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Mike Leffert

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by Mike Leffert
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Wal-Mart Stores Inc. has announced it has upped its stake in the Central American Holding Company (CARHCO). In September 2005, the retailing Gargantua bought 33.33% of the company. Now it owns a controlling interest, 51%. CARHCO owns 375 stores in Guatemala, Honduras, Nicaragua, and Costa Rica.

As an early order of business, the CARHCO name has been retired in favor of the more descriptive Wal-Mart Centroamerica. The company stores include Max x Menos, Hiper Mas, Pali, La Union, and Maxibodega outlets in Costa Rica and Nicaragua, under the Corporacion de Supermercados Unidos (CSU). In Guatemala, the country's largest chain La Fragua is now a Wal-Mart enterprise.

According to plan, Wal-Mart brands and retail products have been introduced into all these stores. The rate at which this will increase and names will be changed will depend on the result of pending market studies, as will the decision to introduce new Wal-Mart stores to Costa Rica, according to Aquileo Sanchez, Corporate Affairs Director for CSU.

Sampling the negatives

One issue to be resolved by the studies is the extent to which negative publicity from the US and other countries has affected Central American consumer perceptions, said Sanchez. Wal-Mart has been slammed worldwide for violating worker rights and putting smaller retailers and manufacturers out of business. Sanchez told reporters, "We're very worried that the entrance of Wal-Mart will be misinterpreted." Rumors have circulated in Costa Rica that CSU employees would be laid off or otherwise negatively affected, but Sanchez said, "No one will suffer."

These assurances fell upon deaf ears in those sectors that sell and manufacture toys, clothes, and plastic goods on a relatively small scale. They are the ones most likely to suffer from the company's practice of pushing prices to their absolute minimum by pressuring providers to cut costs, and by buying in astronomic quantities. The Tico Times sourced The Atlantic magazine in pointing out that the company's prices are so low, and volumes so high, that it has "single-handedly reduced the US inflation rate by a substantial amount while providing consumers with the same quality food as in other stores."

Wal-Mart's incursion began in September 2005, when the president and chief executive officer of Wal-Mart International announced the purchase of one-third of CARHCO, Central America's largest retailer with 120 stores in Guatemala, 57 in El Salvador, 32 in Honduras, 30 in Nicaragua, and 124 in Costa Rica. CARHCO, with about 23,000 workers (called associates), had US$2 billion in sales in 2004. Wal-Mart bought its interest from Dutch retailer Royal Ahold NV for an undisclosed price. Ahold was an equal partner with the Paiz family, the major shareholders in La Fragua, and CSU.

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Wal-Mart said at that time it would continue to raise its stake in CARHCO to majority ownership, and that it would be "helping to keep prices low for consumers."

If nothing else, the new company will be able to cut shipping costs on some of its goods. Wal-Mart directly imports more than US$350 million in goods from Central America. Indirectly, it buys from other internationals with farms and factories in the region.

Wal-Mart executive's saga in Central America

Those threatened by Wal-Mart's entry have, by the testimony of one of the company's own high-level executives, much to be threatened by. In 2000, the company sent James Lynn to Central America in a new position in which he was to report on abusive labor practices in the maquilas that make the company's clothes. Lynn found plenty of abuse. He observed factories with fire doors padlocked from the outside. He saw women fired when they showed up for work pregnant. He took his observations back to the company with the expectation that an open-door policy devised by Wal-Mart founder Sam Walton would allow him to get these problems fixed without reprisals to himself. "I always encouraged those who worked for me to use the open-door policy," he said later.

The policy is actually, said one report, a pillar of the company's anti-union strategy, whereby managers can convince workers that the company will address grievances in a manner that makes representation unnecessary. Lynn discovered that the policy was no truer for these workers than it was for him.

He was fired and became one of several Wal-Mart whistleblowers suing the company in unjust-termination cases. Until that happened, he said, when critics said the company's everyday low prices condemned workers to horrid work lives in a global network of sweatshops, he would not believe it. "When people said negative things, I was always a Wal-Mart defender. I was hardcore," he said. The company first sent Lynn to Costa Rica in 2002 as global services manager in charge of exports, quality control, and factory certification of all the region's Wal-Mart suppliers. At that time, Wal-Mart had just acquired Pacific Rim Export Limited (PREL).

In March of that year he took his first trip to a supplier, Glory Garments in Honduras, near San Pedro Sula. What he saw, he said, was a facility "that didn't have potable drinking water, that had no toilet paper in the restrooms, and where the exits were padlocked. They did pregnancy testing on the women, and if it [the test] came back positive, they were terminated (see NotiCen, 1996-09-19)." He also found out that the factories received prior notice when certification visits were scheduled, giving them time to clean up, whereas quality-control inspections did not merit advance warnings.

