

Contents

List of Illustrations	ix
Preface	xi
Acknowledgments	xv
Introduction	xvii
Abbreviations	xxvii

One: A Banana Plantation Model Emerges in Latin America

1. The Creation of the Banana Empire,
1900–1930 3
2. The Empire Challenged, 1930–74 35
3. The End of Splendid Isolation,
1974–93 55

Two: The Caribbean Banana Industries

4. Peasant Farmer Societies:
Commonwealth Caribbean Bananas 73
5. Belize, Suriname, and the French
West Indies: On the Margins of the
Caribbean 99

Three: The Changing Framework of the International Banana Trade

- | | | |
|----|---|-----|
| 6. | The Single European Market and the
Western Hemisphere's Banana
Industries | 125 |
| 7. | Neocolonialism Encounters the Free
Trade Imperative | 147 |
| 8. | The World Trade Organization and
the Banana Trade | 163 |
| 9. | The U.S.–EU Banana War Heats Up | 181 |

Four: Globalization

- | | | |
|-----|-----------------------------|-----|
| 10. | Pursuit of an Elusive Goal | 207 |
| 11. | Implications for the Future | 231 |
| | Notes | 249 |
| | References | 255 |
| | Index | 269 |

Illustrations

Photographs

1. Central American plantation	24
2. Plantation infrastructure	24
3. Hauling bananas to the packing shed	26
4. Measuring and classifying bananas	27
5. Packing bananas	27
6. Plantation manager's housing	28
7. Plantation workers' housing	28
8. Caribbean banana farm and farmhouse	82
9. "Dominican Gothic"	82
10. Mixed-crop farming	83
11. A Grenadian farmer	85
12. A docked banana ship	95
13. Dropping banana cartons into a cargo hold	95
14. Sigatoka negra	103
15. The Belize BGA's headquarters	104
16. Banana plantation workers' housing	107
17. Flooded fallow banana fields	113
18. Surland's packing plant	115
19. Array of diversification products	216

Maps

1. The four subsystems of the global banana trade	xxx1
2. The banana zones of Central America	16

3. The banana zones of Colombia	39
4. The banana zones of Ecuador	41
5. Jamaica	74
6. The Windward Islands	79
7. The banana zones of Belize	101
8. Suriname	109
9. The French West Indies	117

Tables

1. U.S. market share for major banana importers	53
2. European Community average banana consumption	129
3. Annual European Community production eligible for subsidies	132
4. Allocation of traditional ACP banana exports	133
5. Types of import license holders	135
6. Annual share of Banana Framework Agreement quotas	184
7. Labor costs and unionization rates	214
8. Banana farmers in Windward Islands	244

Preface

Late twentieth- and early twenty-first-century trends toward the continuing integration of the world economy are attracting the attention of geographers and other academicians who seek to assess the impacts that globalization processes have at various geographic scales. As new associations, such as the North American Free Trade Agreement (NAFTA) or the Common Market of the South (MERCOSUR), were created and others, like the European Union (EU), were broadened and deepened, the significance of trade in the global economy increased dramatically. This growth enhanced the impact of trade on places, people, and individual industries, affecting the path of development in various regions of the world. That such events occurred against the backdrop of a vastly changed institutional framework resulting from the conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1994 and the formation of the World Trade Organization (WTO) in 1995 only served to exacerbate and geographically disperse their impacts. This led to the alteration of many long-established trade patterns, including some like the Lomé Convention that linked the developed states of the global North to the less-developed countries (LDCs) of the global South.

Agriculture is one of the sectors most affected by these changes. It is certainly true that agribusiness firms from developed countries were penetrating the production systems of the LDCs from the early years of the twentieth century and that their involvement in the South expanded steadily during the post-World War II era. Nevertheless, prior to the conclusion of the Uruguay Round of talks, most international agricultural trade flows were still characterized by high levels of protectionism or were subject to other regulatory frameworks that managed the direction and volume of

trade in primary sector commodities. Thus, agriculture did not experience the slow but steady trade liberalization affecting much of the manufacturing sector following the implementation of the initial GATT system in 1947. That situation changed after 1994, with potentially dramatic effects on individual commodity industries. Since these developments are still quite recent, research in the form of individual industry case studies can prove useful in analyzing the impact of the developments on the various national and subnational regions where they are produced and marketed, and on the transportation industries that link those places. Such studies fall within the realm of economic geographers.

