4-14-2000

The United States and the politics of trade: the banana war with Europe and the Caribbean

Niala Boodhoo
Florida International University

DOI: 10.25148/etd.FI14051192
Follow this and additional works at: http://digitalcommons.fiu.edu/etd
Part of the Latin American Studies Commons, and the Other International and Area Studies Commons

Recommended Citation
http://digitalcommons.fiu.edu/etd/1729

This work is brought to you for free and open access by the University Graduate School at FIU Digital Commons. It has been accepted for inclusion in FIU Electronic Theses and Dissertations by an authorized administrator of FIU Digital Commons. For more information, please contact dcc@fiu.edu.
THE UNITED STATES AND THE POLITICS OF TRADE:
THE BANANA WAR WITH EUROPE AND THE CARIBBEAN

A thesis submitted in partial fulfillment of the requirements for the degree of
MASTER OF ARTS
in
LATIN AMERICAN AND CARIBBEAN STUDIES

by

Niala Boodhoo

2000
To: Dean Arthur W. Herriott  
College of Arts and Sciences

This thesis, written by Niala Boodhoo, and entitled The United States and the Politics of Trade: The Banana War with Europe and the Caribbean, having been approved in respect to style and intellectual content, is referred to you for judgement.

We have read this thesis and recommend that it be approved.

______________________________________________________________________
Irma Alonso

______________________________________________________________________
William Walker

______________________________________________________________________
Eduardo Gamarra, Major Professor

Date of Defense: April 14, 2000

The thesis of Niala Boodhoo is approved.

______________________________________________________________________
Dean Arthur W. Herriott  
College of Arts and Sciences

______________________________________________________________________
Dean Richard L. Campbell  
Division of Graduate Studies

Florida International University, 2000
© Copyright 2000 by Niala Boodhoo

All rights reserved.
ACKNOWLEDGEMENTS

I would like to first express my sincere thanks to the members of my committee, Dr. Eduardo Gamarra, Dr. Irma Alonso and Dr. William Walker for their guidance throughout my thesis work. I would particularly like to thank Dr. William Walker for his efforts, from the beginning when I was developing a historiography, to the end with his suggestion of "selective hegemony" as an appropriate term.

Several faculty and research staff at the University of the West Indies, the Institute for International Relations, and CARDI were so helpful to my initial efforts, even more so with their enthusiasm for my research topic.

My mother, Lynette Boodhoo, provided much prayer and cheerful encouragement. Jeffrey Elliot, the only person who volunteered to proofread my thesis, has been my inexhaustible source of love, humor and encouragement, and without him I do not think I could have finished.

I finally wish to thank my father, Dr. Ken Boodhoo. He has been a constant intellectual and emotional support not only throughout this thesis, but also has so ably played the dual role as encouraging father and academic mentor throughout my education.
This thesis examines the involvement of the United States in the decade-long trade dispute before the World Trade Organization (WTO) over the European Union’s preferential banana regime. Washington’s justification for bringing this case to the WTO comes from Section 301 of the U.S. trade act, which allows for disputes to be undertaken if U.S. “interests” are violated; however, this is the first case ever undertaken by the United States that does not directly threaten any American banana industry, nor affect any American jobs. Why, then, would the United States involve itself in this European-Caribbean-Latin American dispute?

It is the contention of this thesis that the United States thrust itself headlong into this debate for two
reasons: domestically, the United States Trade Representative came under pressure, via the White House and Congress, from Chiquita CEO Carl Lindner, who in the past decade donated more than $7.1 million to American politicians to take the case to the WTO. Internationally, the United States used the case as an opportunity to assert its power over Europe, with the Eastern Caribbean islands being caught in the economic crossfire. According to existing literature, in undertaking this case, the United States did as any nation would: it operated within both domestic and international levels, satisfying at each level key interests, with the overall goal of maintaining the nation’s best interests.
TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>1.</td>
</tr>
<tr>
<td>II.</td>
<td>24.</td>
</tr>
<tr>
<td>III.</td>
<td>45.</td>
</tr>
<tr>
<td></td>
<td>46.</td>
</tr>
<tr>
<td>III.</td>
<td>52.</td>
</tr>
<tr>
<td></td>
<td>64.</td>
</tr>
<tr>
<td></td>
<td>68.</td>
</tr>
<tr>
<td>III.</td>
<td>71.</td>
</tr>
<tr>
<td>BIBLIOGRAPHY</td>
<td>87.</td>
</tr>
</tbody>
</table>
Several years ago, Trinidad’s David Rudder composed a prophetic “Banana Death” calypso:

The West Indian girl start to cry,
Banana dead, banana dead, banana
The future dread, the future dread for banana.¹

What Rudder had put to verse was the decade-long “Banana war” that entangled the Eastern Caribbean in the crossfire between the United States and Europe. While its beginnings go back to the colonial relationship between Europe, namely Great Britain, and the Caribbean, the current dispute of the past decade is a result of relations between the United States and Europe. On the surface, this trade dispute was about Europe’s preferential trading agreements with the Eastern Caribbean that discriminated against Latin American bananas, and subsequently also the American transnational companies that control the Latin American industry. A detailed examination of the issue, however, reveals several deeper issues. In the domestic sense, it demonstrates the power of private versus public interests in the shaping of some government policy. In regards to foreign policy, it is a contemporary example of how the United States reacts to its neighbors, both to the south in the Eastern
Caribbean and to the west in Europe, in the context of a trade dispute that it initiated. Finally, and perhaps most significantly, the case serves as an indication of the state of international relations between the United States, Europe and the Caribbean in a post-Cold War era of globalization.

The trade rules in question are the European banana regime, a complex system of preferences geared toward helping the Eastern Caribbean islands and other former European colonies through Europe’s preferential banana trade agreement. The essential core of the agreements gave the African, Caribbean and Pacific nations duty-free access to certain European Union (EU) countries and imposed a quota limit on Latin American banana imports. The regime also called for an import licensing arrangement that gave preference to European, namely British, marketers to bring the bananas into the United Kingdom (UK). The United States based its case against the regime by arguing, successfully, that the preferences discriminated against American multinational corporations whose bananas came from Latin America, the so-called dollar banana industry. (Four Latin American countries, Ecuador, Guatemala, Honduras and Mexico eventually joined the United States in the WTO
dispute.) By the time the United States made its final, most forceful and eventually successful push against the regime in the spring of 1999, first GATT and then the WTO had already ruled twice that the European Union’s regime discriminated against the larger, corporate Latin American banana industry.

In 1998, despite the fact that its dispute about bananas was still pending resolution through the World Trade Organization Dispute Settlement Board, in anticipation of its victory the United States escalated its challenge. Washington released a list of “retaliatory” 100 percent tariffs on several dozen European imports, the initial list including cheese, ballpoint pens, furs, lithographs, among others. The United States threatened that the tariffs—recompense for the losses suffered by American transnational banana companies prohibited from fully entering the European banana market—would take effect on March 3, 1999, if the European market did not immediately relax its preferential schemes which discriminated against Latin American bananas.

The United States succeeded. On Tuesday, April 6, 1999, the WTO Dispute Settlement Board again ruled that the EU banana rules were discriminatory and in violation of WTO
rules. The ruling allowed for the United States to impose sanctions of up to US$191 million in retaliatory tariffs on imports. Although the United States had asked for up to US$520 million, the ruling was still a clear victory. That Friday, April 9, the United States imposed 100 percent tariff duty on nine products, including French handbags, coffee makers and tea pots, except those made in Italy, lithographs printed not more than twenty years ago, bed linens, bath preparations, electric batteries and cardboard packing cartons and uncoated felt paper.² Ironically, the list of imports ended up severely crippling many small American businesses: larger American corporations had previously lobbied the USTR to remove items that would affect their business from the list.³

Why did then, did the United States react in such a manner, imposing a list of dozens of retaliatory tariffs that greatly harmed some small American businesses? The European banana industry threatened little, if any, American jobs, and the only domestic American banana industry that exists to be threatened by the preferential regime is a small market in Hawaii, which is primarily for local consumption. The American Congressional Black Caucus and several lobbying groups argued that removing the
preference system would destroy the tiny Eastern Caribbean island economies that hinge upon their trade with Europe. Furthermore, it is vital to remember that the discriminatory trade preferences in questions amounted to less than ten percent of the overall European banana trade. Given these circumstances, why did the United States react as it did?

A brief historiographical review reveals that the United States was in fact acting in an almost textbook manner. Milner argues that policy is inextricably formed by the negotiations that occur between various individuals, groups and institutions within a nation. Robert Putnam takes the idea a step further, with the image of foreign policy as a game that occurs simultaneously at two levels, or if you will, at two separate boards. According to Putnam, the national leader appears at each board surrounded by various groups of actors. At the domestic level, the national leader must juggle the interests of the party, other politicians, corporate and other interest groups, and the electorate. At the international level, the leader must balance the nation’s domestic interests with the nation’s international position.
and relations. Moreover, both games, or spheres of
relations, occur simultaneously.

It is the contention of this thesis that the United
States pursued this trade war to satisfy dual interests at
both levels or spheres. On the domestic level, it
acquiesced to pressure from Chiquita Banana International,
after intense lobbying by Chiquita’s chairman Carl Lindner,
who marshaled key members of Congress to his cause.
Internationally, the Caribbean’s involvement in the issue
served as an opportunity for the United States to further
solidify America’s economic position against the European
Union.

American politics have always been strongly influenced
by lobbying interests. A constant stream of money and
favors provided by Chiquita Brand International’s CEO, Karl
Lindner, and his political action committee, brought
Lindner first the attention of key members of Congress,
then the President, and finally the United States Office of
Trade Representative (USTR). Domestically, U.S. officials
were able to reward a corporation and its officers for its
decade-long multi-million dollar support. Most
importantly, in bringing an almost guaranteed-win case to
the WTO against Europe, globally, the United States was
able to assert economic power over Europe. Economically, Europe and the increasingly evolving European Union pose the first serious challenge to American hegemony in a post-Cold War era, and such a reality naturally places the United States on the defensive. The banana issue was attractive to the United States for several reasons. First, since Europe and the United States are such close allies, the banana dispute served to be a relatively minor issue for both parties, and importantly, was an issue where the two did not meet directly, but through the Caribbean. The United States placed itself as the wronged third party within the trio. The regime had already been ruled in violation of both GATT and WTO rules, but had yet to be completely dismantled, and it assured Washington a relatively easy victory. The banana trade rules are an important issue for the Eastern Caribbean island nations, whose economies depend on the industry. The manner in which these islands were treated however, throughout this dispute suggests an indication of how smaller economies can easily be lost in the fray of the globalized economy, especially since the region lacks strategic importance for the United States, particularly in the late 1990s. Altogether, in the U.S.'s view, pursuing the case was a minimal risk, minimal
loss situation. In terms of its action, the United States acted as a state would be expected to in terms of the politics of trade: the United States fulfilled internal and external, domestic and international interests simultaneously.

