

# THE UNITED FRUIT COMPANY IN CENTRAL AMERICA: HISTORY OF A PUBLIC RELATIONS FAILURE

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## ABSTRACT

The relationship between the United States and Central America has often been violent and strained. Since the beginning of the 19th century, U.S. multi-national companies have played a significant role in American foreign policy objectives in the region, which many blame for the conflicts over the past century. No other multi-national has played a bigger role in Central American political and economic history than the United Fruit Company, which has dominated the banana trade in this region since 1899. The purpose of this paper is to analyze the public relations endeavors of the United Fruit Company during its most turbulent years, beginning in the 1940s and focusing on the company's PR effort through the Cold War. United Fruit's relationship with the media is discussed, as is the role of Edward Bernays in United Fruit's strategy.

## INTRODUCTION

### An Overview of U.S. Relations with Latin America

In recent years the relationships between the United States and the countries of Latin America and the Caribbean have taken on increased importance as the issues of international trade blocks, immigration policies, and national security have become everyday concerns. While the role of the United States as a power in the Western Hemisphere remains unchallenged, the country's relationships with its neighbors has by necessity changed dramatically over the past decades. While this is due in part to the decrease in the perceived threat resulting from communist or socialist factions within the region, it is also the result of an increased awareness of American activities across borders, as well as of the results of past U.S. governmental and economic presence across national boundaries. The ties between political policies and American multi-national business operations have been most evident in Latin America, and often the results have been exploitation of developing economies and populations, economic dependency, and social upheaval (Black 1991). While this activity has often gone un-noticed by generations of Americans, the people of the Latin American and Caribbean nations have developed what could modestly be described as negative feelings not only toward the government of the United States but also toward the American business operations that they feel have profited from the resources of their nations. At the same time, many Latin Americans are aware of the roles that U.S. multi-national corporations have played in the political histories of their countries, and the detrimental affects of this involvement.

Perhaps the most famous case of American multi-national business in Latin America is that of the United Fruit Company (UFCO), later United Brands. According to McCann (1976, p.160), "United Fruit mirrored American economic and political determinism" in the region. Beginning in 1899, the company's involvement in Central America and the Caribbean began to typify what many Latinos came to believe were business practices designed to develop and maintain an economic dominance of the area, enabling American business operation to exploit the natural resources of the region while re-patriating the profits to the home country. From its inception United Fruit did indeed generate immense profits (see Table 1), and the methods that the company used to cultivate political relationships with the Latin American host countries have been well documented in past studies. In short, the company became famous for supporting a small percentage of the host country population, which coincidentally, were often the same individuals and families who were in political control, this to maintain profitable operations south of the border. The result was a region

dependent on U.S. economic intervention and an overwhelming influence of American multi-nationals such as United Fruit. (For a description of Dependency Theory see Prebisch 1972).

The Latin American relationship with the United States, influenced as it was by commercial interests by U.S. multi-nationals, has been strained at best. The oligopolistic nature of business practices in the region eventually lead to social upheaval in many instances and outright revolution in Cuba and Nicaragua in 1959 and 1979 respectively (Rodriguez 1991). American expansionism prior to the founding of UFCO paved the way for foreign business operations. Beginning with the Polk administration in the mid-1800s and culminating with Theodore Roosevelt's famous involvement in both the Spanish-American war and the "conquering" of what is now Panama, American intervention became common practice in both Central America and the islands of the Caribbean. American business interests in the region were generally supported by government power-plays and on several occasions by U.S. Marines (Lefebber 1984). Once under consideration by the Confederate States for annexation in order to increase slave-holding areas, several commercial operations including rail, mining, and food exports were underway before the turn of the century. By 1898 this portion of Latin America had become accustomed to a "yanqui" presence politically, economically, and militarily.

