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The Octopus and the Generals: The United Fruit Company in Guatemala

On the night of June 18, 1954, Guatemalan rebel troops stationed in neighboring Honduras invaded their own country to overthrow the government of President Jacobo Arbenz. When Arbenz had assumed the presidency three years earlier, it had been the first time in Guatemalan history that a democratically-elected president had taken over the position from another democratically-elected president at the end of his term. However the rebels accused Arbenz of being a Communist, and claimed that their fight was a revolutionary action for the liberation of Guatemala from Soviet influence. The rebels acted with the strong support of both the Honduran government and the U.S. Department of State, which had been engaged in a strong international campaign against Arbenz for several months.

Elected president in 1951, Arbenz had championed the cause of agrarian reform in his impoverished country. In particular, he wanted to expropriate the unused lands of large landowners and distribute them among poor peasants. Among those affected by the proposals was U.S.-based United Fruit Company (renamed Chiquita in 1989), which had been operating in Guatemala for decades, growing and exporting bananas for the American market. United Fruit's overwhelming economic power in Central America had earned it the name *el Pulpo* (the Octopus), a description not intended as a compliment. United Fruit had emerged as one Arbenz's strongest critics, and had campaigned vigorously against his policies in Washington.

Arbenz, faced with the military superiority of the rebels, the low morale of his own troops, and the hostility of the United States, resigned. Shortly afterwards, he left for Mexico. Colonel Carlos Castillo, the rebels' leader, took power. Castillo was officially recognized as the legitimate president of Guatemala by the United States a few weeks later.

The military coup against Arbenz provoked anti-American demonstrations all over Latin America. Student groups, intellectuals, and pro-democracy organizations protested against what they considered the hypocrisy of overthrowing a democratically-elected government and replacing it with a dictator, at a time when the U.S. government claimed to be defending democracy against totalitarianism. Arbenz's fate seemed to symbolize the way in which U.S. foreign policy was driven by powerful business interests such as *el Pulpo*.

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The United Fruit Company

The Boston-based United Fruit Company was one of the most controversial American corporations that operated in Latin America. It was widely regarded in the sub-continent as the quintessential representation of American imperialism. Many felt that *el Pulpo* exploited its labor force and exercised overwhelming political and economic power in the small republics in which it operated. Its operations inspired literary works by three Nobel-Prize winning Latin American writers: *One Hundred Years of Solitude* by Gabriel García Márquez, *Green Pope* by Miguel Angel Asturias, and a portion of *Canto General* by Pablo Neruda. The pejorative term “banana republic,” used to refer to the small Central American republics, came from United Fruit’s operations. In contrast, apologists for the firm praised its role in raising productivity levels and building a vertically integrated agrarian sector.¹

The Boston Fruit Company and the Tropical Trading and Transport Company

The creation and growth of United Fruit parallels that of the banana consumption market in the United States. Bananas could not be grown in the United States. From mid-century, numerous companies attempted to create a market for bananas, but because of their slow boats, which also lacked good refrigeration, they were unable to keep a constant flow of fruit to the final markets. Of the 114 banana import companies created between 1870 and 1899, only 22 were still in existence by 1899.² These companies did not have their own plantations, but bought the fruit from the often-unreliable Central American and Caribbean producers.

In 1870, Bostonian Lorenzo Dow Baker, a ship captain, imported some bananas from Jamaica and sold them to Andrew Preston, a local businessman. Preston was able to sell the fruit at a good price, and shortly thereafter created a new company with Baker called the Boston Fruit Company. Preston and Baker were well aware that developing a reliable transportation system with a large number of ships was crucial for business success. With this in mind, they made their first big investment and created what would later be known as the Great White Fleet: a fleet of ships adapted solely for banana transportation, that later operated also as passenger ships.³

Around the same time, another Boston entrepreneur, Minor C. Keith, was developing an important railroad network in Central America. Keith had been invited by his uncle, the railroad builder Henry Meiggs, to help build a railroad from San José, Costa Rica’s capital, to the port of Limón in the Caribbean. Keith accepted the invitation enthusiastically and went to Costa Rica with his two brothers to work on the project. Building the railroad in the harsh conditions of the tropical jungle proved to be very costly: around 5,000 workers died as a result of disease, violence, and rebellions. The dead included Meiggs and Keith’s two brothers. Keith continued the project, despite huge accumulated debts and a hostile labor force.

Keith’s financial situation continued to worsen and his cash shortage forced him to plant banana trees along the railroad tracks to feed the workers. The railroad was completed in 1890 but Keith faced a new problem: there were not enough passengers to travel on it. Operating costs could not be paid, and neither could Keith’s high debt payments. Keith soon found that he could keep the business alive by exporting the bananas he had planted for the workers. By 1890 the train was used solely for transporting bananas, and the value of the new plantations surpassed that of the train. Encouraged by his success, Keith began investing in more railroads and banana plantations in Central America and the Colombian Caribbean coast. He established the Tropical Trading and Transport Company to coordinate his banana business and provide transportation for his increasing shipments to the United States. In addition, the new company managed a chain of stores that Keith had established along the Costa Rican coast to buy local production. Keith’s good fortunes did not last long. In 1899 Hoadley

and Company, a New York broker corporation against which Keith held \$1.5 million in draw bills, declared bankruptcy and he lost all of his money. He was forced to go to Boston to propose a merger to Andrew Preston and Lorenzo Baker, his rivals at the Boston Fruit Company. Preston and Baker agreed, and the United Fruit Company was born on March 30, 1899.

The new company was led by Preston, with Keith as vice president. Their diverse interests and skills complemented each other. Keith owned the railroad network and plantations in Central America, plus a market in the southeastern United States; Preston grew bananas in the West Indies, ran the Great White Fleet, and sold to the northeastern U.S. (see **Exhibit 1** for banana exports).

Vertical Integration

United Fruit needed to assure a steady output of bananas to its consumer market in the United States. Bananas are highly perishable and thus must be quickly shipped to consumers. The fruit is harvested while it is still green. After harvesting, the starch in the banana begins to turn to sugar and the banana yellows. The fruit must arrive at the final destination before the bananas sweeten too much and spoil. It was therefore necessary to develop an efficient production and distribution network between the Caribbean and the United States. Before the creation of United Fruit the lack of coordination among plantations, transporters and final distribution in the U.S. led repeatedly to failed shipments because of rotting bananas.⁴ The creation of an integrated operation played a large role in making bananas the most traded fruit in the world, and the most important fruit in the diet of most Western countries.