The Banana

It should actually come as no surprise that such a furor erupted over the industry. Bananas have fast grown to be the most popular fruit in the world. They are cheap, easily produced (crops grow year-round) and are an excellent source of energy, containing vitamins A, C and B6. As an export, bananas are the world’s fourth most important commodity. Latin America and the Caribbean, by far the largest world exporters of bananas, produced 32,785,888 metric tons of bananas and plantains in 1998.

Banana production takes place in three main stages: growing, packing, and transporting. In the Caribbean, the cultivation is undertaken on small plantations. The picking of the fruit is timed to coincide with the arrival of refrigerated freighters that transport the fruit to Europe. The bananas are boxed and packed in the Caribbean, then maintained at approximately 56-57° and then transported
to ripening centers in Europe, where within four to six
days they are suitable for sale to the general public. Once
inside a grocery, a banana has a shelf life of 24 to 28
hours.

In Europe, the total market for 1997 was 3.5 million
tons of bananas, nearly double the amount from 1984. In
1991, the overall world banana market was worth US$5.1
billion. And as such, of course, this translates into big
business. Keith Nurse and Wayne Sandiford, when detailing
the course of banana production, point out that it is a
highly capitalized business best suited to large-scale
corporations. In the Eastern Caribbean, the purchasing
process is dominated by two major corporations, that
purchase the fruit and then transport it to an importing
nation: Fyffes and Geest Bananas, the latter of which the
West Indian Banana Development and Export Corporation
(WIBDECO), maintains 50 percent ownership. In Latin
America, the major transnational growers and purchasers are
Chiquita Brands International (CBI), Dole and Fresh Del
Monte Produce Inc.

In 1990, these Latin American corporations accounted
for about 75 percent of all world exports. In 1996,
Latin America exported 10,400,473 metric tons of bananas,
compared with the Caribbean’s 281,785 metric tons.\textsuperscript{12} The Latin American banana industry dominates the market for several reasons. First, the industry operates on a vastly larger economy of scale than the Eastern Caribbean island nations. Their plantations and work force are huge and highly efficient:

If islands like St. Lucia are the corner stores of the banana business - chaotic, friendly and unreliable - the Latin American plantations are the Wal-Mart at the edge of town. They cover hundreds of square miles of ideally flat and fertile soil. They are served by railways and cableways, by proper irrigation, efficient refrigeration, and a scrupulously organised workforce working to quality standards and production targets set down by the companies. Productivity, at around 24 tons an acre, is three times as high as St. Lucia, and cost to importers of these “dollar bananas” is half as much. Workers, many of them migrants on short contracts, are paid only half or a quarter of the income of farmers in St. Lucia.\textsuperscript{13}

The Latin American market also produces bananas that are uniform, perfectly standard and consistently shaped and colored, reflecting today’s consumer’s preference. Similar to all produce, the bananas that sell best today are the ones that are consistent. Just as perfectly shaped, bright red or green apples are the production norm; bright, yellow, perfectly curved bananas are what sell, as reflected in a 1994 Brussels Euro-norm decree that limited bananas to being at least 27mm wide, 14 cm long and with no “abnormal” curvature.\textsuperscript{14}
History of the Industry

It is indeed true that to examine the history of bananas is to mirror the history of colonialism. Commercial banana production began in Latin America at the beginning of the last century, where Chiquita Brands International, then known as the United Fruit Company, which gave rise to the term banana republic for the company’s control of Central American’s political and economic spheres.

In the Caribbean, bananas replaced sugar as the “green gold” in the early twentieth century. By 1925, a United Fruit subsidiary folded due to a high incidence of disease. Hurricanes during the 1930s similarly killed off the industry. It was not revived again until the 1950s, with the production centering in Jamaica and the Antilles, including the Windward Islands and the French islands of Martinique and Guadeloupe. Jamaica dominated the Caribbean banana trade until the 1960s, when its industry faded due to crop disease. The Eastern Caribbean islands found during that time that their geographic location afforded them several days advantage over Jamaica during
transportion to Europe, and the Windward Island industry began to take off.

The European countries originally encouraged the banana industry among its colonies to help smooth out the balance of payments between the nations. During the original 1975 Lome conventions, the first set of preferences was created. Ironically, even at that time the idea of preferences for the colonial countries was contentious, being the last issue to be agreed upon during the 1957 Treaty of Rome signing. The preferences were extended to the colonial African, Caribbean and Pacific (ACP) nations. Of the ACP states, of course, the Protocol primarily applied to those banana-producing nations of the Caribbean: the formerly British-owned Eastern Caribbean island nations of Antigua, Grenada, St. Lucia and St. Vincent and the Grenadines, and the still-French owned Martinique and Guadeloupe.

While over time the protocol has undergone several revisions, the basic tenor of the agreement remains the same. A preferential market exists in Britain, France, Spain, Italy, Portugal and Greece for ACP nations. In Germany, the entire market is duty-free. In Denmark,
Luxembourg, Belgium, the Netherlands and Ireland, the market is subject to a 20 percent tariff.\textsuperscript{16}

In preferential market countries, preference is given to ACP banana imports over the Latin American bananas in several ways. First, any ACP-produced bananas are allowed free entry; Latin American bananas, in contrast, are subject to a tariff and quota system, adjusted monthly in line with demand. Second, a partnership agreement exists that allow traditional ACP importers to receive licenses to import most Latin American bananas. Finally, the protocol contains a safeguard clause which allows the Latin American quota to be completely adjusted if traditional supplies are disrupted, although at present this quota permits three times the volume of bananas from Latin America than from the Eastern Caribbean.\textsuperscript{17}

Yet the American companies had reason to complain, despite the fact that statistically, the Caribbean has always comprised a fairly small share of the overall European banana market, just around 10 percent.\textsuperscript{18} The one exception is the United Kingdom, where the Caribbean banana has held between fifty to sixty percent of that country’s market since the 1960s.\textsuperscript{19}
Although the United States brought the complaint ostensibly on behalf of both American multinational banana companies, Chiquita, Del Monte and Dole, Dole was noticeably silent about the issue, because Dole had arranged to acquire bananas from countries within the preferential system. Several observers have suggested that Chiquita’s failure to succeed in the European Market had little do with the EU’s market scheme and more to do with poor management. In fact, the company’s performance over the past decade is probably a result of its management decisions, decreased market share due to its competitors, and the European preferential market. Nevertheless, in 1994, after Chiquita filed a petition with the USTR alleging that the EU scheme had cost it millions of dollars in lost revenue, the United States began its full-fledged effort on behalf of all American banana corporations and the Latin American countries involved to have the regime dismantled.

Theoretical framework

The distinction is often made in international relations theory that the state is not to be considered as a unitary actor. While the state works as a single
entity in terms of action, i.e., in terms of formulating a
singular policy, such as a fiscal or foreign policy, there
are influences upon the decision-making process that must
coincide and agree (or disagree) to create an outcome.

It is Helen Milner's contention that a state's
actions, particularly in regards to foreign policy, must be
viewed through the prism of the interests, information, and
institutions of the state. Milner argues that the state is
not unitary, but rather polyarchic, more like a network of
sorts:

No single group sits at the top; power or authority over
decision making is shared, often unequally. Relations among
groups in polyarchy entail reciprocal influence and/or the
parceling out of distinct powers among groups.22

These groups interact with each other in a dynamic
that shapes the outcome, Milner writes. This is obviously
more true for some forms of government than others, but
even in a dictatorship, the dictator generally relies upon
some group or individual to maintain power over the masses,
e.g., a military or secret police. In the United States,
this notion of a polyarchic system is certainly applicable,
as it goes to the very heart of the American governmental
structure: a presidential form of representative democracy
tempered by a system of check and balances, with power to
the legislative and judicial branches. In the United States, much like most other forms of democracy, all three branches share power. Institutionally, therefore, the United States, according to Milner, is already polyarchic in nature.

Policies and laws are of course not simply influenced by politicians, but by the voters, who elect the politicians, and have the power to oust them, and last, but equally important, by special interest groups, who, to be blunt, fund the politicians. Milner incorporates these groups under the rubric of “interests and information.” Often the electorate is motivated by ideas, another term for ideology, or by their interests. For example, while some people always vote Democratic, following a particular ideology, others may vote simply on the issue of abortion, following a specific interest. All of the groups within the polyarchy are motivated by different interests and information, and the institutions are where they are manifested. It is important to point out here, though, that Milner makes the distinction that while interest groups may influence the decision-making process, they are not directly involved in the formulation of a decision. As shown in subsequent chapters, Milner may be incorrect in
her contention that special interests do not help to formulate government decisions.

Since this study is specifically concerned with the politics of trade policy, that is, the ideas, interests and institutions that shape American trade policy, the actors in this particular game need to be examined. Frederick Mayer presents three operating questions to begin his study: one must ask, he says, what is the game, who are the players and how do they play? Mayer defines several groups whose interactions together determine American trade policy: the U.S. Congress and its members; the Executive branch, including the President and departments that fall under the executive jurisdiction, such as the United States Office of the Trade Representative (USTR); other commissions which are quasi-dependent on both branches; and finally, but certainly not least influential, corporate, union and other special interest groups.

When examining the politics of American trade, foremost is the seminal work by E.E. Schattschneider, Politics, Pressure and the Tariff. Schattschneider’s work, published not long after the infamous Smoot-Hawley Tariff of 1930, argued that tariff was enacted in Congress because of domestic political pressures despite advice to
the contrary. The tariff, the highest at the time ever enacted by the United States, led, as economists predicted, to a domino effect of protectionism, with 26 other countries immediately enacting similar legislation and eventually encouraging a massive worldwide depression.

Thus we have then a picture of the trading state and the many factors of which it is comprised. This study has already outlined the first level of analysis when determining how trade policy is formulated: the internal, or domestic groups and their interests as played out in the institutions of the state. That said, though, another layer is necessary to make the level-of-analysis conceptualization complete.

It is fundamental first to recognize that any international or external policy is inextricably related to a state’s domestic concerns. One cannot consider foreign policy without an understanding of domestic policy. As already demonstrated from prior analysis - e.g., Schattschneider, who argued that it was domestic pressures that led to the United States enacting the 1930 tariff. To fully consider the politics of trade policy, one must consider not only domestic actors but also those in the international arena. In fact, even as a variety of actors
exist internally, others exist externally, and the game is therefore played simultaneously both domestically and internationally.