The banana is the world's most important fresh fruit commodity, at least when measured by volume of trade. The global banana industry is now a little more than a century old, having appeared on the scene in the late 1800s as a result of technological advances like refrigerated shipping, which facilitated the transportation of highly perishable goods to distant markets. Since its beginning, the banana industry has been fraught with controversy, exhibiting many of the issues that first emerged in economic relations between North and South during the era of European exploration of the non-European world.

Perhaps more than any other agricultural product, the banana reflects the colonial, neocolonial, economic nationalism, and contemporary neoliberal stages of the evolution of the world economy. At each stage, the greater changes occurring in the global economy manifested themselves in the economic geography of banana production and trade. This remains true as neoliberal imperatives drive the globalization process and mandate free(r) trade, influencing the patterns of transatlantic banana flows today. Specifically, the creation of the Single European Market (SEM) in 1992—itsself a manifestation of the globalization trend—and the European Union's emergence as the world's leading market for bananas challenge the historic dominance of U.S.-based transnational corporations in the banana industry. This challenge led to the U.S.-EU banana war of the

1990s, placing the banana once again at the center of a major controversy. The war reached its peak when the United States responded to the European challenge by filing a complaint with the WTO, newly formed in 1995 with a mandate to remove unfair obstacles to the free movement of goods and services across international space.

This book is an attempt to demystify the banana trade dispute, presenting it as one event along the path toward the globalization of the banana industry. The book draws on the framework of the industry's historical economic geography in an analysis of the contemporary forces to which the industry must now respond. Its contribution to the rapidly growing body of literature on neoliberalism and globalization is to illustrate how individual economic sectors and the regions in which they function are differentially affected by globalization processes and, consequently, how they respond to it. Globalization is often presented as a monolithic and irresistible force, but the current situation in the banana industry indicates that this view is overly simplistic, disguising various efforts at resisting or attempting to modify the process at local and national levels. Nevertheless, the banana case does represent, in the final analysis, another triumph in globalization's march toward the greater integration of the world economy and increased penetration of neoliberalism in the agricultural sector. This conclusion is based on the responses of the EU to the banana dispute, the role played by the new WTO, the weakening of the Lomé Convention system, and the various efforts by small countries to overcome their relative competitive disadvantages in an era that emphasizes competitiveness in the international trading milieu. All of these subjects are discussed in the chapters that follow.

Barbara Welch (1996, 22) identified four subsystems within the global banana trade. These subsystems, each operating independently of the others, include the North Atlantic, the Western Pacific, Southern Africa, and Southeastern South America. This book focuses solely on the major portion of the first subsystem, the largest and most contentious of the four. This subsystem links Latin America

and the Caribbean as two major banana-producing regions to the United States and Western Europe, the world's two most lucrative banana markets. The text does not consider the African portion of the North Atlantic subsystem, nor does it analyze the much smaller southeastern South America subsystem, which links Brazilian banana production to markets in Argentina and Uruguay.

The primary goals of this book are to provide an informative overview of the banana production and trade system involving Latin America and the Caribbean, and to serve as a case study that illustrates how any analysis of the impacts of globalization on a given industry must address the industry's past. That past must be analyzed to allow an understanding of how it shapes the industry's response to contemporary neoliberal forces. If both goals are successfully accomplished, the reader will gain knowledge of one of the Western Hemisphere's most significant agricultural sectors and develop a basis for analysis that can be extrapolated to other industries as well.

Introduction

The banana was introduced to consumers in the United States in the late 1800s. This nutritious addition to the American diet became possible only after the invention of the refrigerated ship. Now taken for granted, refrigerated shipping permitted timely transport of highly perishable fruit from tropical regions in Latin America and the Caribbean to markets in North America. The popularity of the fruit grew, and for most of the twentieth century the United States was the world's leading market for bananas.