Creating the production and marketing infrastructure required a huge effort. The plantations were typically located in areas previously covered with jungle, with no transportation or communication infrastructure. Many lands granted by the local governments or sold by local landholders were in areas in which small squatters had settled but never legally formalized their presence. Most of them had no property titles, which created conflicts between United Fruit and the local peasants. In most of these conflicts, the peasants lost their struggle against the company.

The creation of plantations involved cutting down jungle forests. Drainage and water systems were built. Company towns were built in former jungle areas, and a social infrastructure put in place. The result was an extraordinary transformation of the Central American Atlantic coastline, from a sparsely populated area made up of scattered Indian tribes and exiled American fortune seekers into a well-organized plantation economy. There was a great change in the composition of the population also, as labor was imported from Jamaica and elsewhere to work the plantations of Guatemala, Costa Rica, Panama, and Honduras. The plantations were largely enclavist. There were few inputs of local origin, and much of the value added occurred after the product had left the exporting country. Workers were paid in vouchers that could only be used in the company stores.

United Fruit invested heavily in medical provisions in order to counter the high mortality rates endemic to the tropical lowlands of Central America. The first hospital was opened in Panama in 1899. Initially, company hospitals served only white, North American employees, but soon the whole labor force was treated. United Fruit was concerned with both high labor turnover and labor inefficiency caused by ill health, and the provision of health care was seen as a way of increasing the stability of the workforce. In the mid-1920s the company launched a concerted effort against malaria, involving improved sanitation and the extensive use of insecticides, which resulted in a sharp decrease in infection rates. United Fruit initially made large-scale prophylactic use of quinine; this practice encountered much resistance from workers because of unpleasant side effects and was therefore stopped. Even after this was abandoned, the company used authoritarian means such as fines and withholding of pay to oblige workers to undertake the full range of anti-malarial treatment. Many workers preferred to rely on doctors and healers from within their own communities. Company

medical policy paid little attention to the respiratory diseases such as pneumonia and tuberculosis that caused the highest mortality among the largely malnourished labor force. Pneumonia victims died soon after entering the hospital, and it was believed to be cheaper to allow the disease to run its course.⁵

United Fruit continually moved from one production site to the next. Bananas were highly susceptible to disease and rapidly depleted soil, and before the 1960s could not be cultivated on the same land for more than ten years on average. When United Fruit left disease-infested lands for newer terrain, it removed infrastructure that had any value. In Costa Rica, United Fruit switched from the Atlantic to the Pacific coast in 1938, leaving behind both the Jamaican workers and the small producers from whom it had purchased bananas. It moved back to the Atlantic coast in the 1960s.⁶ The ownership of multiple sites in different countries, as well as contracts with local producers, gave United Fruit considerable flexibility in dealing with labor unrest, which became a growing feature of the industry during the Great Depression. The workers of banana plantations in Colombia went on strike in 1928.⁷ In 1934 a strike at Limón, in Costa Rica, included 10,000 workers and involved the Communist Party.⁸

The main companies United Fruit owned, partially or wholly, that enabled vertical integration were:

The International Railroads of Central America (IRCA). This controlled the transportation of bananas from inland plantations to the ports. The IRCA was established in 1904 as the Guatemala Railroad Company and changed its name in 1912. United Fruit was the major shareholder. The IRCA also handled passengers and other goods, and became the main transportation system in Central America. United Fruit also owned the Santa Marta Railroad for its operations in Colombia.⁹

The Tropical Radio Telegraph Company. This was established in 1913 to build and operate telegraph lines between the plantations and the outside world. The system linked Central America with the United States for the first time in history. This company provided services to other companies and individuals not related to United Fruit and made several important innovations in the telegraph sector. It advertised itself as “the voice of the Americas.”¹⁰

The Great White Fleet. The fleet was established in 1899 by Andrew Preston. In 1903, the fleet launched the first refrigerated ships in the world and used them to transport bananas to the United States. The ships were painted in white creating a cooler environment inside. The Great White Fleet became the largest privately-owned fleet in the world.¹¹

The Fruit Dispatch Company. This company was established in 1899 to distribute and market bananas in the United States. To promote consumption, Fruit Dispatch published books with banana recipes and sponsored teaching materials for school children. Fruit Dispatch encouraged banana consumption for breakfast among Americans, and reached an agreement with Kellogg’s to put photographs of bananas with cereal on their boxes, and to include a coupon to buy bananas.¹²

Additionally, the company became the major shareholder in the Hamburg Line, a German shipping company, and the dominant British banana import and shipping company, Elders & Fyffes. Germany and Great Britain were the two largest banana markets in Europe.¹³

A report of the U.S. Department of Justice in 1955 claimed that United Fruit owned 85% of the land suitable for banana cultivation in the tropics (excluding Ecuador).¹⁴ The company used less than one-quarter of the land it owned in Central America for banana cultivation. The rest was used for housing, cultivating crops to feed the workers, the road and tramway network, pastures for animals, water supply facilities, pumping stations, and machine and railroad shops. Critics asserted that United Fruit also sought to block competition. Banana diseases also kill trees very quickly, so United Fruit had different plantations separated from each other within the same territory so that if one of the

plantations was infected, the rest of the plantations would be protected. During the 1950s Standard Fruit, the largest US competitor to United Fruit, took the lead in developing a new type of disease resistant banana known as Cavendish which in due course replaced Gros Michel bananas.

The first step to opening a plantation was the arduous clearing (by hand or machete) and planting process. The planted trees start to produce fruit around 10 or 12 months later. According to calculations made in 1955, the opening of a banana division (20,000 producing acres) cost \$25 million.¹⁵ Once the fruit was harvested it went through the quality control process, where sometimes more than half of the bananas were rejected, and then was carefully transported to the receiving station at a railroad siding, where it was washed before being loaded onto the train.

Once the bananas were exported to the United States, they were distributed by the Fruit Dispatch Company in bunches until the late 1950s. Cavendish bananas bruised easily, and so needed to be packed in boxes.

