

Creating Banana Republics

Introduction

Written in a yearning voice, “La United Fruit Co,” a poem by Chilean Nobel laureate Pablo Neruda, draws attention to US capitalist imperialism in Latin America. In this poem, Neruda refers pejoratively to some of the countries in Central America and the Caribbean as banana republics under the influence of several US corporations. In fact, as Neruda laments, in the 20th century, numerous South American and Caribbean countries became banana republics.

The term *banana republic* was coined in 1904 by American writer William Sydney Porter, who wrote under the pen name O. Henry. Porter had briefly visited the north coast of Honduras and used his experiences in his book *Cabbages and Kings*. This novel was a collection of interwoven short stories describing the adventures and misadventures of several foreigners in an invented country in Latin America called Anchuria. In it, one of the characters explains: “At that time we had a treaty with about every foreign country except Belgium and that banana republic....” (Henry 1904) Thus, by association, a *banana republic* came to describe a small, tropical, and politically unstable Latin American country with an agrarian economy. Over time, the phrase had been applied to describe any Latin American countries with non-democratic governments and mono-economies under foreign control, i.e., economies in which foreign corporations have monopolistic control over one of the nation’s major natural resources.

The Dawn of the Banana Trade

The United States developed an interest in the banana trade in 1870, when Captain Lorenzo D. Baker brought some bananas from the Caribbean to Boston, where he was able to sell them with an exorbitant profit margin. Bananas were delicious, calorie dense, easy to grow, and durable. Captain Baker had no trouble finding investors, and in 1885, he founded the Boston Fruit Company – the first US commercial enterprise to be fully dedicated to the import of exotic fruit from Latin America and the Caribbean.

The banana trade proved extremely lucrative, and a few others followed the path of the Boston Fruit Company. In the early 1890s, American entrepreneur Minor C. Keith established the Tropical Trading and Transport Company, which carried bananas from Panama and Colombia to the United States. In 1899, both companies merged to form the United Fruit Company.

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The First Banana Republic: Honduras

The country of Honduras has the dubious honor of being identified as the first banana republic. By the beginning of the 20th century, numerous entrepreneurs had set their eyes on obtaining land concessions to grow the profitable bananas. Among them, Samuel Zemurray – better known as Sam the Banana Man, or Sam Banana – proved to be the most guile. Zemurray had become involved in the banana trade as a middle man in the southeastern United States in the early 1900s. By 1910, Zemurray had bought 5,000 acres (20 km²) of land along the Cuyamel River in Honduras, thus founding the Cuyamel Fruit Company. After failing to make a deal with the Honduran government over the export taxes, Zemurray arranged for a *coup* to place Manuel Bonilla as president. On February 1, 1912, Bonilla became the head of state. One of his first measures was to grant a large land concession along the north coast of Honduras and low taxes to the Cuyamel Fruit Company.

For nearly two decades, the Cuyamel Fruit Company controlled the banana industry in Honduras, as well as the country's transport infrastructure. In 1929, with the advent of the Great Depression, Samuel Zemurray sold the Cuyamel Fruit Company to the United Fruit Company for over \$30 million. Thus, the United Fruit Company became the largest and most powerful corporation in the banana industry.

Guatemala and the United Fruit Company

Since the beginning of the 20th century, the United Fruit Company (UFCo) had enjoyed almost unfettered and untaxed access to Guatemala's banana industry. UFCo was not only the largest landowner; it also had a wide-reaching influence over the country's society, politics, and economy. For decades, different Guatemalan governments had supported UFCo's extensive role in an attempt to promote economic development in the country. The company received duty-free imports and tax exemptions in exchange for railroad construction, improved infrastructure, and local jobs.

