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TOPIC 3: BANANA TRADE WAR

Overview

The competition of the banana industry has caused not only economic, political and agricultural concerns, but also several social and humanitarian concerns. As supermarkets struggle to vend the cheapest bananas, the lives of workers in developing nations are compromised.

The banana trade industry dates back to the late 1800s in Honduras with the creation of the first railway system that connected Central America with North America. This railway system allowed efficient exportation of fresh bananas. American businessman bought large plots of land and shipped their banana products to the United States for supreme profits. The American corporation, United Fruit Company (UFC) dominated the industry, owning prime land in Guatemala, Honduras, and Nicaragua. Such widespread agricultural control gave UFC strong political and economic influence in these nations. For instance, in 1930, UFC owned 63 percent of the 103 million bunches of bananas exported from Latin America. The company was frequently charged with “bribing government officials in exchange for preferential treatment, exploiting workers [and] creating an abusive monopoly”. UFC, now surviving as a part of Chiquita, exploited the political corruption, weakness, and disorder of Latin American governments, allowing it to infiltrate Ecuador and many Caribbean islands. As a result, the economies of many of these Latin American nations quickly became unhealthily dependent upon banana trade.

After its peak in 1930, transnational banana corporations like UFC lost their political

influence in Latin America due to plant disease, the Great Depression and labor issues. Yet, their presence was still keenly felt. In the 1950s, when the Guatemalan government attempted to redistribute land owned by these corporations among the peasant class, the American government overthrew the democratically elected Guatemalan government and helped elect a president who favored the economic interests of the transnational fruit corporations.¹

Later, in the 1990s, trade wars began between Great Britain, the United States, Latin America, and the Caribbean over tariffs and import licenses. Complicated agreements have been created to resolve these conflicts, governed by the rulings of the World Trade Organization (WTO). For instance, in October 2004, the European Commission suggested open negotiations to move to a tariff-only regime by 2006 to end U.S.-EU hostilities. Under this organization, a tariff level of 230 per tonne for “dollar” banana imports (bananas exported from countries under the influence of the U.S. dollar because their growth was associated with U.S.-based multinational fruit companies) would be imposed while suffering Caribbean banana exporters would retain their access to the market under a tariff quota at zero duty. In March 2005, Latin American governments requested a reassessment of the proposed EU tariff level, believing a 75 per tonne level would be more appropriate. The WTO ruled against the EU tariff level in July 2005 on the basis that it would “not maintain total market access” for Latin American suppliers. In response, the EU reduced its suggested import tariff to 187 per tonne, which was

then approved by the WTO. However, this proposal was then rejected in late October 2005 on the same grounds as the July ruling and on November 29, 2005 the EU further reduced the import duty to 176 per tonne. This duty was approved by the WTO.ⁱⁱ

The objective of this tariff battle is to create a profit from a surplus food product. In this battle, supermarkets play a significant role. According to Banana Link, a U.K.-based organization campaigning for fairer and sustainable banana trade, “Supermarkets are now the only players in the banana chain to consistently make profits from bananas, having dramatically increased their economic power in the banana chain in the last decade. Bananas are the single most profitable item passing through the check-outs in British supermarkets, accounting for 1% of all sales. In the USA, it is estimated that bananas represent 2% of the total turnover of North American grocery retailers.” These supermarkets work to drive wages down in order to maximize their profits. They often achieve such aggressive price cuts by forcing their suppliers to reduce their prices rather than reducing their own margins. Since nations like the U.K. and U.S. have such a large concentration of supermarkets that control their economic sectors, their influence causes economic and social problems for producing farmers and nations.

Supermarkets’ “race to the bottom” manifests in low wages for workers on banana plantations. For every dollar spent on bananas at the supermarket, only eleven cents or less goes to the plantation. More often, the plantations receive only five cents from every dollar, which is then divided up among their workers. The actual wages workers receive varies from country to

country. In Nicaragua, workers are paid roughly \$1.50 for a day’s work, whereas in Ecuador, where the cost of living is much higher, they may receive as much as \$5-\$8. Relative to each nation, these wages often do not cover the costs of basic necessities.

In addition to low wages, the workers of banana plantations are forced to endure long work hours, often ten to twelve hours per day, and are only paid for eight. Fruit corporations often do not adhere to labor codes and many workers are exposed to hazardous chemicals, some of which are banned from nations with higher work safety assurance conditions. Workers often dip the bananas into baths of these chemicals in order to clean them without proper protection for their hands. The toxic pesticides with which bananas are grown may put workers at risk for cancer or even death from exposure. Child labor and gender discrimination are ubiquitous throughout this drive for lower consumer prices; children as young as eight years of age are put to work, women face sexual harassment, and men are paid three to four times more than women for similar duties. Yet workers have little to no means to dispute these conditions because they are frequently prohibited from joining trade unions. The labor is physically demanding and requires workers to carry extremely heavy loads or stand for several hours. Accidents are also common occurrences. When a worker is injured at a task, he or she is rarely treated nor adequately compensated.