The Banana Wars

Creating the "Banana Empire" was not a smooth process.¹⁶ United Fruit became involved in several political conflicts in Central America that earned the company its infamous reputation, and caused the media to refer to the Central American nations as "banana republics."

In the 1920s United Fruit saw its monopoly brand challenged by a newcomer: the maverick Samuel Zemurray. Born into a poor Jewish family which emigrated from Russia to the United States when he was aged fourteen, the New Orleans-based entrepreneur established the Hubbard-Zemurray Fruit Company in 1910, which acquired plantations in Honduras.¹⁷ Zemurray hired a group of American mercenaries led by Guy "Machine Gun" Malone who overthrew Honduran President Miguel Davila, replacing him with Manuel Bonilla. Once in power, Bonilla granted the Hubbard-Zemurray Fruit Company generous tax concessions and grants. Zemurray's business continued to operate and expand up the Honduras coast, out of the way of United Fruit, and created a new banana export corporation called the Cuyamel Fruit Company.

Cuyamel and United Fruit saw little divide between business and politics. In 1917, Honduras and Guatemala were on the brink of war over the disputed territory along the Montagua River. This territory was also disputed by United Fruit and Cuyamel, and both companies intervened in the internal politics of the two countries in order to gain control over the territory. Honduras and Guatemala eventually went to war over the territory in 1928. The short war was encouraged and supported by United Fruit on the Guatemalan side and by Cuyamel on the Honduran side. A historian later remarked, "[T]his banana war revealed the nature of politics and the structure of power in the banana lands of Central America. Decisions made in corporate boardrooms in New Orleans and Boston caused armies of poor young soldiers to defend the illusory sovereignty of both Guatemala and Honduras. The battle for Montagua was not much of a war, but it was the best battle two corporate rivals could arrange."¹⁸

Zemurray began heavily investing in new infrastructure after 1917 by building an expensive irrigation system, and he acquired the Bluefields Fruit and Steamship Company in 1922. By 1929 Cuyamel Fruit Company had 13 steamships running between ports in Honduras, Nicaragua and New Orleans. Cuyamel also owned a sugar plantation and refinery. After the 1929 war, United Fruit decided that the best option was to acquire Cuyamel. In 1930 Zemurray sold Cuyamel to United Fruit for 300,000 shares of the latter's stock, making him United Fruit's largest shareholder, and retired.¹⁹ In acquiring Cuyamel, United Fruit gained 250,000 acres of land in Honduras, 15 steamships, port facilities and concessions on the Honduras National Railroad the Honduran government had granted Cuyamel.²⁰

United Fruit was badly affected by the outbreak of the Great Depression, as sales of bananas plummeted. As the price of its shares collapsed, Zemurray ousted the board of directors and assumed the management in 1933. He restored the company to profitability, and reasserted its position as the largest global banana producer and marketing corporation (see **Exhibit 2** for United Fruit's financials).

Zemurray became increasingly active as a philanthropist. He gave his first gift to Tulane University in 1911 to fund a department of hygiene and tropical medicine. There followed decades of major gifts designed to make Tulane into one of the world's leading universities. He helped create the Middle American Research Institute at Tulane, and helped amass there a major collection of Mayan artifacts. After meeting Chaim Weizman in 1922, Zemurray also became an active supporter of the Zionist movement, making large financial donations to support Jewish settlement in Palestine. At the urging of his daughter, in 1948 he gave a \$250,000 gift to Radcliffe College to endow a professorship at Harvard for a distinguished woman scholar in any academic field. This endowment resulted in the first tenured female professor in the Arts and Sciences Faculty at Harvard University.²¹ Alongside IBM's T. J. Watson, Zemurray was also one of the few American business leaders to actively support Franklin D. Roosevelt's New Deal policies.

Guatemala, Panama and Honduras depended on bananas for more than half of their exports, and more than 80% of these exports were produced and controlled by United Fruit.²² In other countries, including Colombia and Costa Rica, United Fruit owned fewer plantations, but signed purchase contracts with local growers who produced approximately 80% of the fruit exported by the company. These contracts obligated farmers to sell their fruit to the company, but United Fruit was under no obligation to purchase it. The fruit belonged to the company as soon as it was cut from the tree. However, ownership reverted to the planter if the fruit was subsequently rejected on quality control grounds, if the ship carrying them sank, if it was damaged during unloading, or if it was rejected by the American health authorities when the bananas arrived in the United States.²³

United Fruit's position was sustained by the political situation in Central America before and after World War II. The majority of Central American countries were military dictatorships where labor unionism was harshly repressed and the opposition had no means to criticize the government. The U.S. was a regular enforcer of desired regime changes.

Guatemala

When Jacobo Arbenz became president in March 1951, Guatemala was one of the poorest countries in the Western Hemisphere (see **Exhibit 3** for Guatemala's economic indicators). The country had been the home of the Mayans, considered one of the greatest civilizations in world history. The Mayan civilization had mysteriously collapsed around AD 900, but their descendants had mounted fierce resistance when the Spanish arrived in the 16th century. It took the Spanish two decades to defeat the Mayans, after which a new social order was created. The Spanish created a highly stratified society based on racial origin. The white population was positioned at the top and owned the majority of the national economic resources (mostly land). The second class consisted of so-called "ladinos" – the mixed-race population or westernized Indians. At the bottom was the majority of the population, composed of Mayan descendants. Social and economic mobility was almost impossible in a place where the majority of the population lived in the countryside and worked for the upper class landholders. Most Guatemalans lived generation after generation in poverty with no alternative means of subsistence.

Guatemala had an unstable political system (see **Exhibit 4** for a timeline of Guatemalan presidents). After independence from Spain in 1821, Guatemala joined the Mexican Empire and afterwards the short-lived United Provinces of Central America, a federation composed by what are now Nicaragua,

Honduras, Guatemala, and El Salvador. The federation collapsed after the uprising of General Rafael Carrera, a Conservative Guatemalan, who wanted to keep the colonial social order intact and considered the federation a threat to the Guatemalan aristocracy. The country declared independence from the federation in 1838 and started a period of Conservative rule until 1871, when Liberal José Rufino Barrios overthrew the government and started a new period in which the Catholic Church and the aristocracy were controlled by the government. Barrios made strong investments in public works, education, while also encouraging foreign investment. Two other Liberals ruled Guatemala after Barrios, both of who were victims of military coups.

