

The Tentacles of ‘El Pulpo’

The influence of the United Fruit Company on political and social structures in Central America

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“The United Fruit Company”

By Pablo Neruda (1904-1973),
from *Canto General* (1950)

When the trumpet sounded
everything was prepared on earth,
and Jehovah gave the world
to Coca-Cola Inc., Anaconda,
Ford Motors, and other corporations.
The United Fruit Company
reserved for itself the most juicy
piece, the central coast of my world,
the delicate waist of America.

It rebaptised these countries
Banana Republics,
and over the sleeping dead,
over the unquiet heroes
who won greatness,
liberty, and banners,
it established an opera buffa:¹
it abolished free will,
gave out imperial crowns,
encouraged envy, attracted
the dictatorship of flies:
Trujillo² flies, Tachos³ flies
Carias⁴ flies, Martinez⁵ flies,
Ubico⁶ flies, flies sticky with
submissive blood and marmalade,
drunken flies that buzz over
the tombs of the people,
circus flies, wise flies
expert at tyranny.

With the bloodthirsty flies
came the Fruit Company,
amassed coffee and fruit
in ships which put to sea like
overloaded trays with the treasures
from our sunken lands.

Meanwhile the Indians fall
into the sugared depths of

¹ Opera Buffa: Italian comic opera
² Full name: Rafael Leónidas Trujillo Molina, president of the Dominican Republic, 1930-1961
³ Nickname for Anastasio Somoza García, president of Nicaragua, 1936-1956
⁴ Full name: Tiburcio Carías Andino, president of Honduras, 1933-1946
⁵ Full name: Maximiliano Hernández Martínez, president of El Salvador, 1931-1944
⁶ Full name: Jorge Ubico y Castañeda, president of Guatemala, 1931-1944

the harbours and are buried
in the morning mists;
a corpse rolls, a thing without name,
a discarded number,
a bunch of rotten fruit
thrown on the garbage heap.

Introduction

The United Fruit Company was an American enterprise producing and exporting bananas from Central America to the United States and Europe. Soon after it came into existence in 1899, it was known throughout Central America as ‘el Pulpo’, or the octopus. This was not without reason, since the company was virtually an empire unto itself, with its far reaching tentacles. In the early decades of the twentieth century, the corporation was the largest agricultural enterprise in the world and the dominant economic force in the Caribbean Basin. The way it operated and its methods of production were quite similar to those in the former slave societies. Within this framework then, “colonialism” does not necessarily require the existence of a colonial state, but rather direct foreign control over production and labour in a host society, which leads inevitably to engagement with local hierarchies and political and social structures.⁷

In my thesis I want to take a closer look at the methods of production of the United Fruit Company and how much influence it had on the countries in which it cultivated bananas. Since the whole of Central America is too large and too ambitious to cover in this paper, I want to zoom in on Costa Rica and Guatemala. This is mostly because Costa Rica was perceived as a relatively stable country in terms of political and societal structures, and Guatemala was not.

To give some direction to my argument, I have formulated the following research question:

To what extent has the United Fruit Company influenced and altered political and social structures in Costa Rica and Guatemala in the first half of the twentieth century?

In order to reach a comprehensive answer to this question I will first provide a theoretic context regarding the presence of the United States in Central America. Then I will elaborate on how the United Fruit Company (or UFCO) came into being. Thereafter I will focus on Costa Rica, firstly describing the political, social and economic situation before the coming of United Fruit and secondly if and how the UFCO was able to influence political and societal structures in this country. I will then move on to the country of Guatemala and analyse the same things. Because both countries have had different political systems I hope to see a difference in the extent the UFCO was able to exercise influence, which I will describe in my conclusion.

⁷ J. Colby, “‘Banana Growing and Negro Management’: Race, Labor, and Jim Crow Colonialism in Guatemala, 1884–1930”, *Diplomatic History* 4 (2006) p. 599

Before the arrival of the United Fruit Company: Influence of United States in Central America

The Atlantic coast areas of Central America were completely isolated from the more densely populated central areas until the late nineteenth century.⁸ Since the end of colonialism, outsiders – mostly British and North American – desired to develop the Atlantic Coast. Most of these plans featured the idea of somehow re-creating the social and racial conditions of slave society in these parts. The Central American republics had abolished slavery soon after their independence, but were still struggling due to their relatively weak state structures. The Western entrepreneurs therefore perceived them to be easily subjected to a surrogate slave society. This undertaking would serve two different interest groups. The emigrant planters would profit from the slave labour and it would provide the home society whites with a way of getting rid of the problematic emancipated population, since the whites in both the British West Indies and the U.S. South were not prepared to accept them as equal citizens. In 1850 William Walker made an attempt at turning Central America into a slave territory.⁹ Walker and his men had taken advantage of the ongoing civil war in Nicaragua between the liberals and conservatives to intervene here. First they aided the conservatives, but soon after declared Walker ‘president for life’. As president of Nicaragua, Walker’s goal was to reunite Central America and annex it to the United States as a slave state.¹⁰

Even Abraham Lincoln encouraged plans for colonising Central America with freed slaves and using them to build an inter-oceanic canal.¹¹

At the turn of the twentieth century the Central American countries gradually fell into the economic and political sphere of the United States, after it paid some of these countries’ foreign debt to European states. The United States secured the return of these payments with customs collections from the debtor countries. Because of this, the region shifted from sterling into dollar, thus securing American (economic) hegemony.¹²

With overwhelming U.S dominance, Central American politicians followed a policy of accommodation towards this country. By repressing leftist opposition and blocking social reforms that would threaten the privileges of the upper classes, they hoped to attract American investment. This approach inevitably led to the creation of repressive regimes and poor social and economic conditions for the majority of the population. A more aggressive way of exercising influence was also practiced by the United States: through direct military intervention. Before 1945, the US had already invaded Honduras (1903, 1907, 1912, 1919, 1924), the Dominican Republic (1903, 1914, 1916), Haiti (1914, 1915), Nicaragua (1907, 1909, 1915), Cuba (1906, 1912, 1917), Panama (1912, 1918, 1925), Guatemala (1920) and El Salvador (1932). Thus, the American companies that ventured into Central America tended to see it as an extension of the United States, the United Fruit Company making no exception.¹³

⁸ A. Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940* (USA 1996), p. 18.

⁹ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 19.

¹⁰ M.T. Mitchell and S. Pentzer, *Costa Rica. A Global Studies Handbook* (Santa Barbara 2008), p.55.

¹¹ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 19.

¹² M. Bucheli, ‘Multinational corporations, totalitarian regimes and economic nationalism: United Fruit Company in Central America 1899-1975’, *Business History* 4 (2008), p. 438.

¹³ M. Bucheli, ‘Multinational corporations, totalitarian regimes and economic nationalism’, p. 439.

The start of the banana trade and the United Fruit Company

When the United Fruit Company started importing bananas at the turn of the twentieth century, the fruit was a relatively new commodity in the west. Until 1866, the banana was virtually unknown in Western Europe and the United States of America. The first bunches of bananas were brought to the United States by sea captains who returned from voyages to tropical America.¹⁴ Captain Lorenzo Dow Baker was one of these captains, who in 1870 had loaded a hundred and sixty bunches of Jamaican bananas as extra cargo onto his fishing schooner *Telegraph*. Almost two weeks later the *Telegraph* reached Jersey City where Baker sold his bananas at a profit. Captain Baker continued to carry bananas as extra cargo from Jamaica, but instead of Jersey City, began henceforth unloading in the larger port of Boston. In Boston, Andrew Preston, an agent of the small produce firm Seaverns & Co., sold the bananas at a commission. The banana sales in Boston proved to be very successful. In 1876 Baker was a prosperous man and partner in the Standard Steam Navigation Company. He succeeded in persuading Andrew Preston and nine of his partners to form an independent fruit agency: in 1885 the Boston Fruit Company was founded. Baker settled in Jamaica, where he supervised the shipping and freighting of bananas to Boston on ships owned by the Standard Steam Navigation Company. Preston, as sale's manager, opened up new markets for the increasing influx of bananas from Jamaica. As the Boston Fruit Company flourished – more ships were added to the fleet and more markets were developed – Baker and Preston realised that soon the islands of Jamaica, Cuba and Santo Domingo would not suffice any more for their fruit supply.¹⁵

By 1890, five years after the founding of the Boston Fruit Company, it was the most successful banana firm in the country – with profits so high that it amounted to a capital gain of approximately thirty-six hundred percent compared to the original investment.¹⁶

The demand for bananas was growing steadily; by 1898 the total amount of imported bananas from the American tropics was sixteen million stems. The only reason not more bananas were imported, was because this was the total product available. Before 1899 over a hundred companies were engaged in the banana trade.¹⁷ It was very easy to make a profit, even with inefficient production methods. However, as demand grew and the marketing of bananas expanded beyond the ports of entry, most small, inefficient firms went out of business. At the time the United Fruit Company was founded, only about twenty two firms remained in business.¹⁸

When in 1898 devastating hurricanes swept across the island of Jamaica, destroying many of the banana plantations, it became clear that the Boston Fruit Company urgently required new areas of production. Baker and Preston placed their hopes on Minor Cooper Keith, a man who owned, leased or held concessions for more than two hundred thousand acres of land in Central America and Colombia.¹⁹

¹⁴ S. May, and G. Plaza, *The United Fruit Company in Latin America* (Washington 1958), p. 4.

¹⁵ May and Plaza, *The United Fruit Company in Latin America*, p. 5.

¹⁶ D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala* (Guatemala 1994), p. 27.

¹⁷ May and Plaza, *The United Fruit Company in Latin America*, p. 5.

¹⁸ *Ibid.*, p. 6.

¹⁹ D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 28.