In late 1998, when the mainstream press in the United States began to carry stories about a brewing banana trade dispute between the United States and the European Union (EU), most people reacted with surprise. Headlines foretold likely U.S. sanctions against a variety of European imports, none remotely related to fruit of any kind. Americans were accustomed to hearing about trade disagreements over automobiles, steel, electronic equipment, and other big-ticket items. But over a simple banana? What could all the fuss be about? The United States is not an exporter of bananas, so why would it allow itself to be portrayed as an aggressor bent on the economic destruction of small, friendly Caribbean countries, as indicated in several of the published reports?

The answers to these questions are far from simple. The roots of the trade dispute that erupted in full force in 1999 lie in both the distant and the recent past, extending to the very origins of the modern banana industry that emerged at the turn of the twentieth century. The banana is the world's top-ranked fruit commodity when measured by volume traded, and the industry has great economic importance in many parts of the world. Millions of people, particularly in the global South, directly or indirectly depend on it for their livelihoods. Furthermore, banana production has a great impact on

industries from which it draws inputs (e.g., cartons, fertilizers, and chemicals) and uses services (e.g., railroads, trucking, ships, and ripening facilities). Most of these are based in the global North. All of this renders the banana worth fighting over; the historical geography of its production and trade demonstrates that many powerful economic entities have vested interests in the industry that they will go to great lengths to protect.

Issues Underlying the Globalization of Banana Production and Trade

The banana trade dispute that prompted the research for this book lasted from 1993 until 2001, but its outcomes will have greater longevity. The dispute was precipitated by the announcement of a new banana importation policy that limited the quantities of Latin American bananas that could enter the EU, as described in chapter 6. The United States' interest in this development is explained by its status as the host country to three major transnational corporations (TNCs) that dominate the Latin American banana industry. As in many agricultural sectors, greater profits are generated during the trade stage than by production itself, and any potential loss of market access could prove damaging to the companies involved. The dispute led the United States and several Latin American exporting states to file a complaint against the EU policy with the World Trade Organization (WTO), which drew greater global attention to the matter.

Despite the problems inherent in researching a controversial subject while it is still evolving, the research seemed worth undertaking because it was quite clear that the dispute would show the effects of globalization processes on one of the hemisphere's major food-producing industries. Several important issues underlying the U.S.-EU trade dispute transcend the specifics of the disagreement, which are discussed in chapter 9, and serve as illustrations of the broader process of globalization, the neoliberal policy umbrella that

guides it, and the penetration of the oft-labeled “globalization/neo-liberal project” into the agricultural sectors of many less-developed countries (LDCs).

The drive toward free trade is one of the primary issues underlying the banana trade dispute. The last two decades of the twentieth century were characterized by a significant reduction in the impediments to the movement of goods and services across international boundaries. The creation of trading blocks such as the North American Free Trade Agreement (NAFTA) and the Common Market of the South (MERCOSUR), together with the deepening of the EU, necessitated the development of common import/export policies by member countries that previously operated as individual markets. These policies extended into agriculture to an unprecedented degree, threatening the continuity of many long-term trading relationships, often neocolonial in nature, between developed countries and LDCs that focused on primary sector commodities. For some EU member states, those relationships included trade preferences offering guaranteed market access for goods exported by LDCs that did not compete with products of the EU itself.

The reduction or removal of trade barriers led to an increased emphasis on achieving competitiveness in world markets, in keeping with the theory of comparative advantage that is the bedrock of the capitalist trading system. The search for new means of achieving competitiveness can stimulate technological innovation leading to better, cheaper products. In many cases, however, the technological innovations are too expensive for local producers in the LDCs. Nevertheless, the producers must purchase the technologies to avoid falling behind in the competitiveness race.

Competitiveness is often measured in quantitative ways that render the cost of production the most important variable. Quality factors may be undervalued by such measurements. In situations where labor is one of the major inputs into the production process, achieving competitiveness can be accomplished through the often-noted “race to the bottom,” in which maintaining cheap labor takes

priority over enhancement of social welfare. In such cases, questions of fairness arise, leading many to suggest that fair trade, rather than free trade, should be the priority of the global trading system.

The current emphasis on comparative advantage and competitiveness increases the tendency to reward larger-scale producers that are able to generate higher economies of scale. Economies of scale are achieved by spreading the fixed costs of production over a higher volume of units produced, thus lowering the per-unit cost of the product. The inability of small-scale producers to achieve this level of production contributed to the decline of family farms in the United States and their ultimate displacement by large-scale agribusiness. Similar threats now exist in the export agriculture sectors of many LDCs, into which the large food transnationals have moved with increasing frequency in the last two decades.