Coffee production had begun in Guatemala in the 1840s, but the industry was transformed from the late 1880s as coffee traders and financiers from Hamburg, Germany, invested in coffee plantations. The plantations produced a much higher quality coffee than Brazil, which was sold to Germany's more affluent consumers. Family members of the German firms and other German emigrants settled in Guatemala to manage the coffee business. While in 1879 German firms accounted for 15 per cent of Guatemalan coffee exports, by 1901 they held 75 per cent. Guatemalan coffee exports to Germany threefolded rising continuously from 160 000 bags in 1884 to 542 000 bags in 1909.²⁴

In 1898, Manuel Estrada Cabrera, a lawyer with no military background, took power, legitimized his position with an election, and stayed in power by repeated re-elections of questionable legitimacy until 1920. He promoted modernization by building roads, although his accomplishments were soon overshadowed by growing corruption. The central feature of his strategy was his attraction of the United Fruit Company to Guatemala through the granting of concessions to create banana plantations. He felt that United Fruit could modernize the country through its investments in railroads, telegraph lines, housing, and plantations.

Estrada Cabrera's rule was idiosyncratic and brutal. He sought to introduce the Ancient Roman cult of Minerva in Guatemala. Minerva was the Roman goddess of wisdom, commerce and war. In 1899, he initiated feasts of Minerva, and he ordered a number of Minerva temples to be built in major cities of the country. At the same time, Estrada prosecuted his opposition, established press censorship, and killed his enemies. Most Guatemalans continued to live in poverty.

Estrada fell from power in 1920 and was succeeded by a series of short-term rulers until 1931, when General Jorge Ubico took power. There followed one of the most infamous dictatorships in Latin American history. Ubico took two approaches with the landless Indian masses. He visited them in their towns and listened to their complaints, something for which the Indians called him "the Father." At the same time he passed extremely harsh vagrancy laws under which all Indians who owned little or no land were ordered to work for local landowners for at least one hundred days a year.

The landowners made the situation even more difficult for the Indians by agreeing among themselves not to compete for the labor force by offering higher wages, and kept artificially low salaries enforced by written contracts that the illiterate Indian population could not read. Additionally, Ubico made it legal for the landowners to murder stubborn or rebellious Indians.²⁵ Rampant racism in Guatemalan society made these policies justifiable for the white and ladino population. A ladino intellectual said of the indigenous race, "[It] is cowardly, sad, fanatical, and cruel ... [It is] closer to beast than man ... For the Indians there is only one law – the lash."²⁶

Ubico saw Communist conspiracies everywhere. He created a spy network in the army, the government, and small cities, extending his control into every aspect of the Guatemalan people's lives. He opposed industrialization, fearing it would lead to the creation of a subversive proletariat. He forbade the use of "Communist" expressions like "trade union," "strike," "labor rights," and "petitions." He went so far as to decree the word "workers" illegal, replacing it with "employees,"

which had a less subversive connotation. Considering himself a Central American Napoleon Bonaparte, he commissioned artists to paint portraits of him similar to those of Napoleon and filled the presidential palace with busts of Napoleon.²⁷ He even decided which works the Philharmonic Orchestra would play and how the musicians should dress.

Ubico was a strong ally of the United States. The day after the attack on Pearl Harbor he declared war on Japan and Germany, and immediately confiscated the coffee estates of German immigrants and even Guatemalans of ethnic German origin.²⁸ Consistent with this pro-American behavior, he welcomed foreign investors. In 1930, he signed a contract with United Fruit in which the company committed to building a port in exchange for land. By 1936, United Fruit had dropped the port project so as not to compete with its affiliate IRCA. The port was never built, but Ubico permitted the company to keep its land and not pay any reparations.²⁹ The U.S. government regarded Ubico as one of its strongest allies in the Caribbean region.

Ubico had little appreciation of the gradual social changes in his country. A small but growing Guatemalan middle class, composed of school teachers, government officials and shopkeepers felt that a country controlled by a land-owning oligarchy left no room for them. This discontent eventually manifested itself in 1944, when teachers refused to participate in the Teachers' Day Parade unless they received a wage increase. Instead of a parade, Ubico faced large anti-government demonstrations; he responded by sending in the army and opening fire against the demonstrators. The army's action did not stop the opposition, which organized huge nation-wide demonstrations. Ubico resigned, handing over power to General Francisco Ponce.³⁰

Ponce tried to give the appearance of being democratic by calling for presidential elections. He chose himself as candidate, while the opposition picked Juan José Arévalo. Arévalo was a former minister of education exiled in Argentina who returned to Guatemala to run against Ponce. Ponce quickly felt threatened by Arévalo's popularity, and ordered his arrest just a few days after his arrival. It was at this point that Captain Jacobo Arbenz and Major Francisco Arana decided to revolt against Ponce. The two young officers overcame their superior officers in Fort Matamoros and distributed arms to anti-Ponce students. They were quickly joined by other officers and together they attacked the pro-Ponce military and police forces. Ponce and Ubico were forced to leave the country, and Arbenz and Arana created a provisional junta and promised free and democratic elections.³¹

The junta wrote a new liberal constitution in 1945 that ended censorship, forbade presidential re-election for more than two periods, classified racial discrimination as a crime, freed higher education from governmental control, banned private monopolies, established a 40-hour work week, forbade payment to the workers in tokens changeable for goods at the landowner's store and legalized labor unions.³² The government organized new elections under this constitution, and Arévalo won with 85% of the vote and a strong participation of the recently-legalized labor unions.³³

Arévalo faced a coup attempt in 1949 that was crushed by Captain Arbenz, who became a hero with Arévalo's followers. Arbenz resigned from his military career and ran in the 1951 presidential elections. He won with 65% of the votes against the Conservative candidate, and former friend of Ubico, Miguel Ygidoras.³⁴

United Fruit continued to dominate Guatemala and most of Central America after the end of World War II. It was the largest private sector company in Guatemala. Ecuador, Costa Rica, Panama, Honduras, Colombia and Guatemala produced 60% of world banana exports in 1955, and accounted for over 90% of bananas consumed in the United States. United Fruit accounted for 60% of the banana exports of those countries in total, and 75% of those in Guatemala.³⁵ The export taxes paid by the company were a tiny proportion of the total volume of the fruit it shipped abroad, yet supporters of

the company noted that in countries such as Guatemala few firms and individuals, especially wealthy Guatemalans, paid any taxes.³⁶ A study published in the mid-1950s suggested that the land productivity of United Fruit was much higher than that of locally-owned firms.³⁷

Jacobo Arbenz

Jacobo Arbenz's own life symbolized the social changes Guatemala had gone through during the twentieth century.³⁸ A son of a Swiss immigrant who married a Guatemalan woman, Arbenz did not belong to the traditional Guatemalan upper landowning class, but was a member of the small urban middle class. When he was still a child, his father committed suicide and Arbenz was raised by his mother. The rigid Guatemalan social structure offered very few opportunities for the middle class to climb the social ladder and so, like many men of his generation, Arbenz joined the army with the goal of pursuing a military career. He excelled in science and sports at the Guatemalan military academy and represented Guatemala in international athletic competitions.