Robert Putnam uses the illusion of two game boards to explain this multiple-level nature of international diplomacy:

At the national level, domestic groups pursue their interest by pressuring the government to adopt favorable policies, and politicians seek power by constructing coalitions among those groups. At the international level, national governments seek to maximize their own ability to satisfy domestic pressures, while minimizing the adverse consequences of foreign developments. Each national political leader appears at both game boards. Across the international table sit his foreign counterparts, and at his elbows sit diplomats and other international advisors. Around the domestic table behind him sit party and parliamentary figures, spokespersons for domestic agencies, representatives of key interest groups, and the leader’s own political advisors.

Putnam sees the game, and the process, as decisions that must be made to function on two levels simultaneously. The state’s actions must fulfill dual interests: on both the internal and external, domestic and foreign. Perhaps it is best to conceive of the state as operating in two simultaneous spheres of decision-making and influence: both the domestic and the international. A state’s actions must satisfy pressures from both, and operate equally successfully in both spheres. Putnam builds his analysis
further with the idea of win-sets, that is, a majority of
groups or individuals within the domestic sphere that favor
a specific outcome at the international level. The larger
the win-set, Putnam reasons, the greater the support and
chance of success at the international level, as the leader
brings to the table more support from the domestic arena.

A rational explanation for U.S. actions during the
recent WTO banana dispute must involve these dual
interests, i.e., the situation must be viewed in light of
both the domestic and international pressures faced by the
United States in the situation. This thesis will detail
the multi-level nature of this decade-long dispute over the
Windward Island banana industry between the United States,
the Latin American countries and the European Community
nations.

Again, to reiterate Mayer's operating questions: what
is the game, who are the players, and how do they play?
Clearly in this case study the focus is on the politics of
trade revolving around the U.S. decision to bring a
complaint to the WTO. The first half of the work focuses
on the first level of the game: the internal or the
domestic pressures. Here the actors are not just the White
House, Congress, and the Office of the Trade
Representative, but also the all-important special interest
groups. In this particular case, Chiquita Brands CEO Carl
Lindner extensively lobbied various members of the American
government. As detailed in chapter two, Lindner operated
in the position of a high-powered businessman, whose
regular, extensive political favors and contributions
granted him easy and immediate, personal access to high-
level officials, including President Bill Clinton.

The second half of this study details the second
level, the external or international sphere of the case.
Here the picture quickly becomes much more complex simply
because the actors have multiplied. At this level sits not
only the European Union, but also the Eastern Caribbean
islands. Thus analysis must also look not only at the
European Union’s relations to the Caribbean, its former
colonies, as specifically seen in the case of the United
Kingdom and the Eastern Caribbean island nations, but also
at how the Eastern Caribbean relates to the United States.
Previously the Eastern Caribbean looked to Europe for its
primary economic support. During the Cold War the United
States was increasingly concerned with the islands, which
have remained largely peaceful, stable democracies. In the
post-Cold War era, how do relations stand between the Caribbean and the United States, and how does this particular incident fit into the broader scheme of American-Caribbean relations? Finally, this sphere also looks at recent American-European relations, arguing that the United States used this case to assert its power over Europe. These banana trade rules were a dispute that virtually guaranteed the United States a victory from the start, and the Eastern Caribbean was simply caught in the crossfire.

3 The original list contained 42 European imports, including Scottish cashmere, pecorino cheese, certain wines, furs, dolls and other items. After intense lobbying by large American corporations such as Mattel, Gillete Co., and the luxury fur industry, the items most affecting big businesses were removed from the list. Instead, items most affecting smaller businesses - many of whom were unaware of the retaliatory tariffs until it was too late to protest - have already lost millions of dollars in revenue. See Time, Feb. 7, 2000, "How to Become Top Banana."
6 United Nations Food and Agriculture Organization, (FAO).
7 Ibid.
8 Grocer, Nov. 8, 1997.
10 Formerly known as the Windward Islands Banana Association Network (WINBAN) WIBDECO, negotiates banana prices with Geest and monitors contracts with individual farmers and associations.
(The Caribbean figure excludes Suriname) FAO.


Ibid.


Ibid.


See Sutton (1997) and Newsweek (May 1997), and Time (Feb. 7, 2000) magazine reports. This point will also be explored in greater detail in chapter two.

Traditional theories of international relations have argued that states are single entities acting with a common purpose. It is not the purpose of this thesis to argue this point, and therefore, the author takes instead a more contemporary view of states. Following more recent scholars, such as Frederick Mayer, who writes simply, "one cannot take the state to dinner" (1991), this theory focusing on the idea that states, while single units, are made up an assortment of ideas, interests and institutions that often compete and/or compromise to determine a course of action.

Milner, 1997, p. 11.


Chapter Two
THE DOMESTIC SPHERE:
Congress, the White House and Corporate interests

Returning to Putnam’s sphere framework, within each sphere exists a variety of actors, each of which interact and negotiate to reach an outcome. In the case of the politics of U.S. trade policy, as already discussed, there are several groups of actors within the domestic or internal sphere: Congress, the White House, and the Office of the Trade Representative (USTR). Of course, there are also interest groups. More recent works have shown that the American political system is inextricably linked to interest groups, which act as lobbyists that provide financial and other favors in order to gain access and influence with American politicians. In this case study, it was the corporate interest group of Chiquita Banana, led by CEO Carl Lindner, whose successful lobbying efforts brought this case to the attention of the USTR, with the help of key members of Congress and the White House.

Chiquita’s Dominance

In a survey released just before the beginning of the year 2000, Chiquita Bananas made the top “American Brands of the Nineties” list, following Mercedes-Benz cars, Disney
World and others, and beating out Levi Jeans.\textsuperscript{1} This is not surprising, since 65 percent of American households buy bananas each week, many adorned with the bright blue and yellow “Miss Chiquita” label. The Chiquita banana is a well-recognized symbol, in large measure because its chief executive officer, Carl Lindner, has worked to make it so.

Certainly Lindner has behind him an impressive corporate history. Chiquita celebrated its 100\textsuperscript{th} birthday in 1999. Chiquita is actually a modern incarnation of United Brands Fruit Company (UFCO), the corporation that gave rise to the term “banana republic” and was given the nickname \textit{el pulpo}, or the octopus, because of its tenacious influence in Central America.\textsuperscript{2} The most infamous incident in UFCO’s history occurred in 1954, with a CIA-backed effort in Guatemala that resulted in an UFCO friendly regime.

After taking the helm of Chiquita in 1988, Lindner began to extensively lobby on behalf of the company. In recent years, his lobbying earned him a place on President Bill Clinton’s top donor list in 1994, and an invitation for an overnight stay in the Lincoln Bedroom in 1995. Lindner was also extended an invitation to a State Dinner and Vice-president Al Gore’s White House coffees, both of
which Lindner accepted. Why did Lindner, a Republican and devout Baptist who traditionally was a strong financial supporter of the Republican party, donate so much money to a Democratic party and a Democratic White House?

_The American Lobbying System_

While it has been often perceived that lobbying efforts in America are a recent development, the reality is that the relationship between big business and politics is not a new one, just one that is better documented in contemporary times. As previously discussed, in 1935 Schattschneider detailed how the Smoot-Hawley Act of 1930 was a tariff enacted largely because of political pressures. Likewise, American president Woodrow Wilson called special interests, their bosses and employees an "invisible empire" that has been set up "above the forms of democracy". It has been estimated that Lindner, his family and members of Chiquita Brands International, donated approximately $7.1 million in a successful campaign to encourage the administration of the United States to bring the case to the World Trade Organization. Of that $7.1 million, an estimated $4.2 million was given to the
Republicans, $1.4 to the Democrats, and an additional $1.5 million to Washington lobbyists.\textsuperscript{5}

Lewis suggests that the presidential campaign is not so much a beauty contest or a horse race but an “auction”.\textsuperscript{6} While that may be overstating the point, there is no doubt that money is an important factor in an American politician’s success. For example, in 1995, for the 1996 American presidential election to be considered a viable candidate, each person needed to raise $20 million just during the primaries.\textsuperscript{7} The most recent presidential primaries for the 2000 race saw Republican candidate George W. Bush spending $60 million during the primaries, assuring him the party’s nomination. Several potential candidates were so discouraged at the thought of needing to raise such a large amount of money (as well as the activities involved in raising such funds) that they no longer seriously consider entering the presidential race. One such individual, former Housing Secretary Jack Kemp, declined to run for the Republican party’s nomination in 1995 after learning that he would need to appear in 200 to 250 fundraisers to develop the money and connections to run a viable campaign. Kemp said he decided that rather than spending 80 percent of his time on fundraisers, he prefer
to fight for a cause he believed in. By contrast, as seen in the failed 1996 presidential campaign by multimillionaire Ross Perot, and more recently, in the equally unsuccessful 2000 presidential campaign bids by multimillionaire Steve Forbes (millionaire tycoon Donald Trump also was rumored to have considered running for the Reform party) all of whom had little, if any, political experience prior to the campaign, it almost seems as if the opposite were true. That is, for some, simply having enough money to run a political campaign is qualification enough by itself for elective office.

On a smaller scale, depending on the state, Congressional campaigns have similar financial requirements. In the much-contested 2000 Senate race in New York, at the beginning of the year candidates Rudolph Guliani, the mayor of New York City, and First Lady Hillary Rodham Clinton had already broken the fundraising record, with Guliani raising $12 million for his senatorial election committee, and Clinton collecting $8 million for hers. Guliani has also hosted $50,000 per couple fundraising dinners.

While the average American does contribute some to Presidential and Congressional campaigns, or to specific
parties, the majority of campaign funds are obtained from corporations or other lobbying organizations. Federal law adopted after the Nixon Watergate scandal limits individuals to a maximum donation of a $25,000 a year: $20,000 to a national party, $5,000 to a political action committee (PAC) and $2,000 per candidate, per cycle, allowing for one donation during the primary and another during the general election. This is often referred to as “hard” money. Corporations and unions are not permitted to give money directly to federal candidates. But they skirt these rules by contributing through what is referred to as “soft” money donations: contributions that are legal and unlimited, money that any corporation, union, PAC or individual can make to national party committees, such as the Democratic National Committee (DNC) or the Republican National Committee (RNC). These funds are to be used for so-called party-building activities. Corporations also often donate money through PACs established in their name.

Chiquita’s Lobbying Campaign

Lindner and his family channel much of their money through their PAC, the American Financial Group (AFG) political action committee. American Financial is the
holding company for many of the Lindner family’s business interests. In 1988, it was through AFG, an insurance company whose subsidiaries include Great American Insurance Company and the American Annuity Group, that Lindner bought up 87 percent of United Brand Co.’s outstanding shares and had himself installed as chief executive officer. As of the year 2000, the Lindner family owned the largest share of United Brands, now renamed as Chiquita Brands, or about 44 percent of the company.

