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# Hondurans don't need yet another neoliberal boondoggle

*Model cities' unprecedented privatization scheme will undermine democracy and exacerbate inequality*

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by [Lauren Carasik](#) @LCarasik

On May 26, the Honduran Supreme Court upheld a 2013 law that would in effect cede control of sovereign territory to foreign investors under the guise of Zones for Employment and Economic Development (ZEDEs). Known as model cities or charter cities, ZEDEs are investor-friendly enclaves governed by their own judiciaries, laws and security apparatus. By relinquishing control of key state functions to foreign investors, the arrangement allows corporations to circumvent local laws and business practices.

While the notion of special development zones is not new, the political and historical context of the Honduran case raises particular alarm. New York University economist Paul Romer initially suggested the charter cities model to Honduran authorities as a way to promote economic development. Romer argued that entrenched interests and corruption eclipsing a more egalitarian and effective model of development were hampering the country's economic growth. To correct this, charter cities would be set up on uninhabited land, and the resulting semi-autonomous regions would start with a clean legislative, judicial and political slate to create environments conducive to attracting foreign capital and expertise.

The genesis of the ZEDE law speaks volumes about the integrity of Honduran institutions. In 2011 the country's legislature created Special Development Regions (REDs) to implement Romer's proposal. The following year, four out of five Honduran Supreme Court justices found the RED law unconstitutional. In December 2012, in a process rife with procedural irregularities that many called

a [technical coup](#), the [four judges were removed](#) from the bench and replaced with jurists who were amenable to massive privatization schemes. The only judge who was in favor of the RED law, Oscar Chinchilla, is now the country's attorney general. The 2013 legislation, which the court upheld in May, is a slightly revised version of the RED law that was initially deemed unconstitutional.

Those unfamiliar with Honduran politics and history may view the ZEDEs as promising and innovative anti-poverty measures for a country with weak democratic institutions and anemic economic growth. Appeals to employment and development also suggested that the poor and jobless are the ZEDEs' intended beneficiaries. But the model essentially offers large swaths of Honduran territory to the highest bidder, setting the stage for unprecedented corporate plunder.

Critics claim that model cities are yet another iteration of neocolonial ideas. Some observers even [likened the project](#) to the “[shock doctrine](#)” policies developed by economist Milton Friedman and his colleagues at the University of Chicago's economics department who advocated for less regulated, libertarian free markets.

## **History of neoliberal reforms**

Latin America has long been at the receiving end of such tired ideas and experimentation. In the 1970s, neoliberal economists and the U.S. government aggressively promoted these policies in Chile. Analysts still debate the lasting economic consequences of the reforms, but their implementation undeniably accompanied Chile's descent into an era of state tyranny. Similarly, neoliberal policies instituted in Honduras [starting in the 1980s](#) have contributed to misery for its masses.

Romer argued that his proposal contained safeguards and lacked the coercive elements of other neoliberal economic reforms. For example, he argued that model cities would be placed only in uninhabited areas and that people have the option to move into these zones and then leave if they don't like the

arrangement. But under the latest ZEDE law, these zones may even be set up where people currently live. Romer eventually withdrew from the initiative in 2012, citing the Honduran government's lack of transparency, which he considered integral to the project. But his concept took on a life of its own, albeit with even fewer protections than what he envisioned.

After the 2009 coup in Honduras, which ousted democratically elected President Mel Zelaya, a retrenchment in neoliberal policies further exacerbated insecurity and poverty. Dubbed "the murder capital of the world," Honduras has the **most unequal income** distribution in Latin America, with more than **66 percent** of people living in extreme poverty. Every day, hundreds of children fleeing hunger, despair and gang violence embark on a perilous and harrowing journey north. Repression against journalists, lawyers, human rights defenders, women, members of the LGBT community and land rights and indigenous activists continues unabated.

Corruption is endemic, while nonviolent resistance to privatization, land grabs, discrimination and repression is criminalized, and impunity for corruption and pervasive violence reigns. In addition, Honduras has a deeply troubled history of land tenure, leaving poor communities vulnerable to dispossession. Those who live within the geographic confines of areas designated for these zones are painfully familiar with waves of foreign exploitation in the name of development. Aside from displacing and uprooting their ways of life, decades of mining, agriculture and hydroelectric power projects have done little to improve their lives but have instead engendered cycles of conflict and repression.

**The money generated from these development projects will not trickle down to poor Hondurans. It will instead enrich domestic and international elites, furthering entrenching the country's inequality and insecurity.**

The carefully crafted narrative employed by the Honduran government and its neoliberal supporters alleges that communities resisting foreign investment are

anti-progress. However, these communities are not categorically opposed to development. In fact, they are desperate for jobs, for careful stewardship of the land from which they have derived their sustenance for generations, and for any ray of hope that entices their children to imagine a future close to home. But they envision locally owned development, driven by the people who have raised their children and buried their dead on these same lands. The locals with whom I met during a recent trip exuded a palpable apprehension about development controlled by the domestic and international elite whose investments have impoverished them for centuries. They worried that the ZEDEs will go even further — stripping them of the most basic rights and protections they possess as Honduran citizens.

Corporations are, after all, driven by profit, not by humanitarian concern. It falls to government to reduce misery, safeguard dignity and provide security — responsibilities that Honduras has shirked since the coup. No one disputes that the country is in desperate need of economic development. But the neoliberal ideals of unfettered corporate access to the country's riches without any obligation to its citizenry will likely aggravate the cycle of popular resistance and the ensuing repression.

Under the 2013 bill, in areas with a population of more than 100,000, voters must approve proposed ZEDEs through a referendum. However, against the backdrop of Honduran politics, the process will likely invite the coercion, misinformation and false promises that have permeated other land disputes. Besides, since there are few areas in Honduras where the population density actually reaches 100,000, most people will not even have the right to vote to approve a ZEDE.

If history is a fair guide, the money generated from these development projects will not trickle down to the country's desperately poor. It will instead enrich domestic and international elites, furthering entrenching the country's inequality and insecurity.

"In Honduras, we do not need model cities. We need a model country," one activist wryly told me at a meeting in Tegucigalpa, the country's capital, last

month. Such a country would devote resources to its marginalized masses, strengthen its democratic institutions and provide a secure place in which children can thrive and dream of a peaceful and prosperous future.

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*The views expressed in this article are the author's own and do not necessarily reflect Al Jazeera America's editorial policy.*