In spite of his country's social conditions, Arbenz remained uninterested in politics until 1939, when he met and quickly married Maria Vilanova. Despite the fact that Vilanova belonged to a wealthy and traditional family in El Salvador, and that she was raised with a rigidly conservative education, Maria refused to accept the role her family expected her to play in society. While her parents planned for her to work as a secretary until she could find a respectable husband, Maria secretly read books on politics, including classic works on socialism. Maria developed a strong friendship with Chilean Communist leader Virginia Bravo and the Salvadorian Communist exile Matilde Elena Lopez. These three women organized regular political discussions at the Arbenz home, where Arbenz was exposed for the first time to socialist theories. By the mid-1940s, Arbenz had developed a strong interest in the social and economic problems of his country and had formulated views about how they could be overcome.

Arbenz's Reforms

Following his election as President, Arbenz announced an ambitious social program that focused on income distribution and economic nationalism. Despite strong opposition from Congress, he established the first income tax in Guatemala. As a way to secure economic independence from the U.S., Arbenz sought to promote a highway from Guatemala City to the Atlantic that would run parallel to the railroad controlled by the IRCA; he pushed for the construction of a government-run port to compete with United Fruit's port Puerto Barrios; and he planned to build a national hydroelectric plant to offer cheap energy and break the American-controlled electric company monopoly. None of these initiatives came to fruition.

Arbenz's biggest goal was agrarian reform. He considered Guatemala's unequal land distribution as the main obstacle to economic development. He saw the great estates owned by the large landowners (*latifundios*) as a backward legacy of colonial times that did not permit the development of a market economy. He believed that the country needed agrarian reform which put an end to the *latifundios* and semi-feudal practices, gave the land to thousands of peasants, raised the peasants' purchasing power, and created a large internal market favorable to the development of domestic industry.

The Agrarian Reform Law was approved by Congress in 1952. The law empowered the government to confiscate uncultivated portions of large plantations; farms smaller than 223 acres were not subject to this law, nor were farms of 223 to 670 acres of which at least two thirds were cultivated. Farms of any size that were fully worked could not be expropriated. If the government decided to confiscate land, the landowner would be reimbursed with 25-year government bonds with a 3% interest rate. The

valuation of the land would be determined from its declared taxable worth as of May 1952. The expropriated lands would be distributed only to landless peasants in small plots that could not be sold.

Using the law, the Guatemalan government distributed 1.5 million acres to around 100,000 families at a cost of \$8 million. Among the expropriated landowners was Arbenz himself – who had become a land-owner through the dowry of his wealthy wife – and his foreign minister. Around 46 farms were given to groups of peasants who organized themselves in cooperatives. The project did not go as smoothly as Arbenz had hoped. Some radical members of the Communist Party encouraged peasants to invade lands before they were legally distributed. Although the Communist Party sympathized with Arbenz and was represented in the government, the squatters that illegally invaded the undistributed lands clashed with the police. The strongest opposition, however, came from the largest corporation operating in Guatemala in that time: the United Fruit Company.

United Fruit, Arbenz, and the U.S. State Department

Arbenz's reforms earned him the hostility of the United Fruit and the U.S. government. In the beginning, the State Department did not consider the agrarian reform to be particularly hostile or as a dangerous threat in and of itself. The American Office of Intelligence Research (OIR) considered the new law moderate, but worried about the way in which it could be used. In a memo dated March 1953, the OIR stated that "if the Agrarian Law is fully implemented, the impact upon private landholders would be borne chiefly by a minority ... Of 341,191 private agricultural holdings only 1,710 would be affected. These 1,710 holdings, however, comprise more than half of the total private acreage. [If successful, the law would provide the Communists] with an excellent opportunity to extend their influence over the rural population."³⁹ However, although Arbenz never claimed to be a Communist, the presence of members of the Communist Party in high offices of the government and the active role Communist Party members played in implementing the Agrarian Reform arousing growing concerns for the American government.

In 1953 General Dwight Eisenhower became the 34th President of the United States. The new administration was the determined foe of Communism. Secretary of State John Foster Dulles was highly religious and regarded Communism as fundamentally evil. He had formerly been a senior partner of the Wall Street law firm Sullivan & Cromwell, which had for many years had United Fruit as a major client. His brother, Allen W. Dulles, an infamous serial adulterer, was made Director of the Central Intelligence Agency (CIA). During 1953 the CIA and its British counterpart overthrew the government of Mohammed Mossadegh in Iran, whose nationalization of the British oil company in the country had aroused suspicions of Communist influence. Richard Nixon, Eisenhower's vice president, had been a central actor in the campaign by Senator Joseph McCarthy to remove Communist influence from the country. Although Arbenz's government maintained that the land reform model they used was the American-directed agrarian reform in Japan after World War II, including the way in which they calculated the compensation for those who had lost their land, their recognition of the Communist Party aroused the suspicions of Nixon and the Dulles brothers.