Chiquita executives themselves have repeatedly denounced any suggestion that lobbying efforts on their part had improperly influenced the USTR’s involvement in the banana case. To imply that Lindner is responsible for the case, the Company has said, is to “blame Chiquita for seeking to have trade laws enforced instead of blaming the European Union for breaking the laws.” The Company also emphasized that five developing countries joined Chiquita in bringing the dispute, saying that:

American and Latin American businesses have suffered hundreds of million of dollars in lost business, while the true winners have been a handful of influential European banana marketing companies. Chiquita’s share of the European market was reduced by over 50 percent as a result of Europe’s illegal practices...These [GATT and WTO] decisions were based on the rule of law and made by GATT and WTO representative with no commercial interest in the dispute.
While it may not be possible to prove a direct connection between the money Lindner and his company donated and the fact that the United States brought the case against the EU banana regime to the WTO, the coincidence of key company donations and access granted to the White House and the USTR is indisputable.

In 1991, Lindner had donated a scant $4,000 to the Democratic party, and $37,000 to the Republicans. CBI as a company was beginning to perform poorly. In 1992, it posted its first loss under Lindner, a loss from continuing operations of $221.7 million. Losses continued in this area until 1998, with the exception of 1995 and 1997, during which time gains were $28 million and $.3 million, respectively. From 1992 to 1994, its stock went from $40 to $11 a share.

Chiquita, along with other large multinationals Dole and Del Monte, had in 1990 accounted for 75 percent of the world market through its dollar, or Latin American bananas. Chiquita had the largest share with 35 percent, followed by Dole with 20 percent and Del Monte with 15 percent.

In the early 1990s, the transnationals were well aware of the European Union’s continued determination to pursue its preferential practices extended especially to the ACP
nations under Lome. The “New Banana Regime,” (NBR) as it was called, took several years to develop and was a fairly transparent process, so when it took effect on July 1, 1993, came as no surprise. Other companies simply worked around the NBR. Dole, for example, had arranged to acquire bananas through countries whose fruit it knew the EU would accept. (Ironically, Dole, is in fact a modern incarnation of Standard Fruit, which was created after the antitrust breakup of United Brands at the beginning of the century.)

During the 1980s, Chiquita had acquired a subsidiary of Fyffes, one of the two banana corporations that dominated the Caribbean trade, and therefore had unrestricted access into the European market. Yet in 1986, Chiquita sold off its Fyffes subsidiary, thereby closing down on possible entry into the European market.

In 1992, under Lindner’s direction, while the new banana rules were being negotiated, Chiquita had oversupplied the market, intending to improve its relative position. Once the NBR rules took effect in 1993, this strategy backfired. The result was that in the mid 1990s, Del Monte and Dole, despite the new banana regime, actually increased their combined share of the overall European market, even though the overall market share by the big
three had fallen from 43.5 percent in 1991 to 41.5 percent in 1994. Chiquita was doubly battered by the overall decrease of the market share and by its competitors’ increasingly successful ability, at Chiquita’s expense, to survive in the European market. It is important to note here that despite these decreases the big three still retained the dominant share of the overall European market. Chiquita, similarly, maintained a share of the market of almost 20 percent, compared with the Caribbean islands’ 10 percent.

Yet Chiquita officials blamed the company’s losses solely on the preferential rules. Chiquita’s president, Steven Warshaw, attributed the company’s losses to the European regime, saying the “illegal regime” was the cause of Chiquita’s “poor financial results since 1992.” While again, the preferential regime was surely a cause of the company’s losses, certainly Dole and Del Monte’s respective growth, combined with the strategies Chiquita had undertaken in the early 1990s, also could be considering contributing factors.
The Senate

Chiquita commenced its crusade to get the rules rescinded through the usual means, by writing the government’s trade office requesting that an inquiry be made. When that move proved unsuccessful, the company stepped up the pressure; Chiquita used its already established network among Republican supporters to gain entry into the White House and the USTR. Several prominent senators were to advocate on Chiquita’s behalf in the White House: Senators Bob Dole, Trent Lott, Richard Lugar and John Glenn, all of whom advocated publicly and privately for the company.

Initially, though, it appears that the family’s requests to the USTR went unnoticed; internal USTR memos indicate the issue was of a low priority. In 1993, Carl Lindner’s son, Keith, the vice-president of Chiquita, wrote a letter to the USTR, at the time, led by Mickey Kantor, asking for immediate sanctions to be imposed upon the EU. Kantor had little response. Several months later, Carl contributed a quarter of a million dollars to the Democratic National Committee. At around the same time, Congressional representatives began to put additional pressure on the White House. In January of 1994, Senators
Dole, Glenn and Lugar wrote a letter to President Clinton. In it, they called for Clinton to make it clear to European Union officials that export quotas and licenses were "not an acceptable solution."  

The Lindners began to rally support among these U.S. Congressman, particularly Republicans like Bob Dole, a Republican from Kansas who had held first the Minority then Majority leadership position in the Senate, from 1985 until 1996, when he resigned to run for president. Dole had such close relations with Chiquita that he had used the company’s corporate jet during several presidential campaign bids. Later on, Dole’s successor as Majority leader Sen. Trent Lott, a Republican from Mississippi, was to take up Chiquita’s cause. Chiquita’s headquarters are in Cincinnati, Ohio, and Ohio’s Democrat senator John Glenn, the former astronaut and at the time chairman of the Committee on Governmental Affairs, was another supporter. Also backing Chiquita was Indiana Republican Senator Richard Lugar, who had served as chairman of the Committee on Foreign Relations and in the 105th Congressional legislature, in 2000, as the chairman of the Committee on Agriculture.
At the same time, Lindner began to shift his political contributions to the Democratic party. In 1994, Lindner and his family members personally contributed $255,000 to presidential campaigns, the bulk of which, $250,000, was given to the Democratic party, marking a significant shift in their giving pattern of contributions. Prior to 1994, the bulk of Lindner and company contributions went to the GOP.

The USTR and the White House

The Trade Office averages about five investigations into charges of discriminatory trade practices a year, and the banana dispute was the first investigation ever undertaken in which the company involved was not a direct U.S. exporter, that is, the bananas were not being exported from the United States, but third party countries, such as Honduras. In an internal USTR memo, two staff members said acknowledged that the investigation, if initiated, would be the first of its kind.\textsuperscript{22}

The USTR could, and did, claim jurisdiction under section 301 of the 1974 U.S. Trade Act. The senators who sent the joint letter in January 1994 were asking that the USTR do just that, to invoke section 301, which allows the
USTR authority to intervene if American interests are threatened by foreign trade practices and to impose sanctions upon the offending states.

In September 1994, Carl Lindner was able to have his first meeting with Kantor. It was hosted by Bob Dole at his Washington residence, the Watergate Hotel, as was the second meeting between Kantor and Lindner. On October 17, 1994, Kantor authorized the investigation under section 301. In an announcement about the complaint, Kantor said that “the discriminatory practices of the European Union have already cost U.S. banana marketing and distribution firms hundreds of dollars at a minimum.” Additionally, he said that the EU had been inflexible in attempting to address the U.S. companies’ legitimate concerns.

That same week, Lindner attended a White House dinner as a guest of President Clinton. A week later, the Vice-president Al Gore called Lindner, asking for a donation. By November 3, Lindner had donated another $50,000 through AFG. The same day, another Lindner company, Great American Holding Corp., donated $25,000, and American Money Management added an additional $25,000. Altogether, Lindner contributed, through those corporations, $100,000 to the DNC in a single day. By the end of 1994, Lindner,
his family and members of his corporation had contributed more than half a million dollars--$446,000 to the Republicans, and $254,000 to the Democrats.

On January 9, 1995, the USTR released a preliminary report, which said that the office had decided the EU regime did harm United States interests. Throughout the process, Lindner continued to contribute to both the Democrat and Republican parties. His combined giving was sufficient enough to place him at the number two spot of Clinton’s top donors list, and as such, on February 9, 1995, after attending a state dinner in honor of German Chancellor Helmut Kohl, Lindner was an overnight guest at the White House. Within two weeks, he was back at the White House again for coffee, a privilege reserved only for the exceedingly well-connected.26

Hawaii Banana Association strengthens the case

As Lindner continued giving money, his case was further strengthened by the Hawaii Banana Industry Association. Hawaii is the only state that produces bananas, and it does so primarily for internal consumption within the islands. According to the United Nations Food and Agriculture Office (FAO), the United States produced
6.2 million metric tons of bananas and plantains in 1998, the fourth to last in volume for the region, followed only by the Bahamas, Grenada and Barbados. By way of comparison, Ecuador, by far the largest banana producer, in 1998 produced 8.3 billion metric tons, and St. Lucia, a much smaller exporter, produced 77.7 million metric tons. The United States, according to the FAO, did not produce any bananas for export. Yet the Hawaiian industry did have a slight case for the WTO, though, in arguing that the restricted European banana prices had forced some dollar bananas into Hawaii’s market, driving down local prices.

On May 8, 1996, the United States Office of the Trade Representative formally presented its case to the WTO Dispute Settlement Board (DSB). In a position paper on why the case was initiated, the USTR argued that the regime discriminated against the American transnational corporations, which were under WTO rules allowed open access to these markets. The USTR further argued that the rules discriminated against the Latin American banana producing countries, hurting the Latin American economies.

From 1994, when the investigation was initiated, until early 1996, when the formal case was announced, Lindner and his associates had given more than $1.3 million to various
members of the American government, both in the White House and in the U.S. Senate. By early 1998, Senate Majority Leader Trent Lott publicly joined Carl Lindner’s campaign. In June, Lott had sent a letter to Charlene Barshefsky, Kantor’s successor. In July, Lott held a press conference to add his support to the issue, and in so doing, continued to place pressure upon the White House and the USTR. Lott said at the press conference that the United States should “protect the rights of our workers,” regardless of that the fact that there were no American industry workers involved, and urged that the United States retaliate against the banana regime.

Conclusion

The domestic sphere of U.S. trade politics includes several groups, including among them elected officials, government bureaucrats and interest groups, all of whom interact to help formulate policy. In the specific case of the banana trade dispute, the particular actors included among them key members of the U.S. Congress, including two Senate Majority Leaders, Bob Dole and Trent Lott, the Clinton White House and the USTR, including Representatives Mickey Kantor and Charlene Barshefsky, and the corporate
interest group of Chiquita Bananas, represented by its CEO Carl Lindner.