In 1871 the president of Costa Rica, Tomás Guardia, granted a contract for rail road construction to Henry Meiggs, who was then building a network of rail roads in Peru. The president had set his mind on securing rail road connections between the four inland cities and the exterior. Meiggs entrusted the fulfilment of the contract to his nephew, Henry Meiggs Keith, who in turn called in for help his younger brother, Minor Cooper Keith.²⁰ The building of the rail road, from what is today Puerto Limón to San José – the capital – was anything but a smooth process, in which thousands of workers died, including three of Minor Keith's brothers. As a result, Minor Keith took on the task of completing the rail road.²¹

Financing the project proved problematic: after barely sixty miles of completed rail road Keith ran out of funds.²² He was then forced to find another source of income and began to search for a paying cargo. Soon he began experimenting with planting bananas near Puerto Limón²³ and by 1878 he was selling small quantities of Costa Rican bananas in New Orleans. His business took off from there: within seven years, Keith's Tropical Trading and Transport Company was exporting more than half a million stems of bananas from Costa Rica.²⁴

However, in the same year the Boston Fruit Company suffered heavy losses due to the hurricanes in Jamaica, Minor Keith had to deal with two financial crises. In 1898, a New York investment banking firm that had extended loans to his Tropical Trading and Transport Company went bankrupt, leaving Keith to pay off one and a half million dollars. Later that year the principle distributor of Keith's bananas, Hoadley & Company of New Orleans, also declared bankruptcy. Unfortunately Keith was a partner in this firm and subsequently lost over a million dollars.²⁵

During a trip to Boston Minor Keith entered into negotiations with the president of the Boston Fruit Company, Andrew Preston. Initially these talks were only for the purpose of finding a new distributor of his fruit, which Keith managed to find in The Fruit Dispatch Company, recently formed by the Boston Fruit Company.²⁶ However, on the thirtieth of March 1899, the *Boston Journal* published an article announcing the incorporation of the United Fruit Company. The new company was a merge of the Boston Fruit Company and Minor Keith's Tropical Trading and Transport Company, his Colombia Land Company, Ltd. and his Snyder Banana Company. The president and director of the new company became Andrew Preston, with Minor Keith as vice-president and Lorenzo Baker as tropical manager.²⁷

The forming of the United Fruit Company (UFCO) marked the end of an era of pioneering and the beginning of a new one, which made the highly perishable banana into a very important item of world trade. The new company owned a 112 miles of rail road and 212.394 acres of land, of which 61.263 acres were in production, plus a

²⁰ C.D. Kepner Jr., and J.H. Soothill, *The Banana Empire. A Case Study of Economic Imperialism* (New York 1967), p. 34.

²¹ D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 28/29. Also: T.P. McCann, *An American Company. The Tragedy of United Fruit* (New York, 1976), p. 16.

²² May and Plaza, *The United Fruit Company in Latin America*, p. 8.

²³ T.P. McCann, *An American Company*, p. 17.

²⁴ D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 29.

²⁵ *Ibid.*, p. 29. Also: May and Plaza, *The United Fruit Company in Latin America*, p. 6; D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 29; C.D. Kepner Jr., and J.H. Soothill, *The Banana Empire*, p. 35.

²⁶ May and Plaza, *The United Fruit Company in Latin America*, p. 6.

²⁷ D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 30

capital of \$11.230.000. Shortly after the merge, United bought lands in Santo Domingo, Honduras, Guatemala, Panama, Cuba, Nicaragua, Jamaica and Colombia. By 1930 the company had managed to increase its capital to \$250 million.²⁸ In the early days, United shipped its fruit via small vessels of different transport companies. Quickly however, United's own company was formed: the Tropical Fruit Steamship Company, Ltd., which sailed under British flag,²⁹ due to more favourable shipping regulations of Great Britain.³⁰ Soon almost a hundred vessels were commissioned to the company,³¹ and all painted a gleaming white, swiftly earned the name of 'the Great White Fleet'.³² Apart from carrying bananas, these ships carried also other aspects of foreign trade of many of the smaller republics in which United operated, as well as passenger traffic.³³

In order to control this vast empire and to maintain high profits, Preston and Keith became interested in radio and rapid communication methods. In the early 1900s another company was added to the branch: the Tropical Radio Telegraph Company,³⁴ by 1945 it controlled a significant part of the international radio and cable traffic in Central America.³⁵

Before long, the United Fruit Company became sarcastically known in Central America as 'El Pulpo', or the Octopus, because of the long reach of its tentacles.³⁶ The annual budget of the UFCO exceeded the budget of the Central American countries it operated in, even though by U.S. standards the company was not a giant.³⁷

²⁸ May and Plaza, *The United Fruit Company in Latin America*, p. 7.

²⁹ *Ibid.*, p. 18.

³⁰ C.D. Kepner Jr., and J.H. Soothill, *The Banana Empire*, p. 180.

³¹ *Ibid.*, p. 28.

³² D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 75.

³³ P. Gleijeses, *Shattered Hope. The Guatemalan Revolution and The United States, 1944-1954* (New Jersey 1991), p. 89.

³⁴ May and Plaza, *The United Fruit Company in Latin America*, p. 18.

³⁵ P. Gleijeses, *Shattered Hope*, p. 89.

³⁶ D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 74.

³⁷ P. Gleijeses, *Shattered Hope*, p. 89.

Before the arrival of the United Fruit Company: political, social and economic conditions in Costa Rica

Unfortunately, social conflict is regarded as an integral part of Central American societies. Costa Rica, however, always has been perceived as a sanctuary of peace and prosperity.³⁸ Its political and social history has been much less violent and chaotic than that of many of its Central American neighbours.³⁹

General Tomás Guardia successfully committed a coup d'état in 1870, and assumed dictatorial power for the next twelve years. Due to his role in the war against William Walker, he was seen as a military hero and developed a legacy as a progressive (Liberal) dictator. Guardia engaged in the process of state building, in which he strengthened the state's coercive apparatus and increased its ability to generate revenues. Furthermore, institutional structures were created to channel and address conflict.⁴⁰ During this process, the Costa Rican oligarchy developed itself both as a political and economic class. It established a monopolistic position in coffee – then the main produce in Costa Rica – and coffee processing. Its monopoly was based on the basis of finance and commerce, and instead of using state coercion to maintain its position, the elite began to organise themselves in and through the state to sustain its privileged economic and political standing.⁴¹ Thus the Costa Rican elite became economically independent from the state and played a more direct role in national politics.⁴²

However, the view of Costa Rica as an island of peace has been recently called into question.⁴³ The Liberal reforms initiated under General Guardia and later carried on by other rulers, institutionalised authoritarian rule for seven decades. This was possible through a clever combination of blending Liberal discourse with oligarchic control and electoral fraud.⁴⁴ From 1824 until 1949, only eight of forty eight presidents took up office as result from clean and competitive elections.⁴⁵

The roots of Costa Rica's perceived democratic character can be found in the country's poverty during its time as a Spanish colony. Since the country lacked resources and indigenous labour, large farms with contracted workers did not exist before starting the cultivation of coffee and bananas. The historical construction of the past comprises the ideal that in colonial and post-colonial times most people cultivated and owned a piece of land.⁴⁶ This would cause a high degree of economic equality, which led naturally to harmonious, democratic social and political relations.⁴⁷

This so-called 'rural egalitarian democratic model'⁴⁸ has lately been doubted in a number of (mostly Costa Rican) works.⁴⁹ A group of scholars have studied the pre-

³⁸ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 2.

³⁹ M.T. Mitchell and S. Pentzer, *Costa Rica*, p. 53.

⁴⁰ D. Yashar, *Demanding Democracy. Reform and Reaction in Costa Rica and Guatemala 1870s – 1950s* (Stanford 1997), p. 49.

⁴¹ D. Yashar, *Demanding Democracy*, p. 50.

⁴² *Ibid.*, p. 34.

⁴³ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 2.

⁴⁴ D. Yashar, *Demanding Democracy*, p. 50.

⁴⁵ M.T. Mitchell and S. Pentzer, *Costa Rica*, p. 54.

⁴⁶ M. Budowski, *Dignity and Daily Practice: the Case of Lone Mothers in Costa Rica* (LIT Verlag Munster 2005), p. 71.

⁴⁷ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 3.

⁴⁸ M. Budowski, *Dignity and Daily Practice: the Case of Lone Mothers in Costa Rica*, p. 71.

coffee social structure and the transition to cultivating coffee in the nineteenth century and proved that there was indeed significant social inequality throughout Costa Rica's history. Most importantly, the idea that its democracy is based on a heritage of racially homogeneous, egalitarian small landholders was only formulated in the period of the expansion of coffee, which in fact created the small landholder. This idea was later reformulated to suit elite groups, whereby its conservative nature was emphasised.⁵⁰ Furthermore, the labour history of the country came under scrutiny, and the record of Costa Rica's unions, strikes and labour leaders turned out to be surprisingly large. The period between 1900 and 1948 saw a lot of militant labour activism and social struggle.⁵¹ Some scholars maintain however, that even though democratic rules were abused by leaders and citizens alike, the idea of democracy was always a valued aspect of Costa Rican society.⁵²

The population of Costa Rica in the beginning of the nineteenth century was small, only fifty two thousand and almost entirely Creole. It was concentrated in Central Valley, surrounding the capital of San José. Much of the indigenous population lived on the Talamanca coast along the Atlantic Ocean.⁵³ In the 1880s the population had increased significantly, further enhanced by growth of the workforce.⁵⁴ Immigrants from England, France, and Germany had come to Costa Rica to profit from the coffee trade. Simultaneously, the Costa Rican government encouraged the importation of foreign labour for the Costa Rican-owned plantations, this policy, however, met with limited success. Minor Keith also contributed to ethnic diversification: during the early days of the construction of the rail road he contracted Chinese and Italian workers.⁵⁵ When the government decided to ban Chinese immigration,⁵⁶ Keith started – along with the government – attracting West Indian and Jamaican labourers. One of the reasons for this, they argued, was that the Jamaicans were most suitable to work in the scorching sun.⁵⁷ The government facilitated the acquisition of land by those who were willing to invest in developing unoccupied land.⁵⁸ Another reason for attracting West Indian labour was the fact that they spoke a different language from the local population. The Costa Rican government thus tried to avoid social unrest by making sure all the workers spoke a different language; that way they could not unite under one leader.⁵⁹

Thus by the time the United Fruit Company came to Costa Rica, four different groups, divided by both class and ethnicity, dominated its coastal area: the North Americans, who influenced the country's politics and economy; Jamaicans and other West Indians, who initially came as labourers but gradually moved into independent cultivation; Costa Rican nationals, a few of whom became large landowners and banana producers, but most of whom were temporary labourers; and the Talamanca

⁴⁹ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 2.