The issue of scale and the ability to generate economies of scale can be extrapolated beyond the individual producer to the national level. Small countries increasingly find themselves at a disadvantage within the new trading milieu. It appears unlikely that countries like Dominica or Cape Verde could ever expect to compete directly in the realm of production or transportation with countries like Brazil or South Africa. One may legitimately question what role can be played by the world's mini-states in an emerging world economy that is being shaped by neoliberal trade policies.

Finally, the role of vertical integration must be considered. Vertical integration is a model of industrial organization in which one firm controls several, if not all, stages of the industry. Thus, an agricultural company may manufacture various inputs used in crop cultivation or harvesting, operate farms or plantations, own the transportation systems used to bring the produce to market or to a processing plant, operate the factory, and so on. This is particularly relevant to the banana industry, which served as an early example of the vertical integration model on an international scale. Today, modified systems of vertical integration continue to characterize banana production and marketing, ensuring that control of the industry remains in the North.

The geographic realm of the banana industry discussed in this book extends to an array of producing and consuming states. The Latin American countries involved include five of the world's major banana exporters—Ecuador (the largest), Costa Rica (usually second), Colombia (third), Panama, and Honduras—along with Guatemala. These are the primary “third-country” sources of bananas consumed by EU citizens, meaning that they are not internal EU producers, nor are they linked to the EU through the Lomé Conventions. Their involvement explains the United States' interest in the banana trade because, collectively, they comprise the “dollar-zone” banana producers under the domination of U.S.-based transnationals.¹ Nicaragua, Venezuela, and Mexico, as lesser exporters whose economies focus on other primary sector commodities, such as coffee and oil, played smaller roles in the dispute and will not be discussed.

Eight Caribbean states are among the African, Caribbean, and Pacific (ACP) banana exporters to EU members. The ACP states are former colonies of EU members that are signatories to the Lomé Conventions, the first of which was signed in 1974. Seven are directly engaged in the dispute, which, for several, is a true economic crisis. The seven include five island nations: Jamaica and the four Windward Island countries of Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines (hereafter, St. Vincent). The other two are mainland states: Belize on Central America's Caribbean coast and Suriname on South America's north coast. The eighth country, the Dominican Republic, is a more recent addition to the ACP group and was not included among the traditional banana exporters covered by the Lomé Convention. Six African ACP states are involved: Cameroon, Cape Verde, Ivory Coast, Ghana, Madagascar, and Somalia. Somalia, whose primary notoriety in North America stems from its famine and political crisis during the early 1990s, exported bananas to Italy throughout that period. The African countries are beyond the purview of this book.

The European Union included twelve members when its controversial trade policy was implemented in 1993. Those were Belgium,

Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom. In 1995 Austria, Finland, and Sweden joined the organization and, by default, the banana fray. Four EU members are themselves banana producers, primarily in their overseas territories. These include the Canary Islands (Spain), Crete (Greece), Guadeloupe and Martinique (France), and Madeira (Portugal).

Collectively, these countries represent both the North and the South within the world economy, signifying differing levels of socio-economic development. They also vary significantly with regard to their capability to withstand the economic shocks that accompany the globalization process.

The Research Process

My initial exposure to the banana trade dispute occurred while I was in Ecuador as a participant in the Fulbright Program's South America Today seminar during the summer of 1993. With fellow grantees, I attended a presentation by Herman Van Sant, Filanbanco's liaison with the EU, at the bank's offices in Guayaquil on June 30, 1993. His subject was the new banana importation policy that, coincidentally, was to be implemented by the European Union the following day. As an economic geographer who specializes in both Latin America and the Caribbean, I was struck by the potential impact of this policy and its spatial ramifications in the Americas. Immediately, I began to plan a complete reorientation of my personal research agenda to accommodate this important issue. I never imagined that, more than ten years later, I would still be working on the subject, that it would be more complex and controversial than ever, and that its long-term resolution would remain inconclusive.

