Guatemala has never recovered from the state of terror it lived through. High levels of violence, poverty, inequality and fear persist to this day. Those governments and institutions that supported the regimes of terror owe an enormous debt to the people of Guatemala still suffering.

What is genocide?

Genocide is defined by the United Nations as:

...any of the following acts committed with intent to destroy, in whole or in part, a national, ethnical, racial or religious group, as such:

- a) Killing members of the group;*
- b) Causing serious bodily or mental harm to members of the group;*
- c) Deliberately inflicting on the group conditions of life calculated to bring about its physical destruction in whole or in part;*
- d) Imposing measures intended to prevent births within the group;*
- e) Forcibly transferring children of the group to another group.*

Guatemala's Historical Clarification Commission looked into the case for genocide having been committed. They found that:

between 1981 and 1983... the reiteration of destructive acts, directed systematically against groups of the Mayan population, within which can be mentioned the elimination of leaders and criminal acts against minors who could not possibly have been military targets, demonstrates that the only common denominator for all the victims was the fact that they belonged to a specific ethnic group and makes it evident that these acts were committed 'with intent to destroy, in whole or in part' these groups.

... both regular and special Army forces, as well as Civil Patrols and military commissioners, participated in those killings characterised as massacres... the aim of the perpetrators was to kill the largest number of group members possible.

... acts committed with the intent to destroy, in whole or in part, numerous groups of Mayans were not isolated acts or excesses committed by soldiers who were out of control ... many massacres and other human rights violations committed against these groups obeyed a higher, strategically planned policy, manifested in actions which had a logical and coherent sequence.

...agents of the State of Guatemala, within the framework of counterinsurgency operations carried out between 1981 and 1983, committed acts of genocide against groups of Mayan people²⁷

The complicity of the World Bank

The World Bank and Inter-American Development Bank first agreed to support the Chixoy project in 1978, at the beginning of the military government of President Lucas. The report of the Catholic Archdiocese of Guatemala, *Guatemala: Never Again!* says "Those years are engraved in the memory of the Guatemalan people as the blackest period of their history."²⁸

Grassroots activists were targeted in a systematic manner, with 'death lists' circulating in Guatemala. According to *Guatemala: Never Again* by late 1978, a reign of "state sponsored terror" was "focused on destroying the grassroots movement. It therefore sought to eliminate unions, movements of urban residents, and high school and university student associations." For instance, the leader of the trade union centre (CNT), two of the most prominent social democratic leaders and the head of the university students association were assassinated in the capital city in broad daylight. All of these events took place in the year the World Bank authorised the Chixoy project.²⁹

The horrific circumstances gripping Guatemala were well understood internationally by the late 1970s, including in the region in which the Chixoy Dam was built. As one report puts it: "not to have known at the time about the violence and repression at Rio Negro would have required an extraordinary and sustained dedication to ignorance on the part of World Bank officials."³⁰

The terror only increased in the years after the project was supported, during which World Bank supervision continued – and therefore presumably years during which the project could have been halted. In 1980, 110 trade union leaders were murdered. However, this was just the tip of the iceberg. The government's rural counter-insurgency in 1981 and 1982 saw massacres of thousands of small farmers. Whole villages were tortured and massacred in ways similar to the Rio Negro communities. Such violations continued throughout the period in what has been described as a "grisly holocaust". Tens of thousands were displaced – forced

into a struggle for survival in the wilderness. This pattern continued under the dictator Rios Montt, who took power in a coup in 1982, and was unabated until 1985.

The World Bank not only failed to halt their support, but they supported a second Chixoy Dam project in 1986. During this period, internal reports from the World Bank and its sister bank the Inter-American Development Bank referred to problems with resettlement, but “make no mention whatsoever of the appalling fact that... hundreds of people who were supposed to be resettled were actually murdered.”³¹

A report by non-governmental organisation Witness for Peace describes the World Bank's second, 1986 loan to Chixoy:

If the [World] Bank knew about the massacres, then giving an additional loan to the project was at best a calculated cover up, and at worst an act of complicity in the violence. If the Bank did not know about the slaughter, then it was guilty of gross negligence. Either way, the Bank is implicated in the horrors.³²

From 1986 onwards, during the period of the second loan, and despite the resumption of power by a nominally civilian government, a ‘dirty war’ led to the murder and abduction of large numbers of civil society activists.

It is highly unlikely that the Chixoy Dam would have been able to go ahead without the backing of the World Bank and Inter-American Development Bank. These banks often provide not only substantial backing in their own right, but also the legitimacy which allows governments and companies to lend support. Therefore, their responsibility for the project is serious.³³

The Chixoy Dam debt

The World Bank lent \$72 million between 1978 and 1989 for the first Chixoy project, and \$45 million for Chixoy II from 1985. The first loan was to be repaid over 17 years, and had an interest rate of 7.5 per cent. The World Bank has not published details of the second loan.