⁵⁰ *Ibid.*, p. 3.

⁵¹ *Ibid.*, p. 4/5

⁵² M.T. Mitchell and S. Pentzer, *Costa Rica*, p. 54.

⁵³ E.D. Miller, *A Holy Alliance? The Church and the Left in Costa Rica, 1932-1948* (New York 1996), p. 15.

⁵⁴ E.D. Miller, *A Holy Alliance?*, p. 18.

⁵⁵ *Ibid.*, p. 19.

⁵⁶ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 24.

⁵⁷ *Ibid.*, p. 27.

⁵⁸ *Ibid.*, p. 28.

⁵⁹ *Ibid.*, p. 27.

Valley Indians, who mainly retreated into the forest and had only minimal contact with the plantation society. The United Fruit Company was then able to draw on Keith's experience with different types of labour and take advantage of it, when populating its own plantations with workers.⁶⁰

As stated before, U.S. economic dominance was great in all of Central America. This was no different in Costa Rica. Its economy depended heavily on the United States, with forty nine percent of its total exports going to the U.S and fifty three percent of its total imports coming from the United States. To make matters worse, the country was poorly diversified: by 1913 half of Costa Rica's exports existed of bananas and thirty five percent of coffee.⁶¹ According to Eli Heckscher and Bertil Ohlin however, this does not have to be a significant problem and can even be considered an advantage. Their Heckscher-Ohlin theorem states that a country will export exactly those commodities that are being produced in relatively large quantities of the countries relatively abundant factor.⁶² This means that each country will produce and export what it is best at, thereby gaining the best comparative advantage.⁶³ Several scholars disagree on the validity of the Heckscher-Ohlin theorem, since it rests on strict conditions regarding pre-trade price functions and a special role for production functions. Were you to change these assumptions, the theorem would no longer hold.^{64,65}

In the following section I will (amongst other things) argue that although the Heckscher-Ohlin theorem may work in theory, concentrating largely on bananas was definitely not benefiting Costa Rica.

⁶⁰ Ibid., p. 31.

⁶¹ M. Bucheli, 'Multinational corporations, totalitarian regimes and economic nationalism', p. 439.

⁶² R.W. Jones, 'Factor Proportions and the Heckscher-Ohlin Theorem', *The Review of Economic Studies* 1 (1956-1957) p. 1.

⁶³ A. Maneschi, *Comparative Advantage in International Trade. A Historical Perspective* (Cheltenham 1998), p. 49.

⁶⁴ R.W. Jones, 'Factor Proportions and the Heckscher-Ohlin Theorem', p. 1.

⁶⁵ For further reading see: R.W. Jones, 'Factor Proportions and the Heckscher-Ohlin Theorem', *The Review of Economic Studies* 1 (1956-1957) and A.V. Deardorff, 'The General Validity of the Heckscher-Ohlin Theorem', *The American Economic Review* 4 (1982).

Influence of the United Fruit Company on Costa Rica's political and social structures

One of the chapters in the official biography of the United Fruit Company is on the company's operations in Costa Rica. Frederick Upham Adams, the author, states in this chapter the following:

“The part played by the United Fruit Company in promoting the development and insuring the progress of Costa Rica is one which reflects credit to both the government and to the American enterprise. In all of the long forty-four years since Minor C. Keith obtained the permission of the Costa Rican government to begin the construction of a railroad from the Caribbean coast to the city of San José, there has been nothing approaching friction between the enterprises then founded and the successive officials of this progressive republic.”⁶⁶

Further on in the chapter, Adams also claims that:

“If the Nobel Peace Prize could be awarded to a corporation, the United Fruit Company would have valid claims to recognition. It has done more to pave the way for peace and prosperity in Central America and in the Caribbean countries than all of the statesmanship and oratory which have vainly been directed to the same purpose.”⁶⁷

These statements however, do not in any way reflect reality. Certainly, most government officials did not prevent and even encouraged the United Fruit Company in getting it what it wanted, but the large majority of the population encountered serious problems when dealing with the American enterprise. Although Costa Rica was more democratic than a lot of its neighbours, the United Fruit Company had from the start a considerable influence on political matters, thanks to the close relationship Minor Keith had developed with the Costa Rican government. The government, eager to modernise the transportation infrastructure,⁶⁸ granted in 1900 a land concession of 3200 km² to Keith in order to build another extension to the railroad network.⁶⁹ However, this agreement, together with a previous agreement which exempted his company from paying any export taxes for a period of ninety-nine years⁷⁰, laid down the foundations for the United Fruit Company's colonial enclave.⁷¹ The construction of railroads was a crucial and integral part of the development of banana plantations. As in most Central American republics, Costa Rica had ambitions to build an extensive railroad network, but never seemed able to acquire enough money to finish the roads it had started on. When Keith came to Costa Rica, he built part of the international railroad, but, within a short period of time, banana growing came to overshadow the construction of this line. He then concentrated his efforts on building railroads in the lowlands, where they would be used for the handling of bananas, freight and people required for the banana industry. The lines would logically follow the shortest good route from the port to the banana plantations. This also explains why even today most railroads in Costa Rica and Central America in

⁶⁶ F.U. Adams, *Conquest of the Tropics: The Story of the Creative Enterprises Conducted by the United Fruit Company* (New York 1914), p. 165.

⁶⁷ F.U. Adams, *Conquest of the Tropics*, p. 166/167.

⁶⁸ M. Bucheli, 'Multinational corporations, totalitarian regimes and economic nationalism', p. 439.

⁶⁹ *Ibid.*, p. 442.

⁷⁰ R.N. Harpelle, 'Bananas and Business: West Indians and the United Fruit in Costa Rica', *Race Class* 1 (2000) p. 59.

⁷¹ J. Colby, "'Banana Growing and Negro Management'", p. 606.

general can be found on the coastal plains, which soil was most suitable for growing bananas.

The railroads opened up large parts of undeveloped land, which were subsequently turned into banana plantations.⁷² The United Fruit Company, by providing an extensive railway network, was seemingly contributing to the country's development, but it was not to serve the overall economic needs of the national economy, but rather the needs of the company itself.⁷³

At the beginning United Fruit encountered few problems with its image throughout Costa Rica. Since the indigenous population of Costa Rica was reluctant to move to the banana plantations on the Atlantic Coast for employment, United Fruit continued Keith's method of importing labour.⁷⁴ Between 1900 and 1913 an estimated twenty thousand Jamaicans came to the country. Smaller numbers of immigrants also came from other Caribbean islands, Nicaragua and Colombia.⁷⁵

The United Fruit Company preferred British West Indians for a number of reasons. First of all they spoke English and often had experience in the cultivation of bananas. They were also available in large numbers, coming from both their home islands and from Panama, where the excavation of the canal was almost finished and therefore no longer workers were needed. Just as U.S. officials in the Canal Zone were set on getting rid of their black workers, the British government tried to prevent the return of these workers to their economically depressed homes. Both the U.S. and the British government were anxious about social unrest amongst the thousands of unemployed West Indians. Luckily the United Fruit Company was in need of a workforce for its ever growing plantations, thus thousands of West Indians embarked for U.S.-dominated banana ports.⁷⁶ By importing labour in great numbers to Costa Rica, United Fruit had a major impact on ethnic diversity within the country. The Costa Rican government however, did not object to the large numbers of West Indian immigrants initially, and certainly in the beginning was very satisfied with the work they delivered.⁷⁷

A disciplined labour force was vital to the plantations of the United Fruit Company. The need for discipline and efficiency was great, since the time factor played a crucial role in the production of bananas – they had to be refrigerated and shipped within twenty-four hours of cutting, which meant they had to be transported immediately from the plantations to a refrigerated ship. Moreover, bananas are a year-round crop and know no harvest season. The UFCO banana plantations therefore required a work force that was 'industrial', worked methodically and preferably one that was integrated into the market economy so that wage incentives would be effective.⁷⁸ However, an industrialised work force, which stimulates industrial production by spending the earned wages on commodities whilst at the same time raising the standards of the workers, is incompatible with a plantation society. In the plantation system all productive labour is geared towards the export crop, it does not produce anything for its own internal market, and thus was the production factor 'labour'

⁷² May and Plaza, *The United Fruit Company in Latin America*, p. 9/10.

⁷³ *Ibid.*, p. 12.

⁷⁴ R.N. Harpelle, 'Bananas and Business', p. 58.

⁷⁵ M.T. Mitchell and S. Pentzer, *Costa Rica*, p. 52.

⁷⁶ J. Colby, "'Banana Growing and Negro Management'", p. 607.

⁷⁷ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 30.