The first United Fruit expropriations started in March 1953, when the Guatemalan government announced the confiscation of 234,000 acres of uncultivated land at a plantation of 295,000 acres. In February 1954, United Fruit lost 173,000 acres of a 253,000 acres plantation. The government calculated the land value at \$1,185,000, based on the amount declared by United Fruit for tax purposes. The company protested and claimed that the land was actually worth \$19,355,000. United Fruit was not the only landowner that protested the amount they would receive as compensation; other Guatemalan landowners had done the same. The government responded to these protests by arguing that if the landowners had not cheated on their tax forms, they would have received the amounts they were demanding.⁴⁰

United Fruit did not accept the government's proposed compensation amount and promptly appealed to the Guatemalan Supreme Court. When these attempts proved unsuccessful, they filed a complaint to the U.S. State Department, which had already vocalized its support of the company. In March 1953, the American ambassador to Guatemala demanded "prompt, adequate, and effective compensation."⁴¹ In November 1953 a new Ambassador was sent to the country. John Peurifoy had formerly served in Greece, where he had been a prominent supporter of the right-wing anti-Communist government.

In February 1954, the American government demanded the Guatemalan government pay \$15 million in compensation. The government refused and insisted on their right to comply with the Agrarian Reform Law. The government claimed that the expropriations did not damage United Fruit's production capabilities because they were only confiscating unused lands. United Fruit countered this argument, saying that they needed extra acres to avoid soil exhaustion, and to keep the plantations separated to avoid dissemination of plant disease.

United Fruit not only protested to the State Department, but also organized a huge anti-Arbenz campaign in the United States to rally support. In 1951 Zemurray hired Edward Bernays, a renowned pioneer of the public relations industry in the United States, to organize United Fruit-funded tours of its Central American plantations for American journalists, and later even three members of the White House staff.⁴² The company also distributed a newsletter about the events in Guatemala to a list of 250 influential journalists.

In addition, United Fruit approved funding for hundreds of copies of a book entitled *Report on Guatemala* that was distributed to the media and every member of the U.S. Congress. Published in the height of the McCarthy era, the book opened with: "A Moscow-directed Communist conspiracy in Central America is one of the Soviet Union's most successful operations of infiltration outside of the Iron Curtain countries."⁴³ A former official from the United Fruit Public Relations Department later said, "[T]here is no doubt that Communists played some part in the unrest in Guatemala. But our willingness to exaggerate their importance and to create incidents - coupled with the willingness of the American press to amplify our cries of wolf throughout the United States, led [...] to the collapse of Arbenz."⁴⁴

In April 1954 Ambassador Peurifoy told the U.S. Congress that the Arbenz government was "directed from Moscow," and that the "Communist conspiracy in Guatemala [...] represent[s] a very real and very serious menace to the security of the United States."⁴⁵ Around the same time, the American representative to the Organization of American States meeting, held in Caracas, succeeded in convincing the member countries to condemn the "Communist infiltration" in Guatemala. At this meeting Peurifoy distributed a document entitled "Penetration of the Political Institutions of Guatemala by the International Communist Movement: Threat to the Peace and Security of America and to the Sovereignty and Political Independence of Guatemala," in which he referenced the Treaty of Rio as a means of gaining support for a possible intervention in Guatemala.

The Treaty of Rio had been signed by all of the American republics during World War II, and committed all of the countries to fight together for the protection of the continent in case of attack from a country outside of the hemisphere. The Treaty was created in case of a German or Japanese attack, but because the events in Guatemala were being portrayed as a Soviet infiltration, the ambassador claimed the Treaty could be used in this case as well.⁴⁶

The fear of Communist infiltration in Guatemala led the Eisenhower administration to approve a covert operation to destabilize Guatemala and overthrow Arbenz. The code name of the operation was PBSUCCESS and the Central Intelligence Agency (CIA) chose Colonel Carlos Castillo to lead the opposition. The CIA picked Castillo because he looked more Indian than the other white oligarchs who

opposed Arbenz, and the organization felt that the Guatemalan people would identify more with him than with Arbenz or someone else from the traditional upper class. Castillo, who had been exiled to Honduras after his failed rebellion attempt against Arbenz, had the full support of the Honduran and American governments. He organized the army that successfully invaded Guatemala, overthrew the regime, exiled Arbenz, and set back the labor and agrarian reforms. In 1955 Walter Bedell Smith, Allen Dulles's predecessor as Director of the CIA, joined the board of United Fruit as Vice-President of the company.⁴⁷

Aftermath

Jacobo Arbenz

Facing inevitable defeat, President Jacobo Arbenz gave his last speech to the nation over the radio shortly before fleeing Guatemala. He explained the current events by saying:

They have used the pretext of anti-Communism. The truth is very different. The truth is to be found in the financial interests of the fruit company and the other U.S. monopolies which have invested great amounts of money in Latin America and fear that the example of Guatemala would be followed by other Latin countries. [...] I was elected by a majority of the people of Guatemala, but I have had to fight under difficult conditions. The truth is that the sovereignty of a people cannot be maintained without the material elements to defend it. [...] I took over the presidency with great faith in the democratic system, in liberty and the possibility of achieving economic independence for Guatemala. I continue to believe that this program is just. I have not violated my faith in democratic liberties, in the independence of Guatemala and in all the good which is the future of humanity.⁴⁸

Arbenz began a difficult life in exile. He and his family traveled to Mexico and then to Switzerland, where Arbenz hoped to get residency as the child of a Swiss citizen. The Swiss government, however, told him he would get citizenship only if he renounced his Guatemalan citizenship, something he refused to do. The Swiss government forced them to leave, so the Arbenz family moved to Paris, living under the constant watchful eye of the French police. After one month in Paris he was offered asylum in every Soviet-bloc country, and chose Czechoslovakia, which he considered the most cosmopolitan country of Eastern Europe. However, the Czechs did not welcome him and he had to move to Moscow.

The Arbenz family did not enjoy life in the Soviet Union. They moved to Uruguay, where he was granted political asylum, and later, at the invitation of Fidel Castro, to Cuba. In Cuba he began drinking heavily, became depressed, and criticized the Castro regime. He felt offended when Castro warned the U.S. against any kind of intervention by saying 'Cuba is not Guatemala.' His oldest daughter, Arabella, had refused to follow him and had stayed in Paris, studying to be an actress and fashion model. She committed suicide at the age of 25. In 1970, Mexico granted Arbenz asylum. The year afterwards, he drowned in his bathtub in Mexico City.