The American political system has been inundated with financial contributions from corporate or other special interest groups. Finance contribution rules adopted after the Watergate scandal have done little to curb large-scale giving. Soft money contributions from corporations and other special interest groups are what fund electoral campaigns, at almost every level of the federal government. As such, politicians find themselves courting the money-givers during campaigns, and the interest groups buy access to politicians and develop relationships that continue after the candidate has been elected to office.

It has been estimated that Lindner, who is a Republican, spent $7.1 million in lobbying efforts to encourage the U.S. government to bring the banana case to the WTO. Prior to his 1993 shift to giving to the Democratic party, when donating primarily to the Republican party Lindner’s requests for a USTR investigation had been virtually ignored. Lindner then began his intensive lobbying campaign by utilizing the connections he had already established with Republican politicians such as Bob Dole, so closely tied to Lindner that Dole had used the
Lindner corporate jet during his unsuccessful presidential campaign. It was Bob Dole who hosted the first meeting between Lindner and USTR Mickey Kantor. Eventually, Lindner became a top Clinton donor, which in return resulted in invitations to a State Dinner, a sleepover in the Lincoln Bedroom, and coffee at the White House. At key points in formulating the policy, Lindner donated enormous amounts to the Democratic party, some of it by personal request from the Clinton White House, including current presidential candidate Vice President Al Gore.

As a result of these combined efforts, the USTR first initiated an investigation in 1994, and by 1996 had formally presented its case against the European banana regime to the World Trade Organization. It was the first trade dispute of its kind that America had ever undertaken -- it did not involve any American jobs, and affected virtually no American industry, save a weak and indirect connection to the Hawaiian banana industry, grown for internal consumption.

2 The term "banana republic" is a derisive term usually applied toward Latin American countries, initially coined because it was viewed, and often rightly so, that Chiquita the corporation, backed by the military and political support of the United States government, essentially economically and politically controlled various Central American countries.
3 FEC Info database.
7 The presidential electoral cycle is scheduled for every four years. The year before the election, party candidate hopefuls compete within the party for its nomination. The nomination, determined at each party's convention, is based upon votes per state. Like the electoral college which elects the president, each state contains a certain amount of representatives proportional to the state's population. During the 35 state primaries which run between February and March of the election year, each candidate picks up a certain amount of representative votes, in addition to general population votes, needed to win the party nomination.
10 The Federal Election Commission (FEC) is a quasi-independent government agency established after Watergate, tracks all donations, which are public information. All of this information is accessible via the Internet; however, FEC's data is sometimes called "dirty" data because of minor discrepancies. For example, if Carl Lindner listed his name as Lindner, C., once and Lindner, Carl another time, they would not be considered to be by the same person. Several watchdog groups in Washington, including the Center for Public Integrity, "clean up" the data to account for any of these minor differences. All of the information in this study, unless otherwise noted, comes from Public Disclosure, an independent, not-for-profit campaign finance group run by two former FEC employees, accessible on the web at www.publicdisclosure.com or www.fecinfo.org.
13 Steven G. Warshaw, president and chief operating officer, CBI, in a letter to the editor of Time magazine, dated Feb. 7, 2000.
15 Dole, at the time called Castle & Cooke, actually began buying interest in Standard Fruit in 1964, and completely bought it outright by 1968.
18 Ibid.
19 Ibid.
20 Ibid.
23 Newsweek, April 28, 1997.
24 USTR, Statement by USTR Mickey Kantor, Jan. 9, 1995.
26 FECInfo Database
Chapter Three
THE INTERNATIONAL SPHERE:
Dependency, Domination and Flux

The international politics of the banana trade dispute becomes complicated because of the variety of actors and their pre-existing relationships. Unlike the domestic sphere, where the actors are individuals or groups of individuals, in the international sphere the actors are nations, or groups of nations. The international dimension of the dispute involves three sets of relationships: Europe and the Caribbean, the Caribbean and the United States, and finally, the United States and Europe.

To examine the roots of the particular case, it is necessary to first look to the colonial origins of the current preferential banana trade agreements and its effect on the relationship between the Eastern Caribbean islands and Europe. The second relationship is that of the Eastern Caribbean, or the English-speaking Caribbean on the whole, and its relationship with the United States. This relationship, certainly not one of paramount importance to the United States, has become even less so in the post-Cold War era, and consequently has shaped the U.S. response to the dispute. Finally, the most important relationship for the United States with regard to this case was the
relationship between itself and the European Union, if only because of the precedent-setting nature of the particular dispute. As the European Community continues to evolve, it presents a serious threat to America in the new millennium. As such, the two allies are undergoing a state of flux in their relations. The banana dispute represents the first instance of this strain, as a result of which the tiny Eastern Caribbean island nations appeared to be caught in the crossfire between the two superpowers.

Europe and the Caribbean: Colonialism and Dependency

According to Nurse and Sandiford, the West Indian island nations fit the classic definition of “peripheral” states. The idea of peripheral economies and states find its roots in colonialism, a mercantilist system that was designed to be extractive to the colonies. The colonies existed simply to provide raw goods and materials to the mother country. Today, the school of dependency argues that the former colonies, modern-day developing nations, find themselves remaining on the periphery, and the former colonial nations still in the center. When Nurse and Sandiford argue that the Windward Islands are located on the “periphery,” they are referring to the islands’
continued dependence upon a single, cash crop export to the center state to maintain their respective economies.³ When considering the relationship between Europe, in particular the United Kingdom, and the Caribbean, in particular the Windward Islands, it is best to view this relationship as one of former mother to former colony, of the center to the periphery. In essence, there remains a relationship of dependency.

**Single-Crop Dependence**

Bananas play a significant role in the Windward Island economies. (See Figure 1) On the whole, estimates are that the industry accounts for on average about 18 percent of the total Gross Domestic Product (GDP) in the Windward Islands.⁴ Bananas are also the largest employer on these islands. In 1990, it was estimated that those involved in banana production constituted 33 percent of the workforce in Dominica, and nearly 70 percent of the workforce in St. Vincent. In St. Lucia, while 20,000 people are employed by the industry, an additional 40,000 depend on the industry for income.⁵
The original colonial economies of these islands, much like the rest of the Caribbean, were concentrated on sugar -- the cultivation of sugar cane and its byproducts, including molasses and rum. But by the middle of the nineteenth century the brutal sugar industry, the first the prohibition of slavery, and later, after the United
Kingdom’s consumption shift from cane to beet sugar served to threaten the success of the Caribbean’s cane sugar industry. Cutting cane is an onerous activity, and one that free laborers at the time did not often undertake. The passage of the Sugar Equalization Act in 1845 also began to eliminate the preferential sugar market in Britain, negatively affecting Caribbean sugar trade.

As the economic attractiveness of exporting sugar waned, the islands turned to other products, such as cocoa and nutmeg in Grenada, limes in Dominica and cotton in St. Vincent. More recently, of course, the islands have shifted their respective foci to the service industry and tourism.

While banana production actually began in the Windward Islands in the nineteenth century, it was not until the early twentieth century that bananas became an export crop. Early attempts by United Fruit, beginning in the 1920s to cultivate a serious industry failed, due in part to disease and also a series of hurricanes in the 1930s. In 1950, production resumed under the British company Antilles Products Ltd., acquired in 1952 by Geest Industries. At the time Geest had already established a business in fresh fruit and flowers, and was contacted by the various Banana Growers’ Associations to ship and market all of the
islands’ bananas. Both the British government and the West India Committee, an association of business representatives with commercial interests in the Caribbean, actively encouraged and supported the Windward Island bananas entry into the UK market. In 1925, the Imperial Economic Committee had released a report entitled Report on Marketing and Preparing for Market Foodstuffs Produced in Overseas Parts of the Empire. The report suggested that the Windward Island banana production would diversify the UK’s source of supply to market, thereby breaking the monopoly held by United Fruit since 1902.

The Preferential Market

As members of the British empire, the Windward Islands industry, as with other members of the Caribbean, gained duty-free entry into the UK market. Fruit from non-Commonwealth areas like Latin America were subject to tariff and quota restrictions; in fact, the early market was such that Latin American imports were only granted licenses to import when there was a shortfall in supply. This arrangement began in the early 1930s, a period of rising protectionism throughout Europe. For the UK, it was viewed as an attempt to break the American and United Fruit
monopoly. During the 1930s and 1940s, the Commonwealth Caribbean, along with other parts of the British empire, were experiencing increasing social discontent and unrest, much of which was directed against the Crown. The UK’s promotion of the banana industry was also its attempt to help alleviate the socio-economic conditions of the region’s populace, as detailed in the 1945 Moyne Commission Report.⁸

In the years preceding the second World War and after, the preferential agreements with the Caribbean continued in various forms, beginning with the Treaty of Rome in 1957, then the Yaoundé Convention in 1963, which was replaced by the Lomé conventions, which began in 1975. When the first Lomé agreement was signed between the European Economic Community and the ACP nations, of the Windward Islands Grenada was the sole independent state. The other three islands, Dominica, St. Lucia and St. Vincent, were automatically associated with the European Community as colonial entities. Under Lomé, all ACP banana producers were granted duty-free access, while Latin American fruit faced a 20 percent tariff, as part the EC’s common external tariff.⁹
The Lomé agreements eventually evolved into the New Banana Regime, with essentially the same preferential arrangement that somewhat excluded Latin American bananas. Yet while ACP bananas were given duty-free access, Latin American bananas, operating under a regime that discriminated against them, still comprised more than 60 percent of the market. It was this final regime, that took effect on July 1, 1993, upon which the United States based its WTO dispute. At this time bananas from the Caribbean amounted to just 10 percent of the European banana market.

The Caribbean and the United States: Domination

Since the introduction of the Monroe Doctrine and the era of “Manifest Destiny” the United States expressed both in policy and practice beginning in the nineteenth century, the United States has maintained a relationship of dominance over the Caribbean, even while the region was still colonized by Great Britain. The 1823 Monroe Doctrine simultaneously proclaimed U.S. political supremacy and warned against European involvement in the Western hemisphere. The Roosevelt Corollary, added in 1904, set further parameters with the distinction that countries must make good use of their independence. What these documents
together reflected was Washington’s agenda of manifest destiny, of a “divine right” to rule the region, and eventually, to make the world safe for democracy. Beginning in Cuba in 1899, the United States subsequently intervened or invaded militarily in the hemisphere at least eight times, most recently in Panama in 1989. Originally, the United States justified its action under the Monroe Doctrine, intervening in nations in order to as Wilson put it in a different context, “make the world safe for democracy.” During the Cold War, the United States justified its behavior by its claim of promoting democracy and quashing any communist or socialist efforts in an attempt to prevent another Cuba, such as in Guyana and Grenada. Currently, however, in the contemporary, post-Cold War era, the United States had undergone a marked shift in regards to ideology, as it lacks an enemy and therefore an overarching strategic foreign policy regarding the Caribbean. This lack of grand, strategic vision has been especially true in the case of the Clinton administration, as throughout his presidency the United States has pursued its foreign policy without any strategic or arching ideology, but in its absence has approached problems in a
piece-meal manner largely influenced by narrow domestic interests.