⁷⁸ *Ibid.*, p. 38/39.

completely absent in Costa Rica. The use of wages that are then spent in company stores are most likely not more than mere formality; the company could just as well provide the workers with food and clothing directly. However, this commissary system was still frequently abused by United Fruit. Most workers were paid in coupons, instead of hard cash. These coupons had to be used in company stores, if spent in other stores they were discounted with twenty or twenty-five percent. Workers could ask for their wages in cash, but they had to wait for this until two weeks after the end of the month. Most people could not wait that long and had to ask for coupons in the end, in order to be able to pay for their necessities.⁷⁹ The company further increased its control by increasing the expenses of its workers. Most commissary stores charged higher prices than the local stores, but with the time it took for the workers to get their cash, they had no choice but to buy in company stores.⁸⁰ The United Fruit Company maintained that one of the reasons for the commissaries was to instil consumer values amongst its workers, and thus providing a psychological incentive for the labour force to work.⁸¹ United Fruit further argued that the commissaries were established to protect the company employees from being exploited by local merchants. This might have been true in some cases, however, usually it were the local merchants who kept the commissaries in check.⁸² United Fruit thus had a great influence on social structures, essentially dictating all the aspects of 'normal life', especially for its workers.

From the start, bananas are an ideal crop for small farmers, since they can be produced without high technology. Traditionally, plantations owners barely allowed competition from small farmers.⁸³ The United Fruit Company however, never grew all of its own bananas and over the years gradually decreased its own production even further. In 1905, as much as fifty-four percent of the bananas United Fruit exported from Costa Rica were grown by private planters, in 1907 this had even risen to sixty-three percent. By 1926 United Fruit was only producing twenty-five percent of what it exported. The reason the company was handing off so much of the production to private planters was a safety measure in the face of economic instability.⁸⁴ When the market contracted, prices dropped, or disease struck the banana plant, United Fruit was far better off not having all the production on its own plantations and instead could simply decline to buy bananas from private planters. With the United Fruit Company delegating the risks of the operation to the private growers, they frequently experienced problems with the rejection of bunches of bananas. In thriving times, United Fruit would post cutting orders for bananas for one or more times a week and the private planters would bring their fruit to the railway, ready to be collected as the train came through. In bad times however, cutting orders were severely reduced and even when given, some bananas still might be rejected.

Besides diminishing the economic risk, this also exempted the company from the responsibility of labour control. Apart from the fact that an independent farmer was more likely to overwork himself to increase production than the employed labourer would be,⁸⁵ he was also less likely to join with other workers to protest working

⁷⁹ Ibid., p. 56.

⁸⁰ C.D. Kepner Jr., and J.H. Soothill, *The Banana Empire*, p. 319.

⁸¹ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 57.

⁸² C.D. Kepner Jr., and J.H. Soothill, *The Banana Empire*, p. 319/320.

⁸³ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 62.

⁸⁴ Ibid., p. 60.

⁸⁵ Ibid., p. 62.

conditions. Often the contracted farmers were also employers of labour, and their workers were more likely to perceive them as guilty to bad working conditions, instead of the United Fruit Company.⁸⁶

So far from representing a weakness in the measure of company control, the fact that United Fruit did not produce all or even most of the bananas actually indicated the degree of control the company had in all other aspects of the banana industry – marketing, transportation and land – which made direct control of production unnecessary.⁸⁷

However, there were also several potential pitfalls for United Fruit. If its monopoly on transportation or marketing were threatened, it could easily lose the control upon which the entire system depended. This was actually the case in 1912, when the Atlantic Fruit Company tried to enter the market. The response from the United Fruit Company showed the importance of maintaining this monopoly.⁸⁸

A second threat to its monopoly could come from small farmers, who could decide to begin subsistence farming and decline to participate in the market economy altogether. However, climatic instability on the Atlantic Coast, the unavailability of transportation (except under control of United Fruit) and the company's ultimate control over land hindered this development. Much of the land farmed by private planters was owned by United Fruit and leased out under contract. These contracts could be revoked at any time and often explicitly prohibited subsistence farming.⁸⁹

Thirdly, sometimes planters did take part in a joint protest against the practices of the United Fruit Company. Most of the times, however, their protest was directed at the state, rather than the company. Yet even the state was limited in the degree it could undertake measures against the company, since ultimately both the state and the private planters wanted an increase in banana exports. To realise this, they depended to a great extent on United Fruit's decisions.⁹⁰ Costa Rica thus did not have a comparative advantage over other countries by focusing purely on bananas. Instead, rather than gaining an advantage over other countries, it only made Costa Rica more dependable on a foreign enterprise, with the coffee industry not significant enough to truly make a difference.⁹¹

Thus the immense economic power of the United Fruit Company made it difficult, if not impossible, for other individuals and companies to compete with it⁹² – as the case of the Atlantic Fruit Company shows.⁹³ The new middle class was anxious to challenge this economic hegemony of United Fruit and saw the company's position as an expression of the incompetence of the traditional political leadership. In their eyes the UFCO was cheating the national treasure and holding back the country's development. The critics argued that it should be Costa Ricans who controlled the national resources. Furthermore, the agreements that Costa Rica had negotiated with

⁸⁶ Ibid., p. 63.

⁸⁷ Ibid., p. 60.

⁸⁸ Ibid., p. 63. See also Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 68-73.

⁸⁹ Ibid., p. 63.

⁹⁰ Ibid., p. 63/64.

⁹¹ M. Bucheli, 'Multinational corporations, totalitarian regimes and economic nationalism', p. 439.

⁹² R.N. Harpelle, 'Bananas and Business', p. 59.

⁹³ The UFCO was immediately set on asserting its power when the AFCO entered the scene. It offered several planters (improved) contracts, to prevent them from striking a deal with the AFCO. It furthermore 'stole' the fruit which was put out by the railroad at night and which was meant for the Atlantic Fruit Company.

the United Fruit Company had severely limited the country's sovereignty over entire regions. An example of this are the deals between the Costa Rican government and Minor Keith, in which the latter received many land concessions from the former in exchange for the building of a railway network. As I have written before, this exempted the company from paying taxes for ninety-nine years. However, in 1899, with United Fruit taking over, all the old contracts came into question. The government then passed a decree which set a time limit: the contract was to be reviewed in 1910.⁹⁴

With the approaching presidential elections and the expiration date of 1910 drawing near, critics of the United Fruit Company began to organise themselves and especially the land concessions became a topic of debate. The concessions were openly discussed in Congress and Congressman Ricardo Jiménez proved to be one of the fiercest opponents.⁹⁵ Jiménez attacked the United Fruit Company in a series of speeches he delivered before the Costa Rican Congress in 1907 and 1908,⁹⁶ where he demanded that the company would have to start paying taxes as part of a national plan to escape from the crushing debt. Jiménez equated the power of United Fruit in Costa Rica with a complete loss of sovereignty,⁹⁷ which he expressed vigorously in the following statement:

“There are some (...) who make fun of us for thinking that Mr. Preston [the head of the UFCO] could come and take over Costa Rica for himself. (...) It's a pity that these writers haven't (...) read the history of modern conquests carefully. (...) Many Americans are in complete agreement with Walker [the invader of Nicaragua]. In trying to take over our territories they don't believe they are coming to conquer and prey on us: they are coming to claim their rights; to reclaim their inheritance, as Walker said; to fulfil the manifest destiny of their race.”⁹⁸

Jiménez mostly defended the national banana producers, but also mentioned once the suffering of the company's workers,⁹⁹ when he said:

“There is an admirable parallel between what the poor inhabitant of Limón really pays and what the millionaire Preston pays. But how can you compare, they will say, Preston with a black? To this I answer with the famous words “in the slave trade the black slave is not the blackest [i.e., the worst] one and here the blackest is Mr. Preston.”¹⁰⁰

In 1910, Ricardo Jiménez got elected as president of Costa Rica.¹⁰¹ However, when the workers tried to take the newly elected president up on his supposed sympathy, they got no for an answer. Jiménez came to define national interests more in terms of ‘maintaining order’ and less in terms of defending ‘the poor labourer’.¹⁰² His opposition was further neutralised by a loan granted by United Fruit so Costa Rica could pay off its foreign debt.¹⁰³ In 1910 also, the government of Costa Rica did

⁹⁴ R.N. Harpelle, ‘Bananas and Business’, p. 59.

⁹⁵ M. Bucheli, ‘Multinational corporations, totalitarian regimes and economic nationalism’, p. 442.

⁹⁶ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 212.

⁹⁷ *Ibid.*, p. 213.

⁹⁸ *Ibid.*, p. 213/214.

⁹⁹ See for more quotes from Jiménez: Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 214.

¹⁰⁰ *Ibid.*, p. 214.

¹⁰¹ M. Bucheli, ‘Multinational corporations, totalitarian regimes and economic nationalism’, p. 442.

¹⁰² Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 215.