El Pulpo

The U.S. government denied that its support of the Guatemalan rebel forces had anything to do with United Fruit (see **Exhibit 5** for a history of U.S. military interventions in Central America and the Caribbean). Questioned by one journalist in 1954, then-Secretary of State John Foster Dulles said, "If the United Fruit matter were settled, if they gave a gold piece for every banana, the problem would remain as it is today as far as the presence of Communist infiltration in Guatemala is concerned."⁴⁹ Recently declassified CIA documents state that, "United Fruit would receive greater protection under the new regime, but it would have to offer concessions in return. [United Fruit and other American

investments] represent a part of the American national interest and will be protected by the United States as such. [But] the United States does not expect American companies to enjoy abroad immunities and privileges that would make for political instability or social injustice in other countries.”⁵⁰

In fact, the first government with which United Fruit had problems after the events in Guatemala was the United States. Just two weeks after the military coup in Guatemala, the U.S. Justice Department filed suit against United Fruit for not complying with anti-trust legislation. The American government’s anti-trust suit against the company was finally settled in 1958. The United Fruit Company agreed to sign a consent decree that allowed the company to admit to no wrongdoing, but still allowed the government to force several important changes. By 1970 United Fruit had to carve out a competitor, one third the current size of the company, from its own holdings. Ironically, in order to comply with the final decision, United Fruit sold off its Guatemalan holdings to Standard Fruit and to local Guatemalan entrepreneurs. The company also sold its two largest American fruit distributing subsidiaries, to private banana jobbing firms.⁵¹

United Fruit had other problems. Banana consumption stagnated as Americans shifted to canned and processed food (see **Exhibits 6 and 7** for consumption trends).⁵² In 1970, United Fruit merged with AMK John Morrel, a meat packing company, and created a new corporation called United Brands. Five years later Eli Black, president of United Brands, committed suicide by jumping from his office in the PanAm Building in New York. Subsequent investigations by the SEC discovered a huge bribery scheme Black had set up in Central America. The president of Honduras had been paid \$1.25 million (with the promise of \$1.25 million later) in exchange for a reduction in export taxes. This scandal led to the enactment of the Foreign Corrupt Practices Act in 1976, which imposed criminal penalties on American companies that bribed foreign government officials.

Renamed Chiquita in 1989, United Fruit was at the center of a major U.S./EU trade dispute over European banana quotas. Chiquita filed for bankruptcy in 2001. The successor company, Chiquita Brands, accounted for one-quarter of the world banana trade, and was the leading distributor of bananas in the United States. In 2007 it emerged that Chiquita had been funding right-wing paramilitaries in Colombia between 1997 and 2004, including one group which the U.S. government had classified as a foreign terrorist organization in 2001. The firm was ordered to pay a \$25 million fine to the U.S. government.⁵³ In 2015 Chiquita was acquired by the Brazilian companies Safra Group and Cutrale for \$680 million.

Guatemala

Colonel Castillo did not reverse all of Arbenz’s reforms, but he re-organized labor unions and murdered many Communist sympathizers. In 1957, Castillo was assassinated. There followed a new period of political instability until 1966, when the country had relatively peaceful elections. The moderate Revolutionary Party won, but the reforms the party proposed during the campaign were never enacted due to strong opposition from the military. The following decades saw the growth of left-wing guerrilla groups and urban terrorism; the military responded with unofficial death squads. Between the 1970s and the mid-1990s, when a peace accord was signed between the government and rebels, at least 200,000 people were killed in civil conflicts, thousands of individuals “disappeared” at the hands of death squads, and hundreds of thousands fled to Mexico and the United States. The country has remained one of the poorest in the Western Hemisphere.⁵⁴

Exhibit 1 Banana Exports from the Countries in which United Fruit Operated 1950-1970
(thousands of tons)

Year	Guatemala	Colombia	Costa Rica	Ecuador	Honduras	Panama
1950	160	144	222	170	262	146
1951	124	155	216	247	242	142
1952	95	153	412	430	262	119
1953	170	196	355	406	248	185
1954	153	196	355	492	222	222
1955	135	210	329	613	134	275
1956	125	216	232	579	181	248
1957	130	191	315	678	262	290
1958	113	189	302	742	398	273
1959	146	203	213	886	360	292
1960	198	191	273	897	363	263
1961	154	206	231	842	430	272
1962	81	147	287	657	335	262
1963	119	203	324	632	291	309
1964	93	172	348	625	307	377
1965	33	254	402	531	490	484
1966	61	311	293	653	669	544
1967	43	326	453	506	724	596
1968	66	402	712	557	788	682
1969	20	335	945	519	715	834
1970	28	262	840	540	737	825

Source: Adapted from Bucheli, *Bananas and Business*, p. 63.

Exhibit 2 United Fruit Company - Selected Financial Information 1950-1969

	Net Income (US \$m)	Net Book Value (US \$m)	Revenues (US \$m)	UFC Land Ownership in Guatemala (acres)	UFC Land Ownership Worldwide (acres)
1950	66.1	178.6	312.3	87,309	584,549
1951	50.9	184.4	314.0	85,151	602,094
1952	37.9	200.0	313.5	79,916	611,851
1953	44.6	216.2	334.8	43,931	593,974
1954	31.5	229.1	323.5	75,389	603,111
1955	33.5	230.1	333.2	51,174	561,818
1956	30.3	242.7	343.7	50,624	554,329
1957	31.4	247.2	342.3	52,585	540,254
1958	22.7	244.2	324.4	57,022	540,317
1959	12.1	247.4	312.9	59,106	537,040
1960	2.2	193.7	304.4	61,479	398,220
1961	8.9	187.8	311.3	54,223	368,001
1962	11.0	177.6	319.8	52,289	329,922
1963	0.5	177.3	329.9	35,413	304,735
1964	0.7	177.8	351.9	17,509	295,806
1965	17.3	171.8	399.4	15,111	259,349
1966	25.0	177.1	439.8	15,098	250,750
1967	32.1	186.1	488.9	14,642	227,801
1968	31.1	207.7	509.5	N/A	N/A
1969	28.0	242.8	555.4	N/A	N/A

Source: United Fruit Company, *Annual Reports*, 1950-1969.

Exhibit 3 Guatemala: Selected Economic Indicators 1950-1970

	GDP/head (1990 US dollars)	Life Expectancy	Urban population (% total)	Illiteracy	US GDP/per capita (1990 US \$)
1950	2,085	38	25	70	9,561
1955	2,019	43			10,897
1960	2,262	46	32	65	11,328
1965	2,534	49	34		13,419
1970	2,905	52		55	15,030

Source: Compiled from The Oxford Latin American Economic History Database, www.oxlad.qeh.ox.ac.uk, and Groningen Growth and Development Center, www.ggdc.net.