The World Bank loans to Guatemala to build the Chixoy Dam have cost Guatemalan governments well over \$100 million in interest, and have been partly ‘recycled’ through new International Monetary Fund loans to pay off this older debt. These debt repayments all represent money lost to Guatemala during its partial recovery from terror.

In theory the final payment of the first loan would have been in 2006. If Chixoy II had the same conditions, and was disbursed over the same time period as the first loan, final repayment would be due in 2013.

Once the project was accepted, the World Bank had a clear duty to ensure ongoing supervision, especially in a situation like that experienced by Guatemala. Indeed the World Bank and Inter-American Development Bank did supervise the project, including via site visits.³⁴ The Centre on Housing Rights and Evictions (COHRE) comes to the conclusion that the World Bank, Inter-American Development Bank and the member states of those banks “have violated their respective obligations under human rights law.”³⁵

A Probe International report in 2001 reported that “[w]hile the World Bank argues that it had no knowledge of the massacres occurring at the time of dam construction, other evidence suggests that World Bank officials either knew or had reason to know about the violence.” It continues: “[m]uch evidence suggests that the Bank may have irresponsibly supervised the loan for the dam, failing to adequately oversee the project to ensure that human rights violations were not occurring.”³⁶

Probe recommends a UN-mandated investigation because of “the World Bank’s failure to adhere to its own policy guidelines and standards in force at the time of dam construction.”³⁷ All organisations working on the Chixoy Dam have consistently called for reparations for affected communities. To date, however, despite several processes and sets of negotiations, the communities affected by the dam have still not been properly compensated for the terrible experience they suffered.

The interest charged means the Guatemalan government will have paid considerably more than the original \$117 million lent.

Guatemala’s foreign debt repayments rocketed, from costing 7 per cent of government revenue in 1980 to over 50 per cent by 1986-1988. In 1990, the government defaulted on some of its foreign debt repayments, including to the World Bank. This presumably included repayments on Chixoy.³⁸

In 1992, the IMF lent \$50 million to allow Guatemala to meet World Bank repayments it had missed; effectively transferring the debt, including the missed Chixoy payments, from the Bank to the Fund. This was followed-up by \$120 million of World Bank ‘bailout’ loans from 1992 to 1996.³⁹

The ‘bailout’ loans were not invested in any particular project, but would have been used to meet debt repayments, both to the World Bank, and other lenders. ‘In return’, the World Bank demanded further economic liberalisation and deregulation. Repayments on this 1990s bailout were due to be made until 2014.⁴⁰ Some of the Chixoy debt was effectively ‘rolled-over’ into this new debt. The loans were partly used to meet repayments, creating more debt for the future. The economic conditions of the World Bank ‘bailout’ loan included: increasing VAT (a regressive form of taxation), shrinking the agricultural marketing board (removing price support to farmers) and cutting taxes on imports (part of what’s known as ‘trade liberalisation’).⁴¹

Whilst the Chixoy debts have been virtually all paid off, today Guatemala still is spending around 13 per cent of government revenue on debt repayments.

However, according to the World Bank the foreign debt of its private sector is now bigger than that of the government. In total, Guatemalan society spends 20 per cent of earnings from exports on debt payments, two-thirds of which is by the private sector, one-third by the public sector.⁴²

In recycled form, some of the Chixoy debts probably still remain on the books. A public audit of these debts is needed, to be carried out by the Guatemalan government, which must be assisted by information from the World Bank, the Inter-American Development Bank and the International Monetary Fund, to ascertain the amount which has been lost to Guatemala from the repayment of odious debts. This will offer clarity as to how much Guatemala is owed by institutions like the World Bank in reparations, as well as allowing the affected people of Guatemala to better understand the nature of the terror that afflicted their country.

Other actors in the Chixoy Dam

Companies from several Western countries – in some cases receiving official support from their governments – also played a part in the construction and operation of the Chixoy Dam. These companies are laid out in the Legacy Issues Study sponsored by International Rivers, reproduced below.⁴³

This not only gives an indication of the legitimacy that World Bank support brought to the project – in some cases it directly funded these companies to do their

work – but it also raises issues as to the particular culpability of those countries giving direct aid or grants to make the project a reality. A public audit of Guatemala’s debt could examine the financial gain made by other countries and companies from their role in Chixoy and similar projects. Again, this would suggest where reparations might be owed by those countries to Guatemala. Such an examination may well find that other countries and companies owe reparations to Guatemala’s people.