¹⁰³ M. Bucheli, ‘Multinational corporations, totalitarian regimes and economic nationalism’, p. 442.

manage to sign an agreement with the United Fruit Company, which imposed a tax of one U.S. cent per stem exported from the country. This new contract was to expire in 1930.¹⁰⁴ The imposition of this tax came shortly before production levels peaked, after which the industry began a long period of decline. In 1900 over three million stems of bananas were exported annually and exports reached their highest point in 1913, when Costa Rica became world's leading producer of bananas, reaching a total of 11.117.883 stems. After 1913 exports quickly declined and stabilised in 1917 around eight million stems per year. Between 1918 and 1929 production remained more or less constant, but the onset of the global economic crisis lowered prices once more.¹⁰⁵ Further aggravated by the Panama disease¹⁰⁶, it was not until the 1950s that banana production fully resumed on the Atlantic Coast.¹⁰⁷ See figure 1.¹⁰⁸

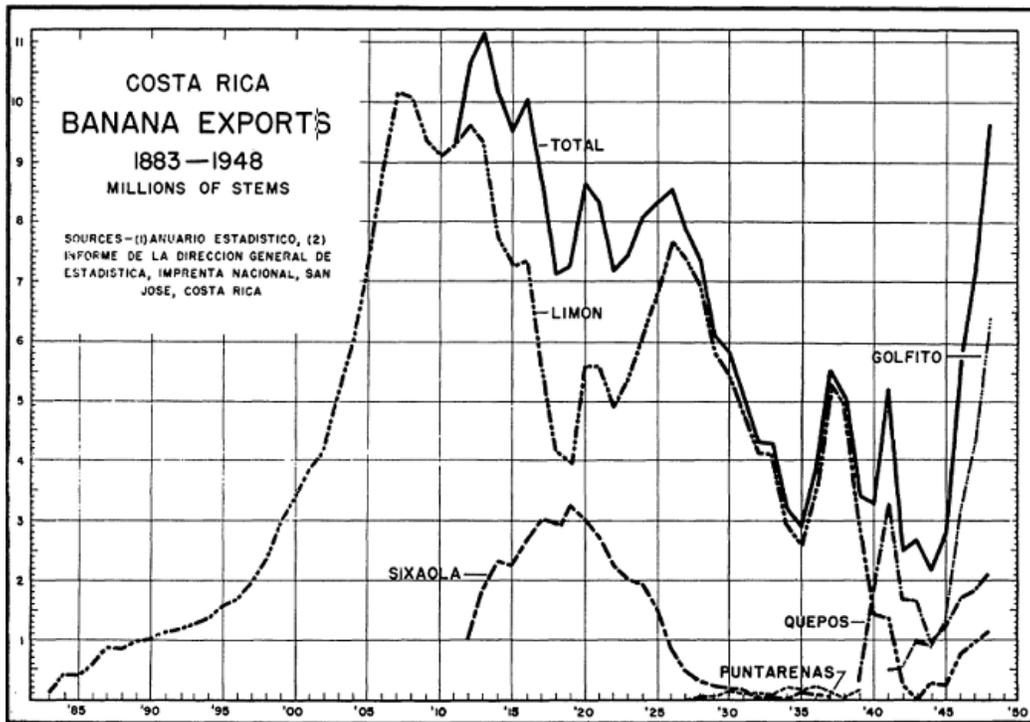


Figure 1: Banana exports of Costa Rica by ports of origin. The export value at Limón in 1890 was 37 cents per stem. Not until 1904 did it reach 50 cents. In later years it amounted to 80 to 85 cents.

By 1926 president Jiménez, then serving his second term in office,¹⁰⁹ presented the Costa Rican Congress with a new banana contract that allowed for further expansion

¹⁰⁴ R.N. Harpelle, 'Bananas and Business', p. 59.

¹⁰⁵ Ibid., p. 59/60. Also: Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 31.

¹⁰⁶ The Panama disease was a fungus that attacked the roots of the banana plant and caused the UFCO to abandon diseased areas and move further north.

¹⁰⁷ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 31/32.

¹⁰⁸ C.F. Jones and P.C. Morrison, 'Evolution of the Banana Industry of Costa Rica', *Economic Geography* 1 (1952) p. 2.

¹⁰⁹ After his first term he had been succeeded in 1914 by Alfredo González, who started a series of economic and social reforms that included higher taxation for landowners and big enterprises. This eventually cost him his presidency; in 1917 he was overthrown by Federico Tinoco, who immediately relaxed the concessions to foreign companies. However, Costa Rica did not end up with a long-term dictatorship. – M. Bucheli, 'Multinational corporations, totalitarian regimes and economic nationalism', p. 442.

of banana plantations to new regions and called for another modest increase in taxes. United Fruit was keen to an early renegotiation of the 1910 contract, since the Panama disease had been seriously affecting its plantations. The company required new lands in isolated regions to be able to maintain production levels, and was therefore willing to accept a slight increase in taxes.¹¹⁰

However, this new agreement failed, because Congress used its powers to slow down the passing of the contract. It formed a commission to critically assess the agreement,¹¹¹ which took a stand strongly in favour of Costa Rica's private planters and against United Fruit and the disadvantageous position in which the company had put the farmers in.¹¹² During this time, the United Fruit Company discovered that the land it initially wanted, was much less suitable for plantation development than originally anticipated and pulled out of the negotiations. This forced the Costa Rican government to reconsider its position. When the next round of negotiations commenced, the global economic situation had changed. With the crisis of 1929 looming, the government had lost its advantage. It was keen to keep its most important source of foreign investment and was thus to sweeten the deal with United Fruit.¹¹³ In 1930 the government granted the United Fruit Company what it most wanted. Costa Rican Congress conceded to the two cent tax per bunch of bananas (until 1950) that the company had requested. In exchange United Fruit made a commitment to plant three thousand new acres of bananas¹¹⁴, which effectively was the greatly desired permission to expand to the Pacific coast.¹¹⁵ It furthermore agreed to contract new private planters¹¹⁶ and got a concession for a new railroad, which made viable competition even less likely.¹¹⁷ Despite strong opposition, the contract was pushed through Congress.¹¹⁸

However, the global economic situation provided no incentive for the company to increase production, so when a congressional commission looked into the company's compliance with the contract, they found United Fruit in violation of almost every clause of the agreement.¹¹⁹ However, Jiménez – who was elected for a third time – remained determined to maintain high levels of foreign investment, but did initiate talks to negotiate a new and improved contract.¹²⁰

As I have stated before¹²¹, the United Fruit Company strongly favoured West Indian labourers over Costa Rican Hispanic workers. The Communist Party encouraged solidarity between these two different groups and sought to unite them in a joint struggle against United Fruit.¹²² It was most popular amongst Costa Ricans who

¹¹⁰ R.N. Harpelle, 'Bananas and Business', p. 60.

¹¹¹ Ibid., p. 61.

¹¹² Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 221.

¹¹³ R.N. Harpelle, 'Bananas and Business', p. 61. Also: M. Bucheli, 'Multinational corporations, totalitarian regimes and economic nationalism', p. 443.

¹¹⁴ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 224.

¹¹⁵ R.N. Harpelle, 'Bananas and Business', p. 62.

¹¹⁶ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 224.

¹¹⁷ Ibid., p. 79/80.

¹¹⁸ R.N. Harpelle, 'Bananas and Business', p. 62. Also: Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 224.

¹¹⁹ R.N. Harpelle, 'Bananas and Business', p. 64. Also: Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 224-226.

¹²⁰ R.N. Harpelle, 'Bananas and Business', p. 64.

¹²¹ See page 12 of this thesis.

¹²² R.N. Harpelle, 'Bananas and Business', p. 65.

worked on the UFCO's banana plantations and struggled for survival.¹²³ Most West Indians were not attracted to the Communist Party because a large part of the community was made up of small landowners who relied on United Fruit to sell their produce.¹²⁴ The popularity of the Communist Party was evident when in 1934 they led a two-month strike. Some of their demands were pay raises, payment every fifteen days with no delays and payment in cash rather than in coupons.¹²⁵ Throughout the strike, West Indians remained loyal to the United Fruit Company, at cost of further alienation from Costa Rican society. United Fruit however, was willing to sacrifice the West Indian community in the interests of the business. Negotiations about a new contract were being held at the time of the strike and the Costa Rican government tried to take advantage of it.¹²⁶ In the end the 1934 contract stated that United Fruit was to favour private planters and pay higher prices. It was agreed that the company could expand further to the Pacific coast and that it was to favour Costa Rican labourers, instead of West Indians. United Fruit was not allowed to introduce 'Jamaicans or Negroes' to the new banana zone on the Pacific coast. It provided a bleak testimony of the company towards the most loyal segment of its work force.¹²⁷

During the 1930s and 1940s mainly the Communist Party voiced criticism towards the company. In 1948, the traditional Costa Rican stability ended with a military uprising that prosecuted the communists and created a pro-business environment. By this time, the United Fruit Company had already revived the banana industry from the Pacific coast, thereby maintaining its monopolistic power in Costa Rica.¹²⁸

The comparative advantage of the Heckscher-Ohlin theorem with exporting bananas thus did not work for Costa Rica. Because the banana is only an export crop and most small farmers were not allowed to do any subsistence farming, the population stayed impoverished. Meanwhile, the United Fruit Company took all the profits for its own. Costa Rica's open and democratic system unfortunately could not exercise sufficient pressure on the company. Sometimes criticism was voiced – either by a commission initiated by the Congress or by striking – but almost every time the company ended up better off. The United Fruit Company exercised a far reaching influence on all production factors. Every facet of labour was being controlled by the company, due to strict contracts and ways of paying its labourers. It furthermore had absolute control over transportation and marketing. United Fruit also had a deep impact on the social and ethnic structures of Costa Rican society, due to the West Indian work force it imported and the tensions that this brought about.

¹²³ Ibid., p. 66.

¹²⁴ Ibid., p. 67.

¹²⁵ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 244.

¹²⁶ M. Bucheli, 'Multinational corporations, totalitarian regimes and economic nationalism', p. 443. Also: R.N. Harpelle, 'Bananas and Business', p. 68.

¹²⁷ R.N. Harpelle, 'Bananas and Business', p. 68/69. Also: Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, p. 250.

¹²⁸ M. Bucheli, 'Multinational corporations, totalitarian regimes and economic nationalism', p. 443.