Opposition groups against the power of the UFCo started to form under the leftist parties known as the *Partido Acción Revolucionaria* (Revolutionary Action Party, or PAR). The PAR asked for immediate social reforms, including the establishment of a minimum wage, which would deeply affect the UFCo, which had over 50,000 employees at the time. In 1950, with Jacobo Árbenz as its charismatic leader, the PAR won the presidential election. As promised during the campaign, Árbenz attempted land and labor reform. On June 17, 1952, Árbenz enacted a nationalization law known as *Decree 900*, which allowed the Guatemalan government to expropriate large parcels of uncultivated land to be divided into smaller estates and then to be distributed among landless families. Tensions rose over the following months. The final clash came in 1953 when Árbenz's government seized a large parcel of land for which the UFCo was given \$627,572 in 25 year bonds with a 3 percent interest rate. This sum had been calculated in accordance with its tax value; however, the UFCo had been undervaluing

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this land to avoid taxes for decades, which meant that the government's proposed compensation was far from its real value – probably by several million dollars.

President Jacobo Árbenz's rule had become an increasing threat that the UFCo could not afford to tolerate. Using the menace of the Cold War, the UFCo accused Árbenz of being a Communist whose influence could threaten the stability of other Latin American countries, such as Honduras and El Salvador. The US State Department and CIA soon became concerned with the liberal reforms that Árbenz's government imposed, deeming them as signs of communism and a threat to the US. In less than a year, the CIA was able to put together a cover operation known as the PB-Success to depose Árbenz and install a pro-US president, Castillo Armas. The *coup d'état* was launched on June 18, 1954 by US forces and a small army loyal to Armas. After several days of heavy fighting, President Árbenz resigned on June 27, 1954. On September 1, Castillo Armas was sworn in as president. Guatemala had come under the domination of the UFCo and emerged as the model for US imperialism.

The Sunset of the United Fruit Company

By the mid-1950s, the UFCo was the biggest landowner and the largest employer in Central America, with banana plantations in Guatemala, Honduras, Costa Rica, Panama, and El Salvador. The company's nickname demonstrated the extent of its power; in Honduras, the UFCo was commonly known as El Pulpo (the Octopus), because its tentacles reached into every facet of people's lives. In fact, the United Fruit Company played a more extensive role in Latin American economies, acquiring regional transportation and communication networks, such as the International Railways of Central America and the Tropical Radio and Telegraph Company. In addition, its Great White Fleet of steamships was the largest private fleet in the world at the time.

There have been several benefits and disadvantages of the UFCo. The UFCo bought land for very low prices, making it very difficult for native peoples to own land, forcing them to become low-wage plantation workers. Moreover, the UFCo controlled the political life of the countries it dealt with to such an extent that independent democratic governments were difficult to achieve. Still, it should be noted that fruit companies, such as UFCo, bought mostly uncultivated land and made them productive. They also brought new technologies and helped develop the infrastructure of these Latin American countries.

For over a century, the UFCo's relationship with the United States had represented corporate imperialism abroad. In 1954 during the Eisenhower administration, the US Department of Justice brought a civil antitrust suit against the UFCo, which forced it to sell parts of the company in 1958. The largest part of the company, now the Chiquita Brands International, followed the steps of its predecessor by becoming the largest banana producing corporation in the world. Events such as the public outing of Chiquita's bribes to the Honduran minister of economy in 1976 and continuous

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condemnations of its labor practices in Latin America still render the banana industry as symbol of economic imperialism.

Summary

- A *banana republic* is a term used to pejoratively describe any Latin American country with non-democratic governments and mono-economies under foreign control.
- Under the pen name O. Henry, American writer William Sydney Porter first coined the term banana republic when writing a series of short stories, *Cabbages and Kings*.
- The banana trade began in 1870, and right away, bananas became one of the largest and most profitable exports of the century.
- The term banana republic was first applied to Honduras with Zemmurray founding the Cuyamel Fruit Company, which controlled the banana industry and later was sold to the United Fruit Company.
- The banana trade and the fruit companies were directly responsible for the 1954 Guatemalan coup d'état.
- The fruit companies rendered native peoples landless, forcing them to work as low-wage plantation workers.
- The fruit companies controlled the political life of the countries it dealt with to such an extent that independent democratic governments were difficult to achieve.
- The fruit companies brought wealth, jobs, and new technologies as well as helped to develop the infrastructure of the countries it dealt with.
- For over a century, the UFCo's relationship with the United States had represented corporate imperialism abroad.