

The united fruit company in guatemala politics essay



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The United Fruit Company, also known as UFCO, was an American based banana export company run out of Latin America, specifically Costa Rica, Honduras, Panama, and Guatemala (Brockett 2010: 536). In the 1920s and 30s United Fruit was the world's largest banana production and marketing company controlling seventy percent of the global banana trade eliminating its competitors through acquisitions (Bucheli 2008: 438). Bananas are not a native fruit to Guatemala, rather they originated in India and were brought over in 1519 (McFarlane 1989: 28). UFCO entered Guatemala in 1901 under the reign of the dictator Manuel Estrada Cabrera who granted the company land, as well as both transportation and communication concessions (Bucheli 2008: 444). From 1901 to 1944 UFCO benefited from a close relationship with the Guatemalan dictators Cabrera (1898- 1920), and later Jorge Ubico (1933- 1944) (McCamant 1984: 373). In 1944 Guatemala broke from its dictatorial past with the free election of Juan José Arévalo and later his successor Jacobo Arbenz in 1951 (Bucheli 2008: 437). Guatemala experienced ten years of progressive government until 1954 when the CIA, in league with both the fruit company and the Eisenhower administration organized a covert operation to overthrow the Arbenz government under the pretense of anti- communism (Brockett 2010 : 517). United Fruit was able to establish a banana republic in Guatemala through its relations with both the Guatemalan government and the United States Government. " The pejorative term ' Banana Republic' is often used to describe a small and backward, poor, and unstable country with widespread corruption and a submissive relationship with the United States (Bucheli 2008: 433)." Today, Guatemala has the fourth highest rate of malnutrition in the world as well as a fifty-one percent poverty rate (Janvry and Soudlet 2010: 1331). For the <https://assignbuster.com/the-united-fruit-company-in-guatemala-politics-essay/>

past ten years my family has been sponsoring two children, now age eighteen and sixteen, living in Guatemala through World Vision. This is where my personal connection to both the topic and the country originate. I argue, the establishment of a banana republic in Guatemala by the United Fruit Company has created a detrimental and lasting impact to the country both economically, politically, and in regards to the standard of living.

Theoretical Backing:

Underdevelopment theory is applicable to the situation as Guatemala relies on the United States in the periphery- core relationship. Trade is asymmetrical, the United States can do without the Banana trade, however Guatemala is completely reliant on the trade for its income (Smith 1978: 575). There is a mono-crop economy which produces food the country does not consume, while relying heavily on imports it does not produce (Cabrera-Schneider 2009: 85). The country exports cheap primary resources, bananas, and imports high value manufactured products as well as the country's staple foods (Cabrera- Schneider 2009: 86). Guatemala is a poor country who is dependent on the United States for its income as well as imports. Starting in 1901, when the fruit company entered, UFCO built a system of infrastructure including railways, the development of Puerto Barrios, a hydroelectric plant, and telegraph lines, however, these resources were not created for the benefit of the Guatemalan people instead for the sole use of the fruit company (Bucheli 2008: 444). The motto of IRCA, the International Railways of Central America, owned by UFCO was, " every banana a guest, every passenger a pest (McFarlane 1989: 32)." UFCO was able to create a monopoly in every sector of the Guatemalan economy (Bucheli 2008: 434).
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The company possessed 295 000 acres of land for the banana plantations while ninety percent of the population was left to live off of ten percent of the land (Bucheli 2008: 445). The economy has been created for the benefit of the large companies and the United States, not for the benefit of the Guatemalan people.

Research and Analysis:

The Estrada/ Ubico government's relations with UFCO:

In 1901, UFCO entered into Guatemala during the Cabrera regime. " United Fruit moved into Guatemala first because, as a former UFCO executive admitted, the Estrada government " was the region's weakest, most corrupt, and most pliable" (McFarlane 1989: 28)." The weaker the democracy in a country the easier it is for foreign companies to monopolize power (Bucheli 2008: 437). The country was eager for Foreign Direct Investment for development (Opie 2009: 433). Rulers such as Estrada would ally with global corporations for their benefit to exploit their own people (Bucheli 2008: 434). This was a mutually beneficial relationship for the dictators and the Fruit Company, not the people, as both opposed organized unions (Bucheli 2008: 433).

" UFCO officials mistreated black workers in Costa Rica, Guatemala, Nicaragua, and Honduras. First, they would employ them to clear lands, dam swamps and lagoons, make places sanitary, and tend to and harvest bananas, coffee, and cocoa. And then they cut your pay, made your economic conditions harder, and ultimately drove you off the land (Opie 2009: 162)."

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UFCO relied on the authoritarian government when handling labour unrest (Bucheli 2008: 433).

Estrada's rule was one of military repression. Both Estrada and Ubico were useful to UFCO

as they created a system with no social reform (Bucheli 008: 443).