Before the arrival of the United Fruit Company: political, social and economic conditions in Guatemala

The political, social and economic situation in Guatemala was different to that of Costa Rica, both before and during the presence of the United Fruit Company. Unlike Costa Rica's relative open and democratic system, Guatemala had to deal with a long period of several dictators succeeding each other. From 1840 until 1865 it knew a time of relative peace, when Rafael Carrera ruled the country. It was during his rule that coffee emerged as a dynamic cash crop.¹²⁹ The Carrera government actively encouraged the growing of coffee, which is unfortunately a lengthy process. The coffee trees usually take four years to mature, during which time no income was generated. Most Guatemalan coffee growers did not have the capital means to wait this long. However, some foreigners – for whom it was easier to obtain credit abroad – did see prospects in growing the new crop. Thus immigrants began to arrive from Colombia, France, Spain and Belgium. The Germans were the largest group of foreigners, who came in significant numbers to Guatemala in the 1870s.¹³⁰ The two principle reasons why the Germans immigrated to Guatemala were the favourable terms offered by successive Liberal governments, and the attractive concessions negotiated by the German empire for its citizens. In 1871, Justo Rufino Barrios assumed presidency, a man who was deeply committed to increasing coffee production and who subsequently made large blocks of land available to coffee growers.¹³¹ However much of this land, consisting of unused tracts, former church properties and state-owned land, was taken away from communal land owned by the Maya. The government thus forced the Mayas to work on the coffee plantations, since subsistence farming was no longer possible for them. Apart from the large tracts of fertile, inexpensive land, the cheap labour the Mayas provided proved to be a major stimulus for prospective foreign coffee growers.¹³²

Despite the enormous contribution the German coffee growers were making to the Guatemalan coffee industry, it was not an entire positive development. The large German empire had considerable political and economic influence on the small country and its citizens enjoyed generous concessions. An influential group of foreigners was thus already present when the United Fruit Company came to Guatemala in 1906.¹³³

Between 1871 and 1884 Guatemala quintupled its production of coffee and a decent transportation network became indispensable. Inadequate roads and deficient shipping ports holding back growth provided the incentive to construct a rail network across Guatemala.¹³⁴ Several efforts were made, but construction came to a halt due to lack of funds and contractors who were willing to take the risk of building a railway across Guatemala's difficult terrain.¹³⁵ However, some short tracks were constructed, mostly funded by foreign capital.¹³⁶ Barrios was nevertheless still cautious in dealing with

¹²⁹ D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 5.

¹³⁰ *Ibid.*, p. 6.

¹³¹ *Ibid.*, p. 7.

¹³² *Ibid.*, p. 8.

¹³³ J. Colby, "Banana Growing and Negro Management", p. 606. Also: D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 11 and p. 47.

¹³⁴ D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 15.

¹³⁵ *Ibid.*, p. 16-21.

¹³⁶ P.J. Dosal, *Doing Business with the Dictators. A Political History of United Fruit in Guatemala 1899-1944* (United States 1993), p. 18-22.

foreign investors; whilst he acknowledged that the country needed foreign capital and technology, he hoped to remain in control of Guatemala's economic infrastructure.¹³⁷ This proved not possible. Brazilian coffee saturated the international market in 1897 and prices and government revenues consequently fell sharply. The hopes from the government of finishing the construction of a railroad between Puerto Barrios and Guatemala City ended with this crisis. It had spent almost two decades and eight million dollars on the line, but to no avail. Guatemala was in need of foreign capital and the project proved still attractive to foreign investors because of a few banana plantations that were already providing some of its freight to the rail line, which it needed to operate profitably. In contrast to Costa Rica, independent small farmers had already been cultivating bananas as a sideline for three decades before the arrival of the United Fruit Company, with banana exports reaching a number of 117.514 bunches in 1887.¹³⁸ Unfortunately the crisis, that put a hold on the development of the railroad, did the same for the banana cultivation.¹³⁹

In 1898 Manuel Estrada Cabrera, former Minister of Government and Justice, was elected president, an office he held for the next twenty-two years.¹⁴⁰ Estrada Cabrera was a brutal dictator; he purged the army, eliminated political rivals, and terrorised the entire population through a network of spies and assassins who did not discriminate between commoner and elite. Through these methods, he established a political system in which he alone made and executed public policy.¹⁴¹ This system proved ideal to the wishes and needs of the United Fruit Company when it finally came to Guatemala.¹⁴²

¹³⁷ P.J. Dosal, *Doing Business with the Dictators*, p. 23.

¹³⁸ *Ibid.*, p. 32.

¹³⁹ *Ibid.*, p. 33.

¹⁴⁰ D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 31.

¹⁴¹ P.J. Dosal, *Doing Business with the Dictators*, p. 37.

¹⁴² *Ibid.*, p. 38.

Influence of the United Fruit Company on Guatemala's political and social structures

In his book on the United Fruit Company, Thomas McCann states the reasons for why Guatemala was chosen early on as a location for the company's development activities. Firstly because large parts of the country contained fertile soil and a climate suitable for banana growing, but secondly – and maybe even more importantly – at the time United Fruit came to Guatemala, the government was “the region's weakest, most corrupt and most pliable.” The country therefore offered an “ideal investment climate.”¹⁴³ Diane Stanley on the other hand, argues against this notion, stating that the tyranny of Estrada Cabrera lasted a lot longer than that of any of his Central American counterparts. In Stanley's eyes, McCann is therefore wrong in characterising Guatemala as weak, since its ruler stayed in power for twenty-two years.¹⁴⁴ Stanley ignores however McCann's notion of Guatemala being “most corrupt”. During Cabrera's reign democratic institutions were deficient, if not nonexistent, and corruption was rampant. Estrada Cabrera's own power might not have been weak, but according to Western democratic standards Guatemala was a politically unstable country and can therefore be perceived as weak.¹⁴⁵

When Estrada Cabrera came to power, he committed himself to the completion of the railroad from Puerto Barrios and Guatemala City, but quickly concluded that the only way the line would be completed was with generous foreign concessions. Soon Minor Keith entered the picture again, who was then vice-president of the United Fruit Company, and in 1904 both men signed a contract.¹⁴⁶ In exchange for completing the Northern railroad – as the line between Puerto Barrios and Guatemala City was called – Keith was to receive a ninety-nine year lease on the line and 168.000 acres of land concessions along the route of the railroad. Within four years, Keith and his men had finished the track.¹⁴⁷ As in Costa Rica, the combination of having a monopoly over the railway system and the many land concessions laid the foundations for United Fruit's hegemony in Guatemala.¹⁴⁸

U.S. merchant ships had regularly purchased bananas from small farmers for decades before United Fruit came to Guatemala. Initially these farmers welcomed the expanded access to the American market provided by the company. Production however, would not long remain in local hands.¹⁴⁹ In 1906 Estrada Cabrera granted United Fruit a banana production concession¹⁵⁰ and by 1913, the company had already bought 126.189 acres of land, of which 27.122 acres were dedicated to the cultivation of bananas.¹⁵¹ By 1930 Guatemala had become United Fruit's largest

¹⁴³ T.P. McCann, *An American Company*, p. 45.

¹⁴⁴ D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 31/32.

¹⁴⁵ P.J. Dosal, *Doing Business with the Dictators*, p. 6.

¹⁴⁶ C.D. Kepner Jr., and J.H. Soothill, *The Banana Empire*, p. 156.

¹⁴⁷ P.J. Dosal, *Doing Business with the Dictators*, p. 46. Also: J. Colby, “Banana Growing and Negro Management”, p. 605.

¹⁴⁸ J. Colby, “Banana Growing and Negro Management”, p. 606.

¹⁴⁹ *Ibid.*, p. 606.

¹⁵⁰ M. Bucheli, ‘Multinational corporations, totalitarian regimes and economic nationalism’, p. 441.

¹⁵¹ D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 48.

domain.¹⁵² The influence of the United Fruit Company on the political and social structures was considerable, as I will now proceed to explain.

The United Fruit Company was the largest employer, landowner and exporter in Guatemala for years.¹⁵³ By 1940 the company had 14,135 workers on its payroll and at least 25,000 persons who owed their livelihood directly to the banana industry.¹⁵⁴ Due to initial lack of labour on the north coast – where most banana plantations were – and the belief that only black workers could withstand the climate, the company soon turned to West Indian labourers, just as it had done in Costa Rica. In the beginning of 1906 Puerto Barrios was flooded with hundreds of skilled and highly mobile workers.¹⁵⁵

Like many of their colonial European counterparts and the majority of white Americans, company officials from United Fruit held certain beliefs towards race, labour and the oriental world. They firmly believed that racial hierarchy and segregation were fundamental aspects of labour control and thus treated their workforce accordingly.¹⁵⁶ Strict labour segmentation was maintained along racial lines, reserving supervisory and clerical position for whites whereas blacks had to do the heavy plantation work.¹⁵⁷ In 1914 anti-black sentiment amongst Guatemalan elites rose. In August that year, Estrada Cabrera imposed an immigration law requiring all persons who were entering Guatemala to deposit \$500 with customs officials. United Fruit managed to convince him to reduce the deposit and to extract it only from black immigrants. However, this policy does show the state's growing determination to resist the racial changes that United Fruit was inflicting on the country.¹⁵⁸

Official harassment of West Indians grew in the late 1910s, with encouragement of United Fruit. The company had such an influence on public life, that even the racial hierarchy was copied by civil servants. Military garrisons were a part of almost every plantation. The Guatemalan soldiers, who resided there, were paid and housed by United Fruit. In return they provided unconditional support to management, essentially acting as a police force. The result was that it became increasingly difficult to distinguish between Guatemalan and the company's abuses of black workers.¹⁵⁹

Health care for the company's employees was equally racialised, with racial segmentation practiced in the hospitals and with doctors who were reluctant to admit West Indian workers.¹⁶⁰ Just as in Costa Rica¹⁶¹, the United Fruit Company fulfilled a lot of roles for its workers (both West Indian and Guatemalan), since it was "landlord, grocer, teacher, supporter of churches, entertainer and law enforcement officer,"¹⁶² thus exercising a major influence on all aspects of life.¹⁶³

¹⁵² S. Schlesinger and S. Kinzer, *Bitter Fruit. The Story of the American Coup in Guatemala* (United States 1999), p. 67.

¹⁵³ S. Schlesinger and S. Kinzer, *Bitter Fruit*, p. 70.

¹⁵⁴ D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 69.