Making the World Safe for Democracy

Initially, though, the United States espoused its infamous Monroe Doctrine, an ideology, indeed, a destiny, to model Latin America and the Caribbean into mini-models of the United States. The notion was that American companies and ideas were the best import for the other nations in the hemisphere.

One such case was of Guatemala in 1954, where Jacobo Arbenz sought to take his country in a political and economic direction counter to that of the United States, and paid the price for his efforts. Arbenz had introduced a program of land distribution, which involved reappropriating land owned by United Fruit Co. Arbenz offered UFC $1,185,000 as compensation for land the company had valued at $19,350,000. At the time, United Fruit, known as el pulpo, or the octopus, had been operating in Guatemala for over half a century. The company had built and monopolized the country’s railroads, controlled two of its ports and operated the telegraph system. At the urging of the company, the CIA backed an effort eventually led to
Arbenz’s resignation, at which time a more pro-United Fruit and therefore pro-American president was installed.

American relations with the Caribbean were indelibly shaped by Fidel Castro’s 1959 communist revolution in Cuba. After Castro’s revolution, the specter of “another Cuba,” another communist nation in America’s backyard dominated U.S. foreign policy toward the hemisphere. The principles of the Monroe Doctrine, over a century later, were still an essential factor in U.S. policy. A State Department press release dated from 1960 declared that the principals of the Monroe Doctrine were “as valid today as they were in 1823...Specifically, the Organization of the United States and the Rio Treaty provide the means for common action to protect the hemisphere against the interventionist and aggressive demands of international communism.” This policy found its expression in the English-speaking Caribbean with U.S. reaction to, first, Cheddi Jagan in Guyana and then in Maurice Bishop in Grenada.

Jagan’s rise to power came while Guyana - at the time called British Guiana - was still a British dependency. Jagan led the People’s Progressive Party (PPP), a pro-Marxist group, causing the United States to fear another communist-inspired regime. The CIA again entered the
picture, tapping into the local trade union movement to cause civil disturbances. The disturbances resulted in such public disorder that British troops landed, suspended the constitution and took the PPP out of office. Eventually, the pressure placed on Britain by the United States was such that Jagan was forced out in 1963. While overtly this was seen to be a British effort, the covert operations were maintained by the United States, demonstrating to what extent the United States was prepared to go to prevent another Cuba in the hemisphere.

Almost two decades later, in Grenada, Maurice Bishop’s New Jewel Movement (NJM) arose in opposition to Eric Gairy’s government. The NJM was at the least socialist in tone, and appealed to the largely impoverished masses of the tiny Eastern Caribbean island, whose livelihood depended on its spice trade. In March 1979, Bishop toppled the Gairy government in a coup d’etat, a move that no doubt alarmed the other West Indian islands, who were accustomed to the British-inherited, peaceful transition of government. It may, however, have been somewhat silently applauded by some of the West Indian islands that disliked Gairy, offended in particular by his authoritarian, sometimes brutal style of government. As Grenada’s West
Indian neighbors pondered their reception of Bishop, Cuba moved eagerly toward solidifying relations with the island, a move that angered and further alienated the United States. The Cuban ambassador in Grenada became increasingly involved with Bishop, who had earlier sought Castro’s counsel and support. This culminated in Bishop’s announcement in November of 1979 that 250 Cubans would soon start helping Grenada build a new international airport.

At that point, U.S.-Grenadian relations deteriorated even further. While the other West Indian states may not have supported Bishop, they certainly resented the United States’ influence in the matter. The fact that other West Indian states opposed the U.S. viewpoint, no doubt thinking that the United States was interfering, can be seen clearly in several examples prior to the 1983 U.S. invasion. In April 1982, President Ronald Reagan, vacationing in Barbados, invited other local heads of state for a mini-conference, but notably excluded Grenada and St. Lucia, which at the time was being governed by a radical wing of the Labour Party. The Caribbean response was instantaneous, with criticism led by Grenada’s most vocal critic, Barbadian Prime Minister Tom Adams. Adams noted that the islands did not wish to engage in “ideological
battles” with the United States. Later, in February 1983, at the CARICOM Heads of Government meeting, the leaders voted to accept “ideological pluralism” as a principle of their foreign policy. The underlying assumption, then, was for the nations to accept some variances in ideology between themselves, with the foremost goal of maintaining regional solidarity.

In 1983 the Bishop regime was brought to an abrupt halt by a violent coup within the People’s Revolutionary Government party. Bernard Coard, Bishop’s deputy prime minister and minister of finance, had marshaled enough support of his own within the party and the military. On October 13, 1983, Coard placed Bishop and several others loyal to him under house arrest, assuming leadership of the country. Six days later, on October 19, thousands of students marched on the house to free Bishop and confrontation took place at Fort Rupert. Between 50 to 400 people were killed by Coard’s group and the army. Bishop and several of his cabinet was executed.

Soon U.S. troops entered the country. The Organization of Eastern Caribbean States (OECS) held an emergency meeting in Barbados, a non-OECS country, the
result of which was a request for the United States to intervene in Grenada.

After the Cold War

The fall of the Berlin Wall in 1989 not only signaled the defeat of communism in most of the world, but also a victory for capitalism. In doing so, it left the United States without an apparent enemy for the first time since the end of World War II. Since 1989, what has shaped U.S. foreign policy, especially toward the Caribbean? Many observers have argued that the United States has actually had no overarching foreign policy strategy with regard to the Caribbean and Latin America. Instead, the United States, especially during the Clinton administration, has had a reactive rather than proactive strategy or policy in regards to foreign affairs. While it is arguable that this reactive attitude has characterized the Clinton administration generally, both in domestic as well as foreign affairs, the fact remains that the United States lacks an obvious enemy in the traditional sense. Indeed, Samuel Huntington has argued that America has undergone a crisis of national identity given the lack of an enemy to unite the country. As such, Huntington argues that without
any cohesive interest, U.S. foreign policy, and indeed, even the actual identity of the nation, is destined to be fought over by various domestic ethnic groups struggling for power.¹⁷

While this is a somewhat overgeneralized argument, Huntington’s initial thesis is not without merit. In fact, his theory resonates with other scholars who have quite rightly pointed out that American foreign policy, especially toward the Caribbean which has always of tertiary importance to the United States, has suffered from a lack of cohesive strategy since the fall of Communism. As such, beginning with President George Bush, and throughout Clinton’s presidency, the U.S. foreign policy toward the Caribbean can only be characterized as being largely motivated by either small, vocal and influential domestic interest groups, what can be termed “policy communities” or by a broadly-based fear of refugees, illegal drugs or terrorism.¹⁸ Here again Putnam’s theory of two-level analysis, especially in regards to win-sets, finds resonance: the more vocal or larger the amount of support domestically builds a country’s win-set, and greater chance of what that domestic win-set is advocating for to succeed at the international level.
Robert Pastor calls this kind of foreign policy the "postwar rhythm and blues," arguing that in 1992, the United States was in the midst of a post-Gulf War shift from extroversion to introversion, and that Clinton was first elected precisely because of his focus on domestic policy. Clinton also had to contend, Pastor argues, with issues remaining from the previous Bush administration, most notably, the North American Free Trade Agreement (NAFTA). Clinton's primary policy efforts in this hemisphere during the first two years of his presidency were related with NAFTA. Two years later, after the 1994 elections left Clinton with a Republican-led Congress, hemisphere policy became even more politicized. Foreign policy was a vehicle, a tool for winning constituent support, rather than a response to the world outside. Thus, Pastor argues:

Instead of relating US interests to changes in the world, as had been done in the past, the Clinton administration approached the challenge of remaining engaged globally from the opposite direction: managing the internal causes and consequences of international crises.

In this environment arose the outcropping of constituent groups, or so-called policy communities, small but vocal interest groups, usually ethnic minorities or what many including Bryan refers to as "hyphenated Americans" who
help formulate American policy.\textsuperscript{21} One such case is that of the Cuban-American community in South Florida, which makes up an important constituent group in the state of Florida, always a key state for presidential elections. While much of the South Florida Cuban-American ideology, unlike that of most Hispanic groups, is strikingly conservative and therefore finds support in the Republican party, the Democrats have always attempted to court the group as well.

In the absence of the Cold War, and with a general easing of tensions toward once adversarial nations, the United States has in actuality become more rigid in its relations with Cuba. For example, in 1997, when CARICOM proposed setting up a committee to examine whether to establish relations with Cuba, the immediate reaction in the U.S. Congress was of fury. Rep. Dan Burton, a Republican from Indiana, a strident, right-wing politician and a member of the Committee on International Relations for more than fifteen years, proposed a bill that would ban CARICOM trade privileges should the organization admit Cuba into its market.\textsuperscript{22} In this case the Cuban-American community adds to the win-set within Congress, such as Burton, and helps to perpetuate the anti-Castro stance the United States has taken.
Likewise, it can be argued that the U.S. policy in pursuing the banana dispute was defined by a similarly narrow interest, as detailed in the previous chapter, the constant and numerous financial contributions of Chiquita CEO Karl Lindner. Prior to Lindner’s efforts the United States had indicated no interest in pursuing this battle over trade. Once the investigation was initiated, however, the Caribbean nations attempted to lobby the United States as well, but to no avail. Between December 1994 and May 1997, members of the Organization of Eastern Caribbean States (OECS) met with representatives of the U.S. government, including USTR Kantor. In December 1994, at the Miami Summit of the Americas, a joint committee of the OECS and the U.S. Trade Office convened on the banana issue. The month prior, Lindner had reached a peak of his lobbying campaign in spending a night in the Lincoln Bedroom. The United States, according to the Caribbean leaders, took an uncompromising position, and told the OECS leaders that there was no room to negotiate. In May 1997, Clinton met with the OECS in Barbados. Vaughn Lewis, at the time St. Lucia’s Prime Minister, presented a position paper to Clinton outlining the importance of the banana issue to the OECS economies. Clinton, at the time,
misleadingly professed that he knew little about the issue, and promised to look into it. Nothing of substance materialized.  