Estrada allowed United Fruit to gain unprecedented power. UFCO could not operate

without a transportation system. Within three years they had consolidated all existing railway companies and created IRCA for the purpose of banana shipment to the coast (Opie 2009: 161). Estrada granted IRCA a ninety-nine year concession (Bucheli 2008: 441). The company was also granted land under the assumption that UFCO would build a port. The job was never finished, however, Estrada allowed the company to keep the land (Bucheli: 2008: 441). When General Jorge Ubico came into office the fruit company held onto its power. Ubico was an ally of the United States, therefore supported the fruit company (ibid.). This was a period of prosperity for the company, both the Guatemalan government and UFCO benefited from the repression of the Guatemalan people.

1944-1954: 10 Years of Progressive Reform:

The democratic election of Juan José Arévalo in 1944 was the beginning of ten years of progressive reform (McCamant 1984: 373). Arévalo's successor, Jacobo Arbenz, who was elected in 1951, created a social program for the Guatemalan people and implemented Agrarian reform (Bucheli 2008: 444).
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Arbenz's social program included income distribution and economic nationalism (ibid.). In an attempt to diminish the American monopoly, Arbenz planned to create a railway running parallel to IRCA which would be accessible to the Guatemalan people (ibid.). As well, open a government run port to compete with UFCO's Puerto Barrios and build a national hydroelectric plant to provide cheap energy to rival the American owned plant (ibid.). However, the most important and controversial aspect of Arbenz's program was the Agrarian reform which bought and redistributed unused land from UFCO to the Guatemalan people at the low price listed on the company's tax returns (Raj 2007: 100). The problem of land distribution is one of the greatest obstacles for economic development in Guatemala (Bucheli 2008: 444). UFCO possessed 295 000 acres of land of which 234 000 acres were unused, meaning the company was only actively using 61 000 acres of land (Bucheli 2008: 445). The Arbenz administration calculated the land value at 1 185 000 dollars based on UFCO's claims on their tax returns and underwent a large expropriation of the company's land to give to the Guatemalan peasants (ibid.). The fruit company protested, demanding 19 355 000 dollars which the government rejected proclaiming, if UFCO had not cheated on their taxes they would have received the amount they demanded (ibid.). For the previous ninety- nine years, United Fruit had managed to evade taxes which should have been payable to the Guatemalan government (Bucheli 2008: 446). The Inter- American Regional Organization of Workers, ORIT, called the Arbenz Agrarian reform, " A step forward in the interests of the people of Guatemala and against the feudalistic forces allied with the imperialistic policy of the United Fruit Company (Bucheli 2008:

525).” However, the reform was viewed by the fruit company and the United States government as a form of communism.

UFCO had strong connections within the Eisenhower government and used them to complain to the US state department. (Raj 2007: 100). The US sided with the fruit company and demanded the Guatemalan government pay fifteen million dollars in compensation which Arbenz refused (Bucheli 2008: 445). Under the claim of anti- communism, not the protection of American big business, Eisenhower authorized a covert CIA operation to overthrow the Arbenz government in 1954 (Brockett 2010: 535). The operation, named PBSuccess, was run by Guatemalan rebel forces out of Honduras. The mission, lead by Colonel Carlos Castillo Armas, relied on deceit as their force of 150 men was not strong enough to engage the Guatemalan military (McCamant 18984: 376). The CIA manipulated communication resources convincing both the Guatemalan people and the military communists were taking over, also that Armas had an extensive military force (ibid.) This lead to an alliance between the Guatemalan military, local landowners, UFCO, and the United States government against the Arbenz administration (Bucheli 2008: 444). Bombing raids were used to force Arbenz into surrendering and Armas assumed control of the country as a right wing dictator in 1954 bringing an end to progressive government. Arbenz’s resignation speech addressed the fruit company’s role in the military coup,

“ In whose name have they carried out these barbaric acts? What is their banner? We know very well. They have used the pretext of anti- communism. The truth is very different. The truth is to be found in the financial interests

of the fruit company and the other U. S. monopolies which have invested great amounts of money in Latin America (McCamant 1984: 377)."

During Colonel Armas' authoritarian regime, worker's protection was removed, wages were reduced, and mass firings of anyone connected with a union were put in place (Brockett 2010: 524). UFCO president Kenneth H. Redmond also refused to acknowledge labour Unions (Brockett 2010: 537). The installation of Armas was beneficial to the fruit company as the company returned to its pre- Arevalo / Arbenz days of economic and political control as well as poor labour laws. " During the first months of the new ' liberation' government, trade Union officials, both major and minor, were arrested unless they successfully sought asylum. An unknown number of them were killed (Brockett 2010: 523)." The resulting war after the CIA invasion claimed over 20 000 lives over a forty year period (Raj 2007: 100). Government death squads have killed thousands of unarmed civilians (McCamant 1984: 374). Only the rich have been able to succeed in Guatemala since 1954 (McCamant 1984: 374). The reason for the United States' interference with the politics in Guatemala was to protect the American run fruit company, not to save the country from communism. The actions of the CIA have been detrimental to the Guatemalan people. A follow up mission named PBHistory was conducted by the CIA to search the archives for evidence of communism in Guatemala (Raj 2007: 100). This mission proves the original, PBSuccess, was to benefit the Fruit Company's interests not the Guatemalan people. Removing Arbenz from government took away a decade of progress which has yet to be re-instated.