¹⁵⁵ J. Colby, "Banana Growing and Negro Management", p. 607.

¹⁵⁶ R.N. Harpelle, 'Bananas and Business', p. 65. Also: S. Schlesinger and S. Kinzer, *Bitter Fruit*, p. 71.

¹⁵⁷ P. Gleijeses, *Shattered Hope*, p. 90. Also: J. Colby, "Banana Growing and Negro Management", p.608. Also: P.J. Dosal, *Doing Business with the Dictators*, p. 120.

¹⁵⁸ J. Colby, "Banana Growing and Negro Management", p. 613.

¹⁵⁹ *Ibid.*, p. 615.

¹⁶⁰ *Ibid.*, p. 609-610.

¹⁶¹ Chomsky, *West Indian Workers and the United Fruit Company in Costa Rica 1870-1940*, chapter 3,4 and 5.

¹⁶² J. Colby, "Banana Growing and Negro Management", p. 616.

¹⁶³ D.K. Stanley, *For the Record: The United Fruit Company's Sixty-six Years in Guatemala*, p. 93.

Of the 168.000 acres of land concessions that Estrada Cabrera and Minor Keith had agreed on in 1904, Keith gave 50.000 acres to the United Fruit Company. This was part of a bigger deal.¹⁶⁴ Keith – who along with a few others – had set up the Guatemala Railway Company to finish the Northern Railroad,¹⁶⁵ required of United Fruit to plant at least 5.000 acres of land with bananas, so it could serve as freight for his railroad. Aside from acquiring this land, the Guatemala Railway Company offered United Fruit favourable freight rates. These rates gave the United Fruit Company a competitive advantage over all other competitors in the banana industry. Furthermore, trains carrying United Fruit's bananas would be given precedence over all other trains and traffic. The Guatemala Railway Company also agreed not to encourage any other banana business. This was all set down in a contract, which was amended and extended four times over in later years, the last time being in 1933.¹⁶⁶ United Fruit thus acquired a monopolistic position within the banana industry, almost as soon as it entered the scene. This also had a major impact on other industries. Coffee was then still the largest export crop – Guatemalan exports depended on 84% on coffee in 1913 and only 6% on bananas, but with banana exports growing to 27% in the 1930s and diminishing again in 1950 to 15% – and was also being transported via railways.¹⁶⁷ However, the bananas of United Fruit always had precedence over other freight and traffic, thus causing a major disadvantage to the coffee industry as well.

Estrada Cabrera fell from power in 1920 and was succeeded by a series of short-term rulers, until General Jorge Ubico took power in 1931. These short interim governments were more politically open than during Cabrera's and later Ubico's reign. The government allowed certain political freedoms during that brief period. It also attempted to control the United Fruit Company's excessive control of the economy and furthermore tried to increase the rents Guatemala got from banana exports.¹⁶⁸ In 1928 Guatemalan coffee exports, valued at \$23.062.533, paid an export tax of \$2.016.332 (or 8.7 percent of their total valuation), whereas banana exports, valued at \$3.096.334, only paid an export tax of \$60.856, which was only 1.97 percent of their total valuation. Of the total government revenues that year, Guatemala received only 4/10 of 1 percent from banana export taxes. The government was thus not very successful in getting United Fruit to pay more.¹⁶⁹ The Congress and the press were relatively free during that time. Repression however remained, but less than in the past, at least in the cities. The urban community demanded economic concessions and dared to stage strikes. Often the police intervened and arrested people, but wages did increase and some labour unions were legalised. In 1922 the Communist Party of Guatemala was founded and despite being illegal and persecuted, managed to acquire quite some influence.¹⁷⁰ It had however no followers in rural areas, since no labour unions were allowed there and democracy meant herding the Mayas to the poll on the day of elections.¹⁷¹

The period between the regime of Estrada Cabrera and Ubico proved to be very unsatisfactory for the International Railways of Central America (IRCA). This

¹⁶⁴ P.J. Dosal, *Doing Business with the Dictators*, p. 46.

¹⁶⁵ *Ibid.*, p. 43-45.

¹⁶⁶ P. Gleijeses, *Shattered Hope*, p. 10. Also: P.J. Dosal, *Doing Business with the Dictators*, p. 47.

¹⁶⁷ P.J. Dosal, *Doing Business with the Dictators*, p. 18 and 23.

¹⁶⁸ M. Bucheli, 'Multinational corporations, totalitarian regimes and economic nationalism', p. 441.

¹⁶⁹ C.D. Kepner Jr., and J.H. Soothill, *The Banana Empire*, p. 213.

¹⁷⁰ P. Gleijeses, *Shattered Hope*, p. 10/11.

¹⁷¹ R. N. Adams, *Crucifixion by Power. Essays on Guatemalan National Social Structure, 1944-1966* (Austin 1970), p. 175.

company was founded by Minor Keith in 1912 as a successor to the Guatemala Railway Company. He consequently transferred all the property, rights and privileges of it to the IRCA.¹⁷² Due to Keith's function in managing United Fruit and because the company owned a great share in the IRCA, the two companies were very closely interlinked.¹⁷³ Between 1920 and 1931 the IRCA constantly complained of Guatemalan political instability and the triviality with which the Guatemalan government treated its commitments. The United Fruit Company ran undoubtedly into the same kind of problems.

United Fruit was nonetheless still able to exercise influence upon the government. This was not just a one-way process. Fraudulent politicians frequently tried to enrich themselves through striking deals with United Fruit. When the United Fruit Company was seeking a concession from Guatemala, the then President of the Congress offered to swing thirty-six votes in favour of the project, under the condition that the company would pay him \$80,000 for a piece of west coast land that was worthless for the cultivation of bananas. This was another way of favouring politicians; instead of handing out cash bribes, it could purchase a property for more than its worth.¹⁷⁴ The United Fruit Company also frequently made use of threats. If Guatemala would not accede to the company's demands, United Fruit threatened to pack up and move its activities to another country. This threat was used by Norman Sanderson, a company official, in 1928 when the company was trying to secure favours from Guatemala. When the Guatemalan government proved unwilling, Sanderson then announced that United Fruit had offers to expand in two countries in South America.¹⁷⁵

Also in 1928 there were negotiations between Norman Sanderson, representing United Fruit, and the Minister of Public Works in Guatemala about a concession for the development of a port on the west coast.¹⁷⁶ Prior to the signing of this concession and submitting it to Congress for ratification, the Executive Authority appointed a commission of two lawyers who would study the contract from the point of view from the public welfare. During this period, the concession was actively discussed in the press. One of the newspapers who voiced a lot of criticism was *Excelsior*. It is known that one at least one occasion, a high official of United Fruit demanded of the editor of the newspaper that he would cease publishing attacks against the company's west coast project. Some time later a press report was released stating that the United Fruit Company had purchased *Excelsior*.¹⁷⁷ This is a perfect example of the far reaching influence United Fruit exercised.

The eventual contract to construct the port was signed in the early 1930s. The content and the wording of the contract were however highly ambiguous. It provided various loopholes for the company, because United Fruit's rights were clearly defined but those of the Guatemalan government were merely inferred. Thus the Guatemala Port contract as finally enacted, instead of stating definitely that only the government had the right to authorise a change in construction plans, declared the following:

¹⁷² P.J. Dosal, *Doing Business with the Dictators*, p. 62. Also: C.D. Kepner Jr., and J.H. Soothill, *The Banana Empire*, p. 158.

¹⁷³ P. Gleijeses, *Shattered Hope*, p. 21.

¹⁷⁴ C.D. Kepner Jr., and J.H. Soothill, *The Banana Empire*, p. 220-221.

¹⁷⁵ *Ibid.*, p. 222.

¹⁷⁶ P. Gleijeses, *Shattered Hope*, p. 21. Also: C.D. Kepner Jr., and J.H. Soothill, *The Banana Empire*, p. 225.

¹⁷⁷ C.D. Kepner Jr., and J.H. Soothill, *The Banana Empire*, p. 225.

“The Company deserves the right which the government recognizes of making such modifications of said plans as may be considered convenient and necessary in the judgment of its technical experts, submitting same, however, to the approval of the government.”¹⁷⁸

From the wording of this statement one can infer that without the approval of the government no change can be made, but this is not stated explicitly. Furthermore, the following paragraph declares that:

“(…) [the original plans] will be considered as approved if within ninety days after their presentation the government has not resolved in definite form the corresponding approval.”

Because of the way this statement is formulated, it leaves no room for the government to possibly express its disapproval. Furthermore, from a strict interpretation of the words, even if the government does formulate a formal disapproval, it might not prevent automatic acceptance of the plans after the period of ninety days. It was very difficult for the government or individuals to take these matters up to court, due to the enormous financial backing and legal aid United Fruit enjoyed.¹⁷⁹

From 1920 to 1930, the Guatemalan government eventually managed to get some modest gains from United Fruit and the International Railways of Central America. However, these initiatives were severely interrupted by the coming to power of General Jorge Ubico.¹⁸⁰ When in 1929 the global market collapsed, the Guatemalan economy went bankrupt and unemployment soared. This caused a great deal of labour unrest and the Guatemalan elite demanded a strong leader, which they found in Jorge Ubico. As a governor he had gained a reputation for “efficiency and cruelty”, but he had full support of the U.S. embassy. In February 1931 he triumphed in a presidential election in which he was the only candidate.¹⁸¹ Ubico welcomed foreign investors, and when he ascended to power, IRCA represented this to its stockholders as a positive change.¹⁸²

Ubico did not just welcome American companies; he also respected their immense privileges. One case, again involving the Guatemala Port Contract, shows the far reaching influence the United Fruit Company had and how much it could get away with, especially during the reign of Ubico. The contract was a grant for United Fruit of two hundred thousand hectares at Tiquisate on the Pacific Coast, for which in return the company agreed to build a Pacific port within seven years. This port had significant benefits for the coffee growing elites. With this port, the coffee grown on that coast did not have to be transported all the way by rail to be loaded at Puerto Barrios onto the Atlantic, a practice which until then provided the International Railways of Central America (IRCA) – who owned the railroad – with very high profits. However, the United Fruit Company decided not to honour the agreement, in order to save the IRCA from suffering substantial losses. The two companies

¹⁷⁸ Ibid., p. 228-229.