**Table 1**  
**Asset and Capital Stock Growth During Formative Years of United Fruit 1900-1913**

Year	Assets	Capital Stock	Dividends
1900	\$16,949,753	\$11,230,000	\$1,119,257
1901	18,469,490	12,369,500	1,084,767
1902	19,251,189	12,369,500	1,051,407
1903	21,314,675	12,575,500	877,150
1904	22,824,251	15,782,500	967,675
1905	24,413,114	17,485,000	1,167,792
1906	26,599,683	17,961,000	1,235,745
1907	32,721,183	18,525,000	1,419,350
1908	35,215,178	21,328,300	3,524,484
1909	40,756,493	21,340,000	1,707,042
1910	45,033,752	23,474,000	4,011,472
1911	52,232,833	27,058,900	4,626,612
1912	67,500,393	36,594,300	5,101,678
1913	82,545,384	36,619,300	2,927,544

(Adams 1914)

#### 1899: Birth of the United Fruit Empire

The genesis of the United Fruit Company is generally credited to one event. In 1870 Lorenzo Baker, a schooner captain out of Wellfleet, Massachusetts, bought several stems of green bananas in Port Morant, Jamaica for twenty five cents a bunch. Eleven days later he sold these same bananas in New York for ten times what he had paid (Wilson 1947). On subsequent trips he continued to profit, and with the purchase of an auxiliary steam engine for his ship in the 1880s Baker could dependently supply bananas to the Northeastern markets with little chance of spoilage along the way. In 1885 Baker formed the Boston Fruit Company with a banana salesman named Andrew Preston, and the banana market expanded at such a rate that Baker could sell his product as fast as he could fill the cargo holds of his boats.

At the same time, the Costa Rican rail line between San Jose' and the Caribbean port of Limon', was being built by Minor Keith. Keith was an American entrepreneur responsible for the construction of the majority of rail lines in Central America, and was considered by some to be the most influential North

American in the region's business community (Pollan 1944). Keith also owned several banana plantations along this rail line but, according to Pollan was deep in debt and on the verge of bankruptcy. Understanding the need for waterborne transportation to American and European markets, Keith approached the Boston Fruit company, and on 30 March, 1899 the United Fruit Company was born.

While the entire history of the Central American Banana trade is too vast in scope to be covered here, the banana industry fluctuated over the following decades but generally gave extremely favorable financial gains to United Fruit. The company expanded its operations and landholdings to include areas in Honduras, Guatemala, Panama, Nicaragua, El Salvador, Cuba, Ecuador, and southern Mexico, among other regions (see Figure 1). The empire of United Fruit grew to vast proportions, epitomizing the "tropical empire" made famous by American and British multi-national operations. According to McCann (1976, p.34)

"....there was something at once very exciting, very masculine and very romantic about the company....It was a mixture of John Wayne movie cliches and the legacy of an incredible period in history: gin and tonics and Dewar's White Label Scotch on tropical verandas; endless miles of private jungle fiefdoms; natives who were variously brooding, surly or submissive; boots, khaki uniforms, horses and pistols; the Great White Fleet that was really the largest private navy in the world..."

Beside the efforts demanded in supporting and profiting from a somewhat unstable agricultural export, United Fruit also had to protect its profits by ensuring its position within the Central American region. This meant fighting the local efforts at land reform, protecting its allies in position of power within the local governments, and most of all appeasing the local populations via convincing arguments that what was good for United Fruit was good for the massive labor force and their families. These workers and associated peasant populations were often housed on Company land, fed by company stores, and paid wages dictated by UFCO without assistance from any sort of labor representation (Dosal 1993). Therefore UFCO's problems were twofold albeit interrelated: first, keep the local populations satisfied, and second, keep the existing power structure in the local governments in position.