Exhibit 4 Presidents of Guatemala, 1898-1963

President	Years in Office	Form of Succession
Manuel Estrada	1898-1920	Overthrown
Carlos Herrera	1920	Overthrown
Gen. José María Orellana	1921-26	Died of heart attack
Gen. Lázaro Chacón	1926-1930	Died of illness
Baudilio Palma	December 12-16, 1930	Overthrown
Gen. Manuel Orellana	December 31, 1930	Resigned
José Andrade	December 1930-February 1931	Resigned
Gen. Jorge Ubico	1931-1944	Resigned
Gen. Federico Ponce	July – October 1944	Overthrown
Military junta (Maj. Arana, Capt. Arbenz, Garrido)	October 1944- March 1945	Concluded term with election
Juan José Arévalo	1945-1950	Served electoral term in office
Col. Jacobo Arbenz	1951- June 1954	Overthrown
Military junta (Col. Castillo, Col. Mozon)	June 27- 29. 1954	Phased out
Col. Carlos Castillo	1954-1957	Assassinated
Luis Gonzalez	July – October 1957	Resigned
Guillermo Flores	October 1957- March 1958	Concluded term with elections
Gen. Miguel Ydigoras	1958-1963	Overthrown

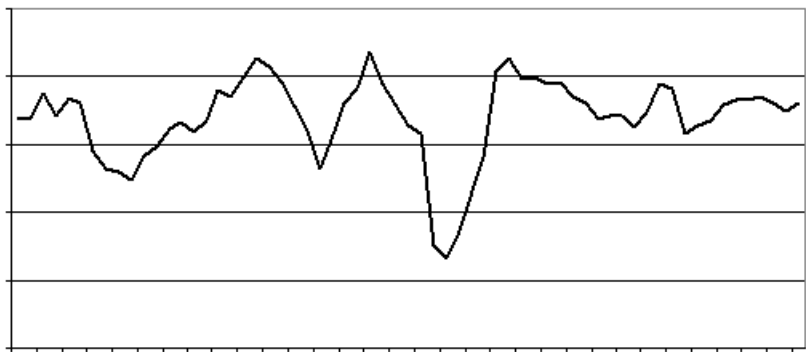
Source: Adapted from Georges A. Fauriol and Eva Loser, *Guatemala's Political Puzzle* (New Jersey: Transaction Books, 1988), p. ix.

Exhibit 5 United States interventions in Central America and the Caribbean, 1903-1965

Date	Intervention
1903	US military invade Honduras
1903	US military invade the Dominican Republic
1906	US military invade Cuba
1907	US military invades Nicaragua and establishes a protectorate in that country
1907	US troops land in Honduras during war with Nicaragua
1909	US military invade Nicaragua
1912	US military invade Cuba
1912	US military invade Panama during the presidential elections
1912	US military invades Honduras
1914	US military fights against anti-government rebels in the Dominican Republic
1914	US military invades Haiti
1915	US military invades Haiti again
1916	US military invades the Dominican Republic
1917	US military invades Cuba; occupation forces remain there until 1933
1918	US intervenes in Panama and leaves a police force in that country
1919	US military invades Honduras during the local presidential elections
1920	US military invades Guatemala and fights against the so-called "unionists"
1924	US military invades Honduras during the local presidential elections
1925	US military invades Panama during a general strike
1932	US warships intervene in the "Marti Revolt," El Salvador
1954	US supports a military coup against president Jacobo Arbenz in Guatemala
1961	A group of Cuban exiles unsuccessfully attempt to invade Cuba and overthrow Fidel Castro
1964	CIA rigs national elections in British Guiana to prevent re-election of Prime Minister Cheddi Jagan
1965	US military invades the Dominican Republic during the local presidential campaign

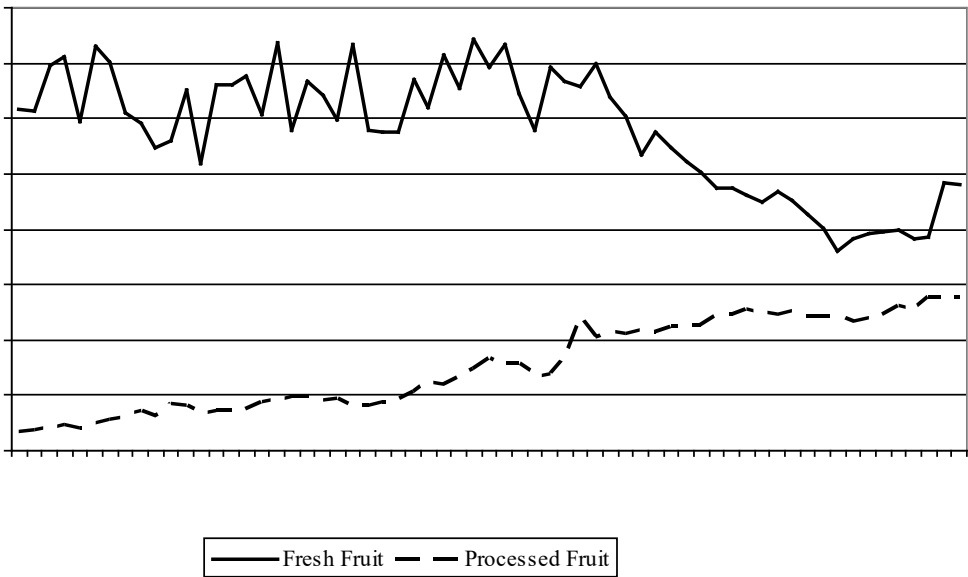
Source: www.unitedfruit.org.

Exhibit 6 United States Per Capita Consumption of Bananas (kilograms), 1909-1971



Source: Graph adapted from Marcelo Bucheli, *Bananas and Business* (New York: New York University Press, 2004), p. 32.

Exhibit 7 United States Per Capita Consumption of Fresh Fruit vs. Processed Fruits (kilograms) 1909-1971



Source: Graph adapted from Marcelo Bucheli, *Bananas and Business* (New York: New York University Press, 2004), p. 36.

Endnotes

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²⁰ Bucheli, *Bananas and Business*, 48-49.

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