Economic hardships caused by UFCO:

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When United Fruit first moved into Guatemala, an initial surge of industry and development occurred. However, the benefit of the fruit company was short lived and did not help the people. Guatemala received a bare minimum of the profits from the banana trade while the majority of the money went to UFCO's CEO (Opie 2008: 43). The land was very fertile and rich in natural resources, but was exploited by the fruit company creating an economy which relied on imports.

“ Import dependency in staple foods has been rising rapidly as the country [Guatemala] shifted successfully to the production of nontraditional exports, focusing on comparative advantage in trade and neglecting like other countries in the region, concerns with domestic production as an element of food security (Janvry et al 2010: 1329).”

A large proportion of the farmable land, forty- two percent, was dominated by UFCO and established for the purpose of banana plantations (Bucheli 2008: 445). There are few other foods grown in Guatemala besides bananas, coffee, and sugar, none of which are staple foods for the populous. With the majority of the country's land devoted to banana plantations there is not enough land for the country to produce its own food (ibid.). Guatemala has a ninety- eight percent wheat and a sixty- eight percent rice import dependency (ibid.). Per day, the average Guatemalan consumes 250 grams of corn, 120 grams of vegetables, and twenty grams of beans, all of which are imports of the country (McCamant 1984: 90). The main source of revenue for Guatemala is the export of primary commodities (Smith 1978: 601). The impact of the 2006 to 2008 Global food crisis was greatly felt by the rural poor; fifty- two percent of the population lives in rural areas (Janvry <https://assignbuster.com/the-united-fruit-company-in-guatemala-politics-essay/>

et al 2010: 1328). Thirty percent of the urban population and seventy- one percent of the rural population are living in extreme poverty (ibid.). There is a large rate of urbanization due to landlessness and an inability to farm caused by UFCO's monopoly over the land (ibid.). Following 1954, peasants have been forced to leave their land by both the Armas government and the fruit company (McCamant 1984: 374).

UFCO was the largest employer in Guatemala from 1901 to 1970 (Brockett 2010: 520). The company employed thousands of local workers, built schools, hospitals, housing, and created an export infrastructure (Bucheli 2008: 433). However, the working conditions were physically dangerous, workers were subjected to long hours, and toxic chemicals were used on the bananas plants causing health problems (Opie 2008: 41). UFCO strongly opposed unions; when communities began to Unionize, UFCO would abandon the region and tear down any houses or schools it had built (Landmeier 1997). Not only did United Fruit inadvertently create problems for the people they also purposefully dismantled anything they had done to help the people once the arrangement was no longer beneficial for the company.

“ This powerful company [United Fruit] has throttled competitors, dominated governments, manacled railroads, ruined planters, choked cooperatives, domineered over workers, fought organized labour and exploited consumers. Such usage of power by a corporation of a strongly industrialized nation in relatively weak foreign countries constitutes a variety of economic imperialism (Bucheli 2008: 434).”

While United Fruit created infrastructure in Guatemala were little existed before, the benefits of the banana republic were diminished by the extensive list of negatives. Little of the company's profits went into the Guatemalan economy. Both UFCO and IRCA exploited the cheap labour of Guatemalan natives and thousands of Jamaican immigrants (Opie 2009: 161).

Conclusion:

The United Fruit company no longer exists as it did from 1899- 1984. In 1984, United Brands was converted into the well known Chiquita Brands (Raj 2007: 100). In the 1970s, as third world governments began to nationalize their economies UFCO gradually sold some of its properties to avoid becoming a target of nationalism (Bucheli 2008: 438). Local governments raised taxes and began to encourage a larger participation of local farmers in the banana trade (ibid.). A new alliance formed between the right- wing dictators, democratically elected presidents, local landowners, labour unions, and left wing politicians against the United Fruit Company (Bucheli 2008: 438). For nearly one hundred years UFCO maintained a monopoly in the banana trade by controlling poor countries, specifically Guatemala, through intervention in politics and complete control over the country's economics. Prior to Arbenz, UFCO was able to control the government through means of bribery and concessions. United Fruit's involvement in the politics of Guatemala was counter- productive to the good of the people. Operation PBSuccess is an example of how the banana trade directly affected the citizens of Guatemala. Control of the trade by a corrupt corporation, and the involvement of the United States government led to the downfall of democratic government in Guatemala. Unequal land distribution is one of the <https://assignbuster.com/the-united-fruit-company-in-guatemala-politics-essay/>

largest problems in terms of landlessness and food production. However, the extent of UFCO's, now Chiquita Bananas', power has diminished and the country is making its way into producing manufactured goods as well as primary resources. While the legacy of the banana republic is strong there is hope for the economic and political future of the country. It is undeniable that the presence of the United Fruit Company in Guatemala resulted in setbacks for the people in terms of basic rights, labour policies, standard of living, the economy, and politics.