## **THE UNITED FRUIT PUBLIC RELATIONS EFFORT**

### Satisfying the Local Populations

Once United Fruit grew to such proportions that the company dictated policy to the local governments, anti-company and anti-American sentiment also grew. Local leaders of both the laborers that worked for United Fruit as well as of the indigenous populations displaced by the company's efforts and unable to gain back traditional tribal lands through agrarian reform often threatened the company's stability in any given region. While many believe that the company did in the long run enhance the quality of life of the local population (McCann 1976, Schlesinger 1982), the challenge to United Fruit was to convince the people of the value of the company's operations throughout Central America. In the turbulent times between 1940 and 1979 this was not an easy task. Still, the Company proved to be very innovative in its methods.

### The Beginnings of Organized Public Relations: Edward Bernays

While United Fruit's operations in the Central American region began at the turn of the century, the detrimental social aspects of the banana trade did not begin to come to light until the 1930s (Kepner 1936). While at this point the Company did at times receive negative press from American newspapers, in general the company's policies regarding its capitalistic ventures mirrored that of Washington and received little criticism (Dosal 1993). United Fruit's president, Sam Zemurray, known throughout Latin America simply as "the banana man", understood the importance of quality public relations and hired

Edward Bernays as a public relations consultant just prior to the Second World War. Bernays, widely considered "the most widely respected authority on public relations in the world" (Fry 1991), had been responsible for the founding of the Middle America Information Bureau (MAIB), an operation financed by United Fruit and responsible for distributing information regarding Central America to the general public. Zemurray understood the obligations of United Fruit to its tropical constituency, and the MAIB was one of his ways of re-paying the company's debt to the region.

Bernays was responsible for "putting the best face" on United Fruit operations world wide. Considered by some to be the father of public relations, Bernays was the nephew of Sigmund Freud and the author of *Propaganda* (1928), a text regarding the public relations game. In it Bernays wrote of his profession:

"The conscious and intelligent manipulation of the organized habits and opinions of the masses is an important element of democratic society. Those who manipulate the unseen mechanism of society constitute an invisible government which is the true ruling power of our country....it is the intelligent minorities which need to make use of propaganda continuously and systematically. In the active proselytizing of minorities in whom selfish interests and public interests coincide lie the progress and development of America" (Bernays 1928)

It is this manner of public relations perspective that Bernays brought to United Fruit. Throughout the 1940s and 1950s Bernays handled press relations ranging from the loss of United Fruit shipping during the Second World War to the Guatemalan coup instigated by the Company and the Central Intelligence Agency of 1954 (see below). According to McCann (1976) Bernays was well known as an influential liberal, and his association with the conservative United Fruit was strained throughout the future workers uprisings in the Central American region.

#### "The Living Circle"

To communicate with and influence the Latino populations, United Fruit made several efforts to advertise within the local Spanish language publications. One of the company's first attempts was that of "the Living Circle". "The Living Circle" was a public relations attempt to convince Latinos of the symbiotic relationship between United Fruit and the Central American nations, and was published in the periodicals as a large wheel super-imposed on a map of the Americas. It showed an endless supply of goods and items produced in North America—radios, televisions, refrigerators, and automobiles—flowing into Latin America. From Latin America flowed all the materials and agricultural products produced in that area—rubber, minerals, lumber, and of course bananas. To many, the "Living Circle" was a graphic representation of colonialism. Only after UFCO had invested millions of dollars into the campaign did it realize that the ads were the subject of great resentment among the Latinos and within the Central American markets, who viewed the "Living Circle" as an advertisement for exploitation. Still, the Company continued the campaign for almost five years, creating animosity among the population and in the long run working against the company's interests.

#### The Newspapers and Films of United Fruit

The public relations effort of United Fruit had two principle tasks. As stated before, the company needed to convince the general Latino populations of the value of the company's presence in the region. Second, the same goal needed be accomplished with the American media and lawmakers. This latter consideration also included, after World War II, convincing congress of the role played by UFCO in counter-subversive activities, particularly in the "red scare" days of the 1950's. In order to spread the "company line" to the workers and families of United Fruit, the Company began a series of newspapers that would enable the firm to control the information received by the workers (Karnes 1978). In this way