The research is based upon several kinds of source materials. Since 1993 I have conducted fieldwork on twelve occasions, not counting visits to the EU mission in Manhattan near my base at New York's Hofstra University. On each trip I interviewed people

working directly in the industry and officials in its related institutions. I consulted many primary sources, including legal and other documents, published and unpublished reports, and statistical compilations. Finally, personal observations of the various banana landscapes that I was privileged to visit contribute to the descriptive aspects of this volume.

The journey has taken several turns and offered numerous surprises since that meeting in Guayaquil. My initial expectations and concerns that the new EU policy would spell disaster for Latin American exporters were reinforced during a 1994 visit to Costa Rica. There, all predictions indicated doom and gloom, although at a point in time when the impacts of the policy were too new to be effectively evaluated. Although subsequent accords would later yield statistics that refuted those predictions, I nevertheless experienced a very steep learning curve while in Costa Rica. As that was my first venture into the world of bananas, I needed to acquire a lot of information about the industry in its Latin American settings before beginning any attempt at analysis. It was quite clear, however, that whatever effects the new policy might have in Costa Rica or elsewhere in Latin America, they would be concentrated in those countries' distinct "banana zones." Therefore, I focused on the characteristics of these highly specialized geographic regions in my preliminary evaluation of likely outcomes. A second important subject of investigation was the diplomatic aspect of the growing dispute and the initiatives taken by the Costa Rican government at that early stage of events. I returned to Latin America in 2000, visiting Panama, the host country for the Union of Banana Exporting Countries (UPEB), an intergovernmental organization (IGO) of Latin American banana-producing states. The UPEB document center was useful as a source of data and background information about the industry and the escalating trade dispute.

In between those Latin American visits, I shifted my attention to Caribbean exporting countries, where I expected to find strong support for the EU policy. To learn about the insular Caribbean per-

spective on the policy, I visited Dominica in 1995 and 1996, Grenada in 1997, and St. Lucia in 2000. I initially focused on the very different nature of banana production in those countries, as compared to the Latin American system, and how the fortunes of the banana industry affected entire national societies in the eastern Caribbean. I discovered support for the EU policy, as anticipated, but I also found concern bordering on paranoia about the U.S. reaction to it. The Caribbean response revealed broader concerns about globalization processes and the future of small states. Their fear was instigating frantic efforts to achieve economic diversification in the countries I visited. A desire to learn more about this stimulated a slight detour in my investigations so that I could analyze the role of those diversification programs as part of the broader response to the globalization of agriculture.

I also visited Belize (1998) and Suriname (2001), two mainland countries incorporated into the Caribbean group within the framework of the banana trade negotiations. In Belize I focused on how the unique past of the country's banana industry shapes its perspective on the trade dispute. Belize's banana industry differs significantly from both the Latin American and the Caribbean models, and its recent transition from being a state-run sector to a privately held industry merited specific attention for this process. Suriname was the only country involved in the dispute that maintained a state-controlled banana industry. As a result, it had a different outlook on the dispute; its banana sector is motivated by goals that go beyond the mere generation of profits. This places Suriname in a difficult position with regard to the competitiveness imperative currently driving the industry, providing an impetus for it to carry on its fight to preserve market access in the EU.

Finally, amidst the several visits to banana producing countries, I visited two European sites where much of the activity related to the trade dispute occurred. In 1996 I went to Brussels, Belgium, the headquarters of the European Commission, the executive branch of the EU. There, at the source of the controversial policy, I focused

on Directorate General VI, responsible for agricultural affairs. The EU perspective, as expected, differed substantially from what I had learned in Latin America and the Caribbean, particularly with regard to the new licensing system for importing bananas into the EU. It also differed substantially from my own initial assessment of the policy. In 1993–94 I predicted that the new policy would instigate a shift in the geography of banana production in the Western Hemisphere—a shift toward ACP exporters and away from Latin America. The EU argued that such a shift would not occur and that its policy was designed to prevent the reverse from happening—a shift toward Latin America and away from the Caribbean and Africa. Their rationale, therefore, was that their policy preserved the geography of banana production. Furthermore, the EU maintained that the U.S. challenge to its policy would lead to the demise of banana production in many Caribbean countries and generate tremendous displacement among the people affected. That U.S. challenge led me in 2001 and 2003 to the WTO headquarters in Geneva, Switzerland, where I interviewed representatives directly engaged in the negotiations.