Banana plantation laborers are also migrant workers and must search for new employment after their three to six month contracts expire. Indigenous populations are also driven from their territories in order to clear land for banana plantations.

Furthermore, transatlantic trade confrontation, such as the strong U.S. opposition to the EU's preferential banana market favoring Caribbean producers and the harsh governance of the WTO has forced many Caribbean banana producers to seek alternate employment. However, other sources of employment are often limited, and this has resulted in increasing unemployment, poverty and dislocation in Caribbean island nations.

On another note, only five companies – Dole, Del Monte, Chiquita, Fyffes and Noboa – control about 80% of the international banana trade, which means that the industry has been undeniably monopolized. Though these companies are not as overtly geopolitical as their predecessors, such as United Fruit, their overwhelming influence easily results in the humanitarian abuse of producers from developing nations.ⁱⁱⁱ

Perhaps the most dangerous consequence of the banana trade is the precarious dependence on banana exportation these transnational fruit corporations has caused in their “banana republics”. If powerful nations were to suddenly cease consumption, the economies of many of these nations would collapse. In Jamaica, for instance, when disease and other conditions damaged Jamaican banana production, the U.K. turned to cheaper Central American banana producers, and the Jamaican economy greatly suffered. Since economic turmoil habitually results in social and humanitarian injustice, resolution of this issue is of utmost importance.

Current Solutions

In 2005, Windward Islands Farmers' Association (WINFA) and Coordinadora Latinoamericana de Sindicatos Bananeros (COLSIBA) sponsored the International Banana Conference to attempt to find common ground by advocating trade rules that would protect both of them.

Then on January 1, 2006, the European Union (EU) initiated a controversial new system under which it imposed a duty of 176 Euros on each ton of bananas from Latin America due to the WTO ruling against its previous one. This system also eliminated the licensing and quota system and replaced it with a free market approach. Governments and companies in Latin America have voiced opinions that the duty is too high and deprives them of markets in Europe. On the other hand, Caribbean countries and small producers have voiced that the tariff is not high enough to protect them from further damage. The new system has caused the European banana market to become more competitive and thus less profitable for banana companies. The race to the bottom continues.

Bloc Positions

United States

Chiquita is the United State's main banana shipping company. Due to the new policies, Chiquita has been suffering due to the EU imposing heavy duties on shipping from Latin America where most of Chiquita's operations occur. The United States was persuaded to file complaints against the EU's systems to the WTO in order to protect its company.

European Nations

These countries, joined together under EU has been the center of the struggle because the European nations provide one of the largest markets in the banana trade business due to it consuming about one-third of the

world's banana trade. Europeans have consistently produced banana trade policies that have been causing complaints from either Latin America or Africa/Caribbean. The EU must protect the rights of its countries and colonies before anything else.

Latin America/Caribbean

Both are against the new system initiated by the EU in 2005. EU often negotiates privileged access to world markets for European firms and farmers and for former colonies and employs protectionist measures that favor European farmers at the expense of consumers, who must then pay higher prices for foreign goods, at the expense of producers outside Europe in both rich and poor countries. They are looking for a way to come to terms on policies that will protect both their rights.

Questions to Consider

1. How might conditions be improved for banana plantation laborers?
2. How can cooperation between transnational fruit corporations and independent producers be increased?
3. Is it possible to reduce aggressive wage-cutting practices? If so, how?
4. How might the economic stability of "banana republics" be improved?
5. Is the nation you represent a producing nation? A consuming nation? Both?
6. What is/are the most relevant concern(s) about the banana trade wars for the country you represent? How might your nation, with the cooperation of the U.N. General Assembly, address this/these concern(s)?

ⁱ Cohen, Rebecca. "Global Issues for Breakfast: The Banana Industry and its Problems." The Science Creative Quarterly (2008): 4. <<http://www.scq.ubc.ca/global-issues-for-breakfast-the-banana-industry-and-its-problems-faq-cohen-mix/>>.

ⁱⁱ Clegg, Peter. "Gordon Myers, Banana Wars: The Price of Free Trade, a Caribbean Perspective." Labour/Le Travail 22 September 2006. <<http://www.allbusiness.com/government/employment-regulations/3993242-1.html>>.

ⁱⁱⁱ Shah, Anup. The Banana Trade War. 14 June 2009. 29 October 2009 <<http://www.globalissues.org/article/63/the-banana-trade-war>>.

^{iv}<<http://www.abc2.org/>>

^v<<http://usleap.org/>>

^{vi}<http://www.soc.duke.edu/~s142tm09/BWar_main.htm>

^{vii}<<http://www.bananalink.org.uk/content/view/85/45/lang,en/>>