outside influences to the workforce were limited, and the managers would be confident that the only information that their employees were receiving was what the company wanted them to receive. These efforts began shortly after World War One (Kepner 1936) and reached their peak in the early 1950s. By this time the Company was publishing four full-time newspapers given away free to United Fruit workers in Honduras, Costa Rica, Guatemala, and Panama. Total circulation of these papers equaled the employee population which at that time numbered close to 80,000 (McCann 1976). As expected, these newspapers were often the only news that the workers received; however, there were several reasons why the papers were unsuccessful in the long run. First, a significant portion of the working population was illiterate. Second, the papers concentrated more on Company news than useful information, such as births, weddings, and promotions. Perhaps the most important factor hampering the newspaper effort was the increased popularity of the transistor radio. By 1960 most of the employees worked with "a transistor in their pocket and a earplug in their ear all day" (McCann 1976). This contact with the outside world brought news that disturbed United Fruit, and made the workers aware of such things as social upheaval in Cuba and Guatemala.

From a domestic standpoint Bernays assisted UFCO in securing support from the American press (Bernays 1965). Via a series of editorials in newspapers throughout the country, Bernays stated the company's position in combating the communist insurgencies, both real and perceived, throughout Central America. According to LaFeber (1984), by the 1950's the spread of McCarthyism was so wide that convincing both Congress and the American media of the communist threat in the Central American region was a simple matter for someone of Bernays' calibre. Included in the Bernays anti-communist public relations effort was the film *Why the Kremlin Hates Bananas*, designed to show how United Fruit was effectively thwarting the leftist movements in the region. Through the efforts of Bernays and the United Fruit public relations department, the company was able to maintain its position in Central America through the 1940's and 50's, while at the same time preserve a protagonistic relationship with the American media.

However, the conflict generated by anti-government movements in Central America and the resulting UFCO efforts to combat them eventually led to a antagonistic relationship between the U.S. newspapers and the company. According to Rodriguez (1991), the relationship began to deteriorate after the Cuban revolution of 1959, when Company's disinformation campaign regarding Castro and his rebels was discovered. Afterward, the UFCO public relations department produced two films designed to win back the blessings of the public and tell the truth about UFCO involvement in the region. These films, *Treasure of the Tropics* and *Yanqui Go Home*, never successfully convinced the press in either the U.S. or Latin America of the benevolent nature of United Fruit, despite the fact that they focussed on the positive impact on working conditions rather than on the communism issue. Through the 1960's, the relationship between UFCO and the press deteriorated to such an extent that by 1979 the media had ceased to believe company information. By the time of the Somoza downfall in Nicaragua the press had turned decidedly anti-United Fruit. The real downturn, however, in United Fruit relationships with both the Latino governments and the American media had its beginnings in the UFCO sponsored, CIA supported Guatemalan civil war of 1954 (Matthews 1989).

Despite the colonialistic nature of company policies through the decades, and the increasingly antagonistic nature of the relationships between United Fruit and the press, there was little in the way of internal conflict within the management of UFCO up until 1972, when the firm was bought out by Eli Black and subsequently changed its name to United Brands. During the time of United Fruit's greatest dominance over both the economies and the politics of the Central American region, there was a general consensus on the appropriateness of the firm's actions, and little effort was made to concede to the critics on any points (McCann 1976).

### The Guatemalan Experience

As United Fruit company operations reached a peak after the Second World War, public opposition to foreign owned operations in Central America also began to increase (Rouquie 1991). Given the enhanced

global power of the Soviet Union and the increased availability of information to the populations, social unrest began to become a primary concern for both the governments of Central America and the multinational businesses which supported them. At the forefront of the social discontent within the region was the issue of land reform. By the time of the Korean conflict in 1950 UFCO was in control of over 250,000 acres of prime agricultural landholding in Guatemala alone with many more throughout the other countries of Central America and the Caribbean (LaFeber 1984). This titleship significantly hindered the ability of the local populations to participate in any economic benefits within their own country. In the past most Latinos workers, of which the majority were indigenous peoples, were unaware that any alternatives were available to their life-style or to the grip which the local governments (via United Fruit), held over them. But as the socialist movements began to gather momentum in various portion of the globe, the general populations of Central America began to grow uneasy in what they perceived to be their role as the "oppressed" (Rodriguez 1991).