The United States and Europe: A Relationship in Flux

The emerging post Cold War structure had ramifications, of course, for U.S. relations beyond the hemisphere. As communism began to fade throughout Europe, so did the power of the Soviet Union. The United States emerged from the Cold War as the sole surviving superpower, changing the very structure of world politics. Huntington argues that the global structure of politics has shifted from a bi-polar system to system where the United States is the lone superpower surrounded by several major powers. Other scholars have supplemented this argument with the theory that the single-most significant threat to U.S. superpower status, both economically and politically, comes from its closest ally, Europe and the European Community. Fred Bergsten calls the introduction of the euro the first currency that could viably rival the American dollar, and as such the euro represents a seismic shift because of its threat to America’s supremacy. The two-way trade across the Atlantic between the United States and Europe is indeed
a massive, paramount alliance: relations between the two have been recently valued at between $300 and $400 billion in trade flows, and an additional $600-700 billion in two-way investment. Yet in this particular relationship, both Europe and the United States, while remaining close allies, are in a period of flux: both are attempting to define and demarcate the status of their respective relationships, and the banana dispute served as the first major example of this.

Post-Cold War

The end of the cold war left the United States with an inflated self-image that Samuel Huntington characterizes as “benign hegemony.” Ironically, this view of the United States as the singularly necessary world power is mistaken, for it lacks an acknowledgement of the other major powers within the system, such as the European states or China. Perhaps the best expression of America’s pretensions of superiority comes from Secretary of State Madeline Albright, who has called the United States the “indispensable” nation and has said that as the United States, “We stand tall and hence see further than other nations.” While it is obvious that the United States
certainly plays a role in most major global problems and situations, it is certainly plausible and arguable that other nations are equally as important to the international community.

This American attitude of superiority finds its expression as U.S. government officials insist that the United States is merely working with the rest of the international community in order to advance "universal" values, as Deputy Secretary of the Treasury Lawrence Summers said, while in reality, the United States is often pushing unilateral action that advances American interests. Huntington recalls the astute observation by a British diplomat that one only reads about the world’s desire for American leadership within the United States, whereas elsewhere one reads about American arrogance and unilateralism. While this attitude has found its most obvious display in American military operations, either in the Gulf War or Panama, for example, it appears as well in American foreign economic policy. For example, Huntington refers to America’s "bludgeoning" of other countries to get them to adopt economic and social policies that benefit American economic interests.
Huntington sees the single most important threat to the current unipolar, major power system as not only the formation of the European Union, but the creation of the euro, a common European currency. Bergsten concurs, likewise calling the introduction of the euro potentially a seismic shift in the world power structure. The euro, in his telling, represents the possibility of facilitating a return to the bipolar international system, at the very least in economic terms. Bergsten argues that economic relations between Europe and the United States must rest on a foundation of equality, although the two have yet to develop how exactly this will occur. Instead, as the two strive to begin to define this new relationship, they have focused on narrow, technical issues, beginning with the banana case. In Bergsten’s words:

> Officials devote enormous attention to minutiae but none to common strategy or the requisite institutional mechanisms for tackling a growing number of acute challenges. They react on an ad hoc basis to virtually every problem that arises while failing to anticipate readily foreseeable obstacles.

Both Europe and the United States have failed to develop an overarching strategy in regards to economic relations between the two, perhaps because simply reacting to issues, especially minor ones, entails little risk.
Conclusion

Certainly the banana case is one that presented little risk to the United States. It was a virtually assured victory, as the WTO had already ruled several times that the regime was discriminatory. Furthermore, in the post Cold War era, the United States has viewed the Caribbean as increasingly irrelevant, and has undertaken policy changes in the region only after being encouraged to do so by particular policy communities, such as the Cuban-American community in Miami. In this case U.S. foreign policy was influenced by the narrow corporate interest group of Chiquita Bananas, set its own best interests foremost. Coupled with the rising influence of the European Union, the United States used this case as an opportunity to assert itself, in a minimal-risk, almost assured victory situation, in regards to the European Union.

1 Nurse and Sandiford, 1995.
3 The one exception is the island of Grenada, which is a significant exporter of the spice nutmeg, and also cultivates a tourist industry, somewhat diversifying its economy.
5 Ibid.
6 Ibid.
7 Ibid.
8 Ibid.
9 It has been previously noted in the first chapter that Germany initially refused to sign the Treaty of Rome in part because of the preferential banana regime it established. In 1957, Germany had an
annex of a special banana protocol which still applied; Germany did not
sign the Banana Protocol of Lomé, and the tariff applied to all member
states but Germany for this very same reason.

10 Dosal, Paul. Doing Business with Dictators: A Political History of
United Fruit in Guatemala, 1899-1944. Wilmington: Scholarly Resources,
1993.

11 Maingot, Anthony. "Caribbean International Relations," The Modern
266.

12 Rabe, Stephen, The Most Dangerous Area in the World: John F. Kennedy
Confronts Communist Revolution in Latin America. Chapel Hill:
University of North Carolina, 1999 and Boodhoo, Ken, paper presented at
Globalization conference, Institute for International Relations, St.


15 Boodhoo, Ken. "Violence and Militarization in the Eastern Caribbean:
The Case of Grenada." Militarization in the non-Hispanic Caribbean.

16 See, for example, Bryan, Anthony, "The New Clinton Administration and
the Caribbean: Trade, Security and Regional Politics." Journal of
Interamerican Studies and World Affairs, Spring 1997, p. 101. Also,
Pastor, Robert, "The Clinton Administration and the Americas: The
Postwar Rhythm and Blues." Journal of Interamerican Studies and World

17 For more on this debate, see Huntington’s “Clash of Civilizations"
Foreign Affairs, Summer 1993, v72, n2, p22 (28). See also Huntington’s
subsequent arguments, including "The Erosion of America’s National
Interests." Foreign Affairs, 25th Anniversary Issue, September-October


20 Ibid., p. 100.


22 Ibid.

23 Personal interview, Vaughn Lewis, Trinidad and Tobago, March 2000.


25 Bergsten, Fred. "America and Europe: Clash of the Titans?" Foreign

26 Europe, Commission of European Communities, May 1999, 386, 8(2).

27 While Huntington uses the term “benign hegemony,” perhaps a better
term is that of selective hegemony, still an oxymoron, but maybe more
accurate. This term is more indicative of the U.S. situation, as
expresses the fact that the United States tends to choose specific
situations through which to express its power. In other cases, the
United States does not act as all. The Caribbean is actually a good
example of this selective hegemony: in certain situations, such as
Panama, the United States aggressively pursues its interests, arguing
that it must as the world’s lone superpower, while in others, turns a
blind eye.


29 Huntington, 1999.

30 Bergsten, 1999.
Bergsten, 1999, p. 23.
To return again to the original operating questions posed by Frederick Mayer: what is the game, who are the players and how do they play? This study has attempted to detail U.S. involvement in the decade-long banana dispute, essentially, not just how and why the United States involved itself in this European-Caribbean affair, but also exactly who were the individuals and groups that helped to create this event. The United States used this banana trade dispute as an opportunity to serve dual domestic and international purposes, which in the end furthered its own interests as well: first, pursuing the case rewarded a long-time political and financial supporter, Chiquita CEO Carl Lindner, helping to affirm and perpetuate the all-important American lobbying system. Finally, and more importantly, the dispute served as an opportunity for the United States to demonstrate power over Europe, albeit, and perhaps even because, it was a third-party dispute, where the United States and Europe did not directly clash. The dispute served foremost as a symbolic victory for the United States as its first attempt to define an economic relationship against the growing presence of the European
Union. While the third player, the Caribbean, was caught in the crossfire of this dispute, it is important to remember that the region still played an essential role, without which there would not have been a dispute.

Methodology and framework

This study utilizes the framework set out by first Milner and then Putnam. Milner argues that foreign policy results from interests, institutions and information, a polyarchic system of groups that share power, although not necessarily equitably, during the decision making process. The U.S. system fits perfectly into Milner's notion of polyarchy; the very structure of American government is a tripartite system of executive, legislative and judicial governing bodies, as influenced by the electorate and interest groups. For the purposes of this study, Robert Putnam takes Milner's analysis further with his depiction of policy making, particularly foreign policy, as occurring at two levels, or perhaps more succinctly, in two spheres. Putnam sees the game as one in which the major leader is surrounded by two simultaneous spheres of influence, one domestic, or internal, one international, or external, each with its own set of actors and groups that apply pressure
and influence to the decision making process. Putnam’s “win-set” theory argues that the greater the amount of domestic support for an issue, the larger the win-set and greater chance of success at the international level. Within this study, domestically, the politics of banana dispute involved key members of Congress, the White House, the USTR and the special corporate interests of Chiquita Bananas Inc. who helped to build a powerful win-set. Internationally, it involved relations between Europe and the Caribbean, the Caribbean and the United States, and the United States and Europe.

Chiquita’s Lobbying Influence

The Chiquita Brands International of today is in actuality a modern incarnation of the infamous United Fruit Company of old, the very same company that gave rise to the term “banana republic” for its tenacious hold over some Latin American countries. While it was initially broken up by the U.S. Department of Justice for antitrust violations, which, ironically, occurred at the same time as another arm of American federal government, the CIA, was encouraging insurgency in Guatemala against Arbenz’s land appropriations schemes, the company has retained a dominant
position in the world banana market for over a century, although in the past few decades that has been shared with Dole Brands and Del Monte, also American companies. Together, these big three have around 75 percent of the world market in bananas, and similarly retain a majority share in the European Market, which discriminates against its "dollar" bananas, which are cheaper than Windward Island bananas. This is because the Latin American banana is produced on large plantations, and as such enjoys large economies of scale, and overall a more efficient means of production, as compared with the Caribbean product. Moreover, Latin American bananas are better in quality and maintain consistent size and color, an important part of the contemporary consumer market. Dole and Del Monte have managed to actually increase their share of the European market despite the preferential regime. Chiquita, however, claiming that its company suffered significant financial loss because of the European preference system, took its complaint to the USTR.

The American political and electoral system of campaigning is such that it has become routine for interest groups, whether they are ideological or corporate, to be campaigning politicians. As such, relations are developed
then that continue after politicians get elected, as evidenced in part by the case of Lindner and his lobbying efforts for Chiquita in Washington. Prior to Lindner’s lobbying, it does not appear that the United States seriously considered taking on the banana regime through a WTO dispute. In fact, prior to his extensive campaign that began in 1994, Lindner made an initial attempt in the early 1990s to ask the government to initiate an investigation, but was rebuffed. During the course of his extensive lobbying campaign, it has been estimated that Lindner contributed around $7.1 million: $4.2 million to Republicans, $1.4 to Democrats and an additional $1.5 million to Washington lobbyists.