¹⁷⁹ Ibid., p. 229.

¹⁸⁰ M. Bucheli, ‘Multinational corporations, totalitarian regimes and economic nationalism’, p. 441.

¹⁸¹ P. Gleijeses, *Shattered Hope*, p. 11.

¹⁸² M. Bucheli, ‘Multinational corporations, totalitarian regimes and economic nationalism’, p. 441.

subsequently reached an agreement, which was set down in a contract in 1936. United Fruit, which by then already owned seventeen percent of IRCA's stock, bought additional shares, bringing its total participation to 42.68 percent. United Fruit further agreed not to build a Pacific port, so the coffee and the bananas still would have to be transported all the way to Puerto Barrios. IRCA in return, would charge United Fruit less than half of its usual freight rate.

Meanwhile, Ubico had freed United Fruit of its obligation to build the Pacific Port, blaming it on the prevailing economic crisis. However, this crisis was less severe than when the original contract was signed. The United Fruit Company paid \$50,000 and was allowed to retain the land it had received for agreeing to build the port.¹⁸³

In 1936 another contract was signed, which was a ninety-nine year agreement that granted United Fruit the right to open a second plantation, on the Pacific coast. Ubico agreed to a total exemption from internal taxation, duty-free importation of all necessary goods and a guarantee of low wages. Ubico himself had requested that the labourers would be paid a daily wage of no more than fifty cents in order to prevent other Guatemalan workers from demanding better pay.¹⁸⁴

Just as the United Fruit Company had strictly forbidden subsistence farming for its workers in Costa Rica, the same applied to Guatemala, even though United Fruit owned more land – 566,000 acres – than any individual or company in the country.¹⁸⁵ It furthermore had always resolutely opposed the organisation of independent labour unions amongst its workers.¹⁸⁶ When after the reign of Ubico, the government of Juan José Arévalo came to power in 1945, United Fruit was 'in trouble'. This government had an outspoken for the peasantry and a determination to free Guatemala from the domination of foreign interests.¹⁸⁷ Arévalo pushed through a series of reforms, one of the most important being the reintroduction of open elections, with the difference that this time there were serious contenders. It furthermore established a labour code, which provided protection and support for the labourer.¹⁸⁸

The United Fruit Company became consequently an obvious target. A series of strikes broke out during the late 1940s, with labourers demanding better working conditions and a wage of \$1.50 per day. The company had no choice but to grant some concessions, but frequently complained that the political environment was less than ideal to negotiate with. The Labour code, established in 1947, was a source of constant anger with United Fruit, which at some point threatened to “withdraw from Guatemala [because the law promised] to seriously interfere with and possibly make impracticable further growth of the company.”¹⁸⁹ This example shows that it was much easier for the United Fruit Company to deal with a dictator than with a democratic government, in terms of getting their way or maximising their profits.

Towards the end of the 1940s, the United Fruit Company was still fighting the Labour Code. According to the company the code was discriminatory: it maintained that UFCO's wages were already the highest paid to agricultural workers in the country. Also, the company used to be able to instantly fire insubordinate workers, with the

¹⁸³ P. Gleijeses, *Shattered Hope*, p. 21. Also: P.J. Dosal, *Doing Business with the Dictators*, p. 193.

¹⁸⁴ S. Schlesinger and S. Kinzer, *Bitter Fruit*, p. 70.

¹⁸⁵ P. Gleijeses, *Shattered Hope*, p. 90.

¹⁸⁶ S. Schlesinger and S. Kinzer, *Bitter Fruit*, p. 71.

¹⁸⁷ *Ibid.*, p. 72

¹⁸⁸ R. N. Adams, *Crucifixion by Power*, p. 185-188.

¹⁸⁹ S. Schlesinger and S. Kinzer, *Bitter Fruit*, p. 72.

Guatemalan government readily enforcing United Fruit's will. In the current situation however, workers could not be easily dismissed, since inspectors had to verify the union's complaints. The United Fruit Company complained that it was 'persecuted', a highly ironic notion. Even with the Labour Code however, the company was repeatedly found in 1947 and 1949 to have violated the Code, yet the total amount of fines demanded by the government, was only \$690.¹⁹⁰

After a long struggle – in which a major strike was ended by United Fruit by firing a large number of workers and stopping all shipping at Puerto Barrios – *El Imparcial*, a newspaper, complained that “our country is too weak to challenge powerful American interests.” The conclusion in 1950 of the U.S. State Department was that American companies in Guatemala “have suffered no serious harm.”¹⁹¹ A statement of the World Bank further confirmed this:

“To all intents and purposes, [Puerto Barrios] (...) is under the complete control of the United Fruit Company and the International Railways Company. That control extends over the movement of practically all import and export cargo through the Atlantic area.”

Thus, after spending almost fifty years in Guatemala, the United Fruit Company had gained a very considerable influence on a lot of aspects of public life.

¹⁹⁰ P. Gleijeses, *Shattered Hope*, p. 103.

¹⁹¹ *Ibid.*, 105-106

Conclusion

In this thesis I have tried to come to an understanding of how the United Fruit Company was able to exercise so much influence on political and social structures in Central America, with a special focus on Costa Rica and Guatemala. I have thus formulated the following research question:

To what extent has the United Fruit Company influenced and altered political and social structures in Costa Rica and Guatemala in the first half of the twentieth century?

The reason I have chosen to focus on Costa Rica and Guatemala, is because both countries are generally perceived to have had (and still have to this day) different political systems. Whereas Costa Rica was regarded as a more open country, even approaching democratic institutions, Guatemala was for most of the time dictatorial. Recently the idea of Costa Rica being 'democratic' as been called somewhat into question, but civilians and the press were at least able to voice some of their discontent, whereas in Guatemala this was simply not possible. Any form of protest was repressed with violence.

As can be read in the analysis on both countries, the United Fruit Company was indeed able to exercise influence to great extent political and social affairs.

The United Fruit Company practiced similar methods in both Costa Rica and Guatemala. In both countries the company acquired most of its land through land concessions, granted by the government, usually in return for building a railroad network. United Fruit itself did not construct the railways, but instead contracted an affiliate, such as the Guatemala Railway Company, owned by Minor Keith. In Costa Rica the United Fruit Company did not fully own the railroads, but was nonetheless able to exercise a great deal of influence. As in Guatemala, the freight from the company – the bananas- that was being transported along railroads had precedence over all other traffic and freight. Furthermore, the companies agreed on some very favourable freight rates for United Fruit, so favourable, that it was very hard for any competitors to use the transport. In Guatemala, where the coffee export was larger than that of bananas, this was a disastrous development. Besides dominating the banana industry, United Fruit now had influence on the entire economy, since coffee was still the largest export product. Costa Rica's economy was equally as bad diversified, and relied almost solely on banana production, something that put the company in a very powerful decision.

The United Fruit Company also influenced social structures of both countries greatly. Company officials believed that only black West Indian workers could resist the heat and the hardships of the banana plantations and thus started importing labour in great numbers, thereby influencing the ethnic composition of the population. Later on both countries took measures against these secretly unwanted labourers; Costa Rica granted United Fruit another land concession but to the condition that it would only hire Costa Rican workers and exclude blacks. Guatemala took similar measures, and also imposed an immigration law requiring a deposit from all persons entering the country.

Politically United Fruit was also very influential. In Costa Rica, Ricardo Jiménez, who was elected as a president in 1910, promised a change for the labourers regarding their working conditions. However, when he took up office, his anti-United Fruit feelings were quickly thrown out the window and struck some deals which were highly favourable to United Fruit. When a congressional commission reported that United Fruit did not keep any of its promises regarding certain contracts, this was quickly brushed over, with no fines or consequences for the company. The Communist Party however, active from about 1930 onwards, caused annoyance to United Fruit. Staging a few strikes, the company had to comply with certain demands to keep its workforce. In 1948 then, traditional Costa Rican stability ended with a military uprising. The regime that came afterwards, created a pro-business environment highly suitable to United Fruit.

For United Fruit it was easier to get what it wanted in Guatemala. At the time the company came to Guatemala, Estrada Cabrera had just assumed power, who turned out to be a ruthless dictator. Instead of having to negotiate through democratic institutions, United Fruit could just simply strike a deal with Cabrera. Numerous land concessions were granted, all on very favourable terms. After Cabrera, a period of about ten years followed in which Guatemala's political system was more open. Consequently, more criticism towards United Fruit was voiced. The company complained a lot during that time and even believed itself to be 'persecuted'. This was certainly stretching the truth, since it still was able to exercise influence, just not to the extent it was used to. In 1930 another dictator ascended to power; Jorge Ubico. Ubico was even more lenient with United Fruit than Cabrera had been.

The difference between both countries is thus not that great. Certainly, it was far easier for United Fruit to negotiate with a dictator, but in the end it even got what it wanted (and more) in Costa Rica, although that country is perceived to be more democratic. United Fruit made both countries completely dependable on the banana trade. Guatemala, whose prime export product was coffee, was also dependable on the banana industry, since that industry controlled the means of transport. With economic dependence came also a far reaching political and social influence. The United Fruit Company well and truly deserved the name 'el Pulpo'.

Appendixes

Appendix 1



Figure 2: Map of Central America

Appendix 2



Figure 3: Map of Costa Rica

Appendix 3



Figure 4: Map of Guatemala

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