Company	Country	Years	Information
Escher Weis	Switzerland	1980-83	Installed turbines
Nellopter	US	1970-75	Built access roads
Quasim	Italy	1996	Relief tunnel subcontractor
Lami Consortium	Germany, US, Switzerland	1974-87	Construction, engineering
Mitsubishi	Japan	1979-83	Provided and installed diesel plants
Shoke Waltman	India		Release tunnel subcontractor
Holchtief	Germany	1977-83	Designed and built tunnel
Sorefomer	Portugal	1979-83	Installed equipment
Swiss Boring	Honduras		Tunnel subcontractor
Cofegar	Italy	1977-83 1990s	A major contractor for the project: funded in part by Italian bilateral aid
Lavalin	Canada	1978-81	Development and restoration of the area. Funded in part by Canadian grant

The long path towards reparations

...“The World Bank should be found legally liable, both for gross negligence and for reckless disregard of the rights of the residents of Río Negro ... the fact that the World Bank gave the Government of Guatemala a second loan instalment after the massacres occurred is inexcusable and clearly falls, at best, within the definition of reckless conduct...”

Centre on Housing Rights and Evictions (COHRE), 2004⁴⁴

In 1996, following a report by the human rights group Witness for Peace, the World Bank sent a commission to Guatemala to investigate the causes of the violence and the implementation status of resettlement plans. The World Bank provided a remedy fund and asked a national NGO to purchase farmland and provide training and technical assistance to the community.⁴⁵

In 2006, communities and the government signed an agreement to begin a formal process to verify the damages and losses, and negotiations to address reparations. The Guatemalan government, the World Bank, the Inter-American Development Bank and the Organisation of American States were involved.

Throughout the very long struggle for justice, the communities have been repeatedly harassed and criminalised, even after the peace process was launched. For instance, in September 2004, 2,000 members of the Chixoy Dam affected communities participated in a peaceful protest. Those who took part were later accused of activity against national security. Amnesty International issued an action in which it claimed “disproportional charges have been levied against activists campaigning on their behalf to prevent them from carrying out their legitimate human rights work.”⁴⁶

On 10 April 2010, after many years of struggle, a reparations plan was finally signed – a huge victory for the communities and their supporters like International Rivers. It includes compensation of \$154.5 million, the construction of 191 homes and the repair of further homes, roads, and water and sewage systems, the issue of an apology to the communities, and the introduction of the sustainable management plan for the area.

However, to date the implementation of the plan is still being held up. In 2011, some 500 members of the 33 affected communities marched in Guatemala City to protest against the government’s continued delay in implementing the plan. Media coverage was sparse and hostile.

ADIVIMA

The Association for the Integral Development of the Victims of the Violence of the Verapaces, Maya Achi (ADIVIMA) was set up by three survivors of the Río Negro Massacre: Carlos Chen, Jesus Tecu Osorio and Pedrina Burrero Lopez. It works in the Rabinal area with some of those most affected by the violence of the internal conflict to secure human rights and has acted to achieve justice for those impacted by the construction of the Río Negro Dam since 1994. As a result of ADIVIMA’s work, 9 paramilitary members responsible for the massacres have been brought to justice.

For more information and to support the campaign go to: adivima.org

Looking forward: Repeating history in Guatemala

“To these people, who have been through war, displacement, violence and dispossession, and who have benefited so little from government services since the Peace Accords were signed in 1996, the dam is a new kind of war.”

Aviva Imhof, *International Rivers*, 2009

Learning from the Chixoy Dam means more than simply reparations, but ensuring strategies for financing ‘development’ are based on a completely different set of principles. Unfortunately there is little evidence that fundamental lessons have been learned.

Probe International found in 2001 that the World Bank continued to fund extremely worrying projects in Guatemala and had yet to be held to account for the damage inflicted around the Chixoy Dam. It cited support for the National Fund for Peace (FONAPAZ) and the Social Investment Fund (FIS):

However, statements by the directors of these two groups have suggested that funding will also be used to build ‘Peace and Development Committees’ which have ostensibly been re-forming ex-paramilitary Civil Defense Patrols which committed gross human rights abuses during the civil conflict.