It was only after Lindner hired Washington lobbyists, marshaled the support of key Senators, such as Bob Dole and Trent Lott, and began actively contributing to the White House that the USTR Mickey Kantor announced the initial investigation in 1994, and then the formal WTO case in 1996. It was Lindner’s lobbying, as he was granted access to key officials because of his extensive financial and other political support, that brought the case to forefront of the United States’ attention. In first initiating the investigation and finally bringing the case, the Clinton
administration was able to reward an extremely influential lobbyist. During this dispute, other businesses also attempted to lobby the U.S. government over the issue, especially concerning the list of sanctioned items that were subject to a 100 percent punitive tariff\(^2\). Large companies such as Gillette were able to successfully lobby the government to have items related to its industry taken off the prohibited list; other small businesses who did not lobby the government had items affecting their businesses remain on the list. By rewarding Chiquita and Gillette, two companies who worked within the political system of lobbying, the Clinton administration and members of Congress were affirming the lobbying system. In marshalling Washington to its cause, Lindner built up a powerful win-set against Europe and the Caribbean’s case.

*Dependency, Domination and Flux*

It is ironic that the original banana trade agreements between the United Kingdom and the Eastern Caribbean island nations were developed partially as an attempt to break the monopolistic hold the United Fruit Company had on the UK’s banana market toward the beginning of the century. Bananas had replaced sugar as the “green gold” crop of export of
the Caribbean toward the beginning of the 1900s, and as an attempt to both break United Fruit’s monopoly and encourage an industry in the colonial Eastern Caribbean islands, preferential trade agreements for the banana industry were created. Indeed, the relationship was not simply between the United Kingdom and the Eastern Caribbean, but largely, as first expressed in the Treaty of Rome in 1958, and later in the Lomè Conventions, between Europe and 71 African, Caribbean and Pacific colonies. When the Lomè Conventions were formally enacted in 1975, of the Windward Island countries of Dominica, Grenada, St. Lucia and St. Vincent, only Grenada was independent; the rest were still under the British Crown. While the initial relationship between the two was one of empire to colony, the relationship remains one of dependency, with these Caribbean nations relying on a single crop export, bananas, to maintain virtually their entire economy.

On average, bananas account for about 18 percent of the total GDP in the Windward Islands. In 1998, bananas comprised an average of approximately 27 percent of total exports, with the lowest being 12.5 percent in Grenada and the highest 42 percent in St. Vincent. Similarly, the banana industry is also the largest employer in these
islands, accounting for nearly 30 percent of jobs in Dominica, and 70 percent in St. Vincent. Banana production in the Eastern Caribbean occurs largely by small growers or individual farmers on small plantations, in contrast to the large-scale plantations in Latin America, where workers are paid less.

While the Lomè convention is a formal expression of the preferential relationship between Europe and its former colonies, it has become threatened by both the European Community and its Single European Market, as well as the continued globalization of the world economy. The Single European Market, of course, requires that all participating nations integrate their trade schemes. In the case of bananas, e.g., the United Kingdom and France had maintained preferential schemes while Germany did not. Indeed, the preferential banana scheme, which discriminated against Latin American imports, had already been found in violation of both GATT and then WTO trade rules, prior to this most recent, and equally unfavorable, ruling.

If this case is any indication of the future of European-Caribbean relations, then it points to the waning common heritage, and subsequent relationship, the two have maintained for over 500 years. As is the trend with all
former colonies as formally expressed in the Uruguay Round of trade negotiations, Caribbean nations can no longer guarantee that their former colonial connection to Europe will ensure protection and assistance, particularly in regards to trade preferences. Dependence on a single crop makes for an especially vulnerable economy. Product diversification, however difficult to achieve, is clearly needed, something that Nurse and Sandiford forewarned years before this final, and apparently most serious dissolution of the trading scheme. This warning has been especially true in terms of trade and development assistance, something Sutton refers to as one diluted by both time and the pace of global change. And as this case indicates, it is increasingly true that within this modern global economy, smaller economies such as the Eastern Caribbean stand to be pushed aside in terms of larger nations’ goals and interests.

In terms of relations between the Caribbean and the United States, the domination of the United States has been a constant presence since the Caribbean was still under the colonial empire of Europe. Beginning with the Monroe Doctrine, and later with the Roosevelt Corollary, the
United States set out to make the hemisphere safe for democracy, and the Caribbean was no exception.

Since the beginning of the Cold War, particularly with the Cuban Revolution of 1959, the United States focused on containing the communist element in the hemisphere to Cuba, and as such combated leftist and quasi-communist governments in first British Guiana (while it was still a UK dependent) and then in Grenada. The CIA worked to undermine Guiana’s Cheddi Jagan by tapping into the local trade groups to cause public unrest, and working covertly to encourage the British to force Jagan out of office. In the 1980s, under Ronald Reagan, U.S. troops entered the tiny Eastern Caribbean island of Grenada after a bloody coup within the ruling socialist party, Maurice Bishop’s New Jewel Movement. Until Bernard Coard led the internal coup, which resulted in numerous deaths, including Bishop’s execution, the other Caribbean nations had at least cautiously indicated some support of the regime, much to Washington’s consternation. Largely, though, because the English-speaking Caribbean has generally enjoyed stable, democratic governments since independence, the United States has been less concerned with the region.
The demise of the Cold War, has made the region less significant to the United States. This is even more so true in the English-speaking Caribbean, which has enjoyed a tradition of stable democracies. Ken Boodhoo uses the term policy community to describe the narrow interest groups who have attempted to fill the ideological vacuum left by the end of the Cold War. Anthony Bryan and Robert Pastor have characterized American strategy toward the Caribbean in the 1990s as a type of reactive rather than proactive policy. The United States in this piece-meal approach has deemed the plight of the Eastern Caribbean economic situation relatively unimportant, the only possible help the current renegotiations the trade assistance to the Caribbean, now being considered in Congress. Unlike the Cuban situation, there is no vocal, politically significant group of "hyphenated Americans" who attempt to influence American-Caribbean policy.

Until or unless these islands pose a serious security or domestic political problem, such as drug trafficking or a flood of migrant populations, the United States will likely continue to summarily disregard the region, as it did when the OECS attempted to persuade the United States to reconsider on the banana issue. While a massive flood
of immigrants from these islands is an unlikely scenario, the threat of illegal drug cultivation and trafficking is a very real one for these islands. If past policy of the United States has been any indication, it will not be until a serious problem arises that the United States will devote any attention to the issue.

The underlying, and most important influence throughout this entire case, however, lies in understanding the relationship between the Europe and the United States, for changes within this relationship are really what motivated the United States to pursue this case. The combination of the end of the Cold War and the advent of the European Union, along with its euro dollar, has signaled a possible a seismic shift in European-American relations, largely because the European Union presents the first serious threat to American economic and political hegemony. Samuel Huntington calls America’s position in the world system an inflated self-image of “benign hegemony,” one in which the United States assumes it is the only essential superpower remaining in the world system. While it is certainly true to say that the United States may be the only superpower, Huntington is correct to point out that the United States is surrounded by many major
powers. The rising power economically as well as politically, is Europe. Fred Bergsten sees the global economic identities of both Europe and the United States as virtually similar: the EU accounts for about 31 percent of world output and 20 percent of world trade; the United States, similarly, accounts for 27 percent of output and 18 percent of world trade. The introduction of the euro has particularly served as an indicator of this seismic shift economically, in terms of the euro being the first currency to pose a serious threat to the dollar.

What has made this emerging power struggle difficult to characterize and perhaps even to observe, however, is the fact that America and Western Europe (the core of present-day EU members) have since 1950 enjoyed a strong alliance. As the two begin to define and work out the terms of their new relationship, particularly economically, both sides are understandably reluctant to make bold moves, given the added risks of the relationship. Bergsten has argued that a gulf exists between Europe and the United States, both of whom have more recently focused on small, technical issues in an attempt to negotiate the changing terms of their relationship. This contention is evidenced
by the ongoing disputes in hormone-treated beef, the steel industry or disagreements regarding pharmaceutical testing.

The banana case symbolizes a shift in European-American relations. The United States, recognizing the need to assert its power, chose a minimal risk, minimal loss case in order to display a show of power. The concern in Europe, of course, is that the United States continues to display a sort of superior superpower attitude, as evidenced by USTR Barskefksy’s statement that the United States is attempting to combat “unilateral” EU action against Latin American imports. It would behoove the United States to recognize Europe’s increasing influence, and begin to work with the EU in an earnest, more equitable type of arrangement. The concern for the EU is in a broader context regarding the WTO and enforcement. The banana regime has been repeatedly ruled in violation, and it is important for Europe to set an example of compliance with the WTO rulings, as they have not in past banana rulings truly done so.

It is likely that the relationship between the two will be worked out incrementally, through small cases rather than in major issues. It is significant that this dispute was not a direct confrontation, but done through a
third party: the Caribbean islands and their preferential trading scheme. What the banana case is perhaps most indicative of is this newly emerging economic relationship between the United States and Europe. The end of the Cold War has seen, indeed facilitated, the rise of Europe’s power. In an attempt to define itself and how it relates to others, particularly Europe, the banana case was a relatively painless cause for the United States to take up. The Clinton administration regarded the Eastern Caribbean as relatively unimportant, even more so in the era of a globalized, post-Cold War economy. The case was persistently brought to the administration’s attention by an influential and powerful lobby in Carl Lindner, who managed to garner strong and bipartisan support for his cause, which had virtually little opposition among either the American public or influential policy communities. To use Putnam’s language, in this particular case the international actors of Europe and the Caribbean faced a powerful win-set domestically. Lindner had marshaled senior, bi-partisan support in Congress and the White House.

In pursuing the case, the United States realized that it could satisfy this particular domestic interest and an
important international interest, a positive, if minor victory over an ascending Europe.

2 The United States initially had a list of 42 European imports that were to be subject to a 100 percent tariff. The United States had claimed this would be compensation for the money lost by American companies who were subject to European tariffs on their Latin American bananas in the preferential system.  
3 Nurse and Sandiford 1995.  
5 Boodhoo, 2000.  
6 Huntington, 1999.  
7 Bergsten, 1999.  
8 Ibid.


Dosal, Paul. Doing Business with Dictators: A Political


Lewis, Vaughn. Interviews and email correspondence,
Trinidad and Tobago conducted between January - March 2000.


Obtained online at http://www.undp.org

---. *Human Development Indicators,* 1999.

---. *Economic Development Indicators,* 1999.

United States Office of Trade Representative.

Statement by Mickey Kantor, Jan. 9, 1995.

---. *Position Paper on Banana Issue.*