Lynn also discovered that the PREL executive in charge of Honduran and Guatemalan operations, Moon Chung, routinely falsified factory-certification reports attesting to compliance with the company's workplace standards. He wrote to the head of Central American facilities, "Moon [the executive] pressures inspectors to pass factories that have failed final inspections. They have all received this type of pressure from Moon in the past. When a factory does not meet the Wal-Mart guidelines for a final inspection, Moon argues, threatens, yells, and cusses them, our Wal-Mart associates." Rather than receive support from corporate headquarters, Lynne told The American

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Prospect, the magazine that originally published his account, he was told that the prior notifications were a matter of common practice and that he was limited in the number of people he could interview per factory, regardless of whether he found violations. "If you get to the 29th and 30th, and you discover stuff, it doesn't matter you have to stop," he said he was told.

Lynn had begun to suspect that he was in trouble with his bosses. On his next trip, to Guatemala, the company had hired an undercover surveillance team to follow him and an assistant, Martha Bolanos. The result was that, soon after his return to Costa Rica, Lynn was accused of violating the company's fraternization policy. He said he was prevented from leaving the room where he was being confronted until he signed a statement acknowledging "a kiss" between him and Bolanos. Both were fired the next day.

Thus, said Beth Keck, the company's director of, appropriately enough, international corporate affairs, "This was not a whistleblower case. He was terminated because he had inappropriate contact with a woman who directly reported to him."

Lynn was less concerned with having his personal activities revealed, it appears, than he was with the substance of his findings. Having been told by a confidant that no one had ever before been fired for violating that particular rule, he flew to company headquarters in Bentonville, Arkansas. He remained fired, and his discoveries remained unaddressed. His case was featured in a film, Wal-Mart: The High Cost of Low Price.

Keck said the offending officials Lynn reported "are no longer with the company, so we did take seriously everything he did tell us." She acknowledged, however, that outside groups are not permitted to conduct their own inspections to verify her contention that the company has cleaned up its act in Central America.

Evidence that they had not done so came from Charles Kernaghan, head of the National Labor Committee in Support of Human and Worker Rights (NLC). Kernaghan told The American Prospect that the Han Soll maquila in Honduras was still locking workers in long after Keck denied it. "They've been saying they've improved their monitoring, but those shops were still all sweatshops," he said.

Coming as it does amid an isthmuswide scramble to implement the Central America Free Trade Agreement (CAFTA), Wal-Mart's increased presence has the potential to heighten the fears of small agricultural producers who warn that the trade agreement threatens their livelihoods. These producers, even before CAFTA loomed on their horizons, had begun to see their products shut out of the regional market with the proliferation and rising power of the supermarket chains that Wal-Mart is now further consolidating.

As early as 2004, Guatemalan small producers and co-operatives, among them the Asociacion de Usuarios de Minirriego de Palencia (ASUMPAL), began to see their products passed over. La Fragua informed them that their produce did not meet the company's specifications. The co-op lacked sufficient capital and technology to invest in the greenhouses that would permit them to turn out products of uniform size, weight, and color. Lacking these assets also prevented the small producers

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from contracting to deliver these products year-round, regardless of weather or season. The door slammed in their faces, many left the countryside to migrate to the US or to the cities.

Earlier still, in 2002, a report by Julio Berdegue of the Centro Latinamericano para el Desarrollo Rural en Chile titled El Aumento Rapido de los Supermercados en Latinoamerica: Retos y Oportunidades para el Desarrollo noted that "the purchase regulations that the supermarkets demand standards of quality and security, packaging, costs, volumes, consistency, and payment practices have a great impact on the small growers and supply chains of the region, and are rapidly reformulating the rules of the game." While the trend is for small-production co-ops like ASUMPAL to be crushed by these changes, at least one has found a way around.

Aj Ticonel in Chimaltenango has largely bypassed the local chains and entered the global market. The organization's leader stopped selling to La Fragua because the company's purchases were inconsistent and because local prices had bottomed as a result of the excessive competition among the smallest producers. Now Aj Ticonel sells 1.4 million kg of vegetables to the US market and just about 36,000 kg to the supermarkets. The enterprise has grown from 40 producing families in 1999 to 2,000 families in 2005, reinvesting most of the profits in infrastructure, marketing, and retraining the producers. But this is an exception that has not proven reproducible.

Said co-op leader Alberto Monterroso, "The company has loaned money on three occasions to growers who wanted to copy it, but they've all gone broke." Now La Fragua is not only the largest chain in Central America, it is also part of the global market that might once have been an alternative to the most enterprising local producers.

With the winds of Wal-Mart at its back, it can accelerate the trend that has seen large supermarkets in the region expand into the rural areas that have been the last refuge of the small producers. The new Wal-Mart Centroamerica, once the alternative for innovators like Aj Ticonel, is now the competition.

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