The mining boom

In 2007, the government of Guatemala reported around 370 approved mining licences in Guatemala, with 300 licences waiting to be approved.⁴⁷ A recent report citing the Ministry of Energy and Mines says mining revenues are soaring from \$9 million in 2004 to \$522 million in 2010.⁴⁸

Just one example highlights the potential problems implicit in some of these mining projects. In 2004, the International Finance Corporation (IFC), a branch of the World Bank that lends to private companies, gave \$45 million support to Goldcorp for work on the Marlin gold mine. After activists protested the mining operations, one person was killed by security forces and many more were injured.⁴⁹ Two years ago the Inter-American Commission on Human Rights, a branch of the Organisation of American States, called on the Guatemalan government to suspend operations at the mine on the basis of complaints about serious pollution.⁵⁰

Guatemalans are organising against mining exploitation, with anti-mining protests ballooning across the country. One tactic regularly used is community referenda which can help re-engage local communities in campaigns. Of the 58 referenda held since 2005, not one has come out in favour of mining.⁵¹

Without being held to account for their history of lending in Guatemala, international bodies like the World Bank are likely to become embroiled in dangerous and damaging projects once again.

Taxing Profits

The World Bank's evaluation of Guatemala's tax and royalty regime should be of particular concern. A meeting of the IFC's Board of Directors concluded the Marlin mine was an excellent project with a clear and positive development impact. During a long discussion regarding taxes and royalties⁵³ staff assured the directors that they had looked closely at the benefits for the government, as well as for the company. Their response to concern around tax rates was that "the government itself had decided to lower royalties from 6 per cent to 1 per cent to attract much needed investment" and "royalty payments in the range of one to three per cent were considered normal". Actually mineral royalty rates for developing countries most often fall between 5 per cent and 10 per cent.

The World Bank was fully aware of the rock bottom 1 per cent royalty rate and the corporate tax exemptions offered to the company and should have been able to calculate their impact. Instead IFC staff claimed that the mine's "taxes and royalties would equal 7 per cent of the government's annual tax revenue". In reality, in 2007 royalties and taxes from the Marlin mine amounted to US\$11.4m⁵⁴ or 0.3 per cent of total government revenue. It seems the World Bank is all too ready to invest in private sector projects whilst ignoring the real impacts of poor taxation policies and whether the government is getting an adequate share of sales revenue and profits.

Indeed, the development of resource extraction continues to be central to the work of the International Finance Corporation. Keith Slack from Oxfam America has written:⁵²

The problems at Marlin raise some broader questions about the appropriateness of pushing resource extraction in countries like Guatemala... The problems at Marlin could have been foreseen by anyone remotely familiar with the country's recent history of brutal civil war, which resulted in genocide against the country's indigenous population. The area where the Marlin Mine is now operating was an epicenter of that atrocity. Is it any wonder, then, that the indigenous populations that live there are suspicious of outsiders who have come to take their gold away.

The Xalala Dam

Mines require energy, and this is a key reason for the construction of several dams in Guatemala. The Xalala Dam is being constructed on the Chixoy River, downstream from the existing Chixoy Dam. The project is intended to supply electricity to Guatemala and Mexico but local activists are convinced that it will benefit mining projects and large commercial investors in the country, while local communities will suffer the consequences. They are resisting the dam.⁵⁵

International Rivers claims that the Xalala Dam would displace more than 2,000 people and impact the livelihoods of 14,000 indigenous people who would lose land, crops, fisheries and other resources to the reservoir and associated construction works.

Communities in the provinces of Ixcán, Quiché, Uspantán and Alta Verapaz would be affected by the dam: areas heavily affected by the pre-1997 government terror.⁵⁶

A 2007 referendum organised by local communities saw 90 per cent of people rejecting the dam. Despite not receiving any private bids to invest in the dam during the first tender, the government has refused to recognise the referendum and is continuing with plans. The government is currently rumoured to be seeking funding from the Inter-American Development Bank or World Bank for the project.⁵⁷

Aviva Imhof of International Rivers has written:⁵⁸

These people have been through so much suffering, and benefited so little from the government over the years. Official government figures will tell you that Quiché and Alta Verapaz are the poorest areas in the country. Some 80 per cent of the population in these areas live in poverty, and over 94 per cent of the population are indigenous. Most remain without electricity, without access to schools above 6th grade, without roads or other forms of transportation, without healthcare, without any of the basics that government should provide. They have lived without these things for generations. And yet, when the government decides it does want to intervene in the area, it is to build a massive dam with private sector involvement, displacing communities and livelihoods. These people are not stupid. They know the history of the Chixoy Dam in Guatemala – a history of poverty, genocide and displacement – and they're determined to stop history from repeating itself.

Xalala is just one of several dams underway or planned. The Palo Viejo Dam, being built in the Guatemalan highlands by Italian-based multinational ENEL is also engulfed in similar protests. According to the Mennonite Central Committee in Guatemala, local indigenous communities had asked for a 20 per cent share of revenues from the Palo Viejo Dam to fund development projects to benefit the local population, 87 per cent of whom live on less than \$2 a day. The company has refused. Local people have not been consulted on the project and their protests have been met with hundreds of police and soldiers with tear gas and helicopters.⁵⁹

These 'mega-projects' might well generate returns – the question though is who will benefit from them and who will pay the cost through detrimental impacts on their livelihoods and environment. Any form of 'development' taking place in a context of severe poverty and serious racism needs to arise with significant input from the groups that will be most impacted if they are to transform those lives. There is no indication at all that this is the case with mega-projects in Guatemala. Until 'development' is fundamentally re-thought, far from making things better, it might well increase poverty.

Recommendations

This briefing makes clear the responsibility borne by international institutions like the World Bank for atrocious widespread human rights abuses in Guatemala. Guatemala's debt history is part and parcel of this abuse. While impunity within Guatemala must be addressed, it is also vital that international backers are held to account for what they have done or neglected to do. We fully endorse the campaign of ADVIMA and International Rivers for reparations for the survivors of the Chixoy Dam project. In addition, we endorse the following positions:

- All projects from the period from 1954 onwards – and especially between 1978 and 1997 – should be audited to find out if they involved corruption, the extent to which they supported the illegitimate governments of the period, and the extent to which they benefited the population and environment of Guatemala. Payments on all loans from this entire period should be immediately suspended. Civil society, including representatives from affected communities must be involved in the audit. No further payments should be made on any projects judged illegitimate. We recommend the establishment of a fund into which this money be paid. Civil society organisations should have a role in overseeing the dispersal of these funds.
- Projects such as the Chixoy Dam, which clearly had an extremely serious detrimental impact on people and environment, are odious and debts should never have been repaid on these projects. A debt audit should look at debt repayments and calculate the amount of odious debt which has

already been repaid. Apart from reparations to the communities for the damages inflicted by those projects, reparation must also be made for the loss to the Guatemalan economy. Such reparations should be earmarked to communities affected by government terror in the 1960s-90s. The communities must have a role in deciding how this money be spent.

- There must be an audit of all ongoing large projects, including the Xalala Dam, driven by the communities who are being or will be affected. Where international bodies are involved in these projects, those bodies have a duty to ensure this auditing takes place. On completion of the audit, these projects must have their terms altered to ensure they have maximum benefit and involvement of the communities concerned. As a minimum, international laws and standards must be applied, and any contract breaching such laws and standards immediately rescinded. The World Bank and other multilateral banks should make funds available to support this process as part of their reparations.
- The World Bank and other multilateral funders must commission independent reviews of their global operations in light of the experience of Guatemala. This review must include Guatemalan civil society, including representatives from affected communities. This review must be translated into policies to ensure such lending and projects do not happen again.

Conclusion

Again and again the World Bank has supported so-called 'development' projects which have made big profits for corporations but proved detrimental to local communities. It has proved itself incapable of meeting the real needs and aspirations of ordinary people. Social justice means people must come before profits.

The resistance taking place to mines and dams in Guatemala, and campaigners' experiments with popular forms of consultation and democracy, are a cause for great hope in this impoverished country. Few countries have experienced such violent and extensive projects to crush the ability of ordinary people to stand up for their rights. Such was the perceived danger of a democratic government trying to make its economy something more than a gigantic fruit farm existing for the profit of others.

The recommendations in this briefing represent only a small start in supporting Guatemala and ensuring that such atrocities do not recur. Guatemalans have a long way to go to combat the racism, poverty and injustice that confronts them. The world has a duty to stand with Guatemala's people in this struggle.

State terror in Guatemala in the 1970s and 1980s ranks as one of the worst period of crimes against humanity in the twentieth century. That there was involvement and support for the Guatemalan state at that time – especially by organisations supposedly committed to development – is utterly reprehensible. We must ensure those responsible are held to account and the lessons of this period are learned before we are really able to say Guatemala: Never Again.

What you can do

Follow International Rivers work:

www.internationalrivers.org/campaigns/guatemala

Support the work of Guatemalan group ADIVIMA:

www.adivima.org

Keep an eye on our action page – we will be taking actions on Guatemala

www.jubileedebtcampaign.org.uk

Check out the work of the London Mining Network:

www.londonminingnetwork.org

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GENERATING TERROR

The role of international financial institutions
in sustaining Guatemala's genocidal regimes

The story of Guatemala's genocidal regimes of the late 1970s and early 1980s has been told before, but what role did International Financial Institutions, such as the World Bank, play in sustaining them? This report takes an in depth look at the effect of loans from western-backed institutions – often for dubious projects – and makes the case for debt audits and reparations.



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