These new social and political developments presented the United Fruit public relations effort with a new set of challenges throughout the region. Upper-level management of the company considered the survival of United Fruit to be directly related to its ability to maintain its landholdings within the Central American region, both in order to maintain production levels and to protect barriers against possible competitors such as the Standard Fruit Co. (Karnes 1978). Social upheaval and land reform were considered dangerous events to the future of United Fruit, in order to maintain its profits the firm had to maintain its position of landholder dominance despite the desires of the local populations. Prior to the beginning of the Cold War this was possible through the support of the families and regimes that dominated Central American politics, and economies, through World War II. Now, however, popular movements risked the placement of political personalities who were no longer sympathetic to the goals of United Fruit and other MNCs, and who were not easily manipulatable via payments from the company's coffer (Schlesinger 1982).

While revolutionary movements have been relatively abundant in Latin America, it was the Guatemalan situation of 1954 in which the United Fruit Company played the most conspicuous role. The company operated two divisions in Guatemala, one on the East Coast and one on the Pacific. Together, these two divisions accounted for the majority of the Company's landholdings. In Guatemala, 2% of the population owned 75% of the nations farmlands. According to Lafeber (1984), Guatemala had been chosen as a site for the company's earliest developments because a good portion of the country contained prime banana land and also because the country had a history of having a very manipulatable and corrupt government. From the viewpoint of United Fruit, however, this favorable position all but ended with the freely elected presidency of Jacob Arbenz in 1952. Arbenz believed that the export crops such as bananas and coffee were contributing to the malnutrition from which many Guatemalans suffered, since these local did not benefit from the profits of the exports and these crops replaced sustenance crops formally grown by the Guatemalans. Arbenz was elected on a platform of agrarian reform and received a full 65% of the vote (Rouquie 1987). Obviously this was contrary to the interests of United Fruit, and the company relied on its public relations department to help maintain the status quo.

Here the public relations effort targeted not only the Latino population but also the U.S. population and government as well. In order to preserve its position of control, United Fruit had to insure the position of the pliable government in Guatemala City, that is the government that had traditionally supported the efforts of United Fruit (Lefeber 1984). According to McCann (1976), the public relations department of United Fruit had only one task: to diffuse the information that the Arbenz regime was in fact a communist beachhead for the Western Hemisphere. It should be remembered that during the time of the Guatemalan crisis the McCarthy Commission was conducting anti-communist investigations in Washington, and that the perceived threat from the Soviet block was at proportions that some considered hysterical (Oshinsky 1983). The management of UFCO responded to the Arbenz threat by fanning the flames of anti-communist sentiment regarding the new government of Guatemala: if the U.S. government could be convinced that the new government was a threat, it would assist in relieving Arbenz of his presidential seat and reduce the risk of land reform in the country.

Prior to the election of Arbenz, Guatemala passed law giving the government the right to expropriate all un-cultivated lands (Dosal 1993). The purpose of this law was to break up large

landholdings owned by both foreign and local interests. In 1953 the Arbenz government began legal proceedings to expropriate 178,000 acres of United Fruit land, offering to re-imburse the company through a twenty-five year bond issue valued at \$525,000, or less than four dollars an acre (Schlesinger 1982). The value of the government bonds was so low because it was based on the value the company had placed on the property for tax purposes. Initially the Company had asked for sixteen million dollars. Seeing that the chances for an agreement on price were low, Bernays and United Fruit launched a campaign to undermine the Arbenz government. The core of Bernays's strategy was the selection of the most influential communications media in the U.S., including the New York Times, several other newspapers, news magazines and electronic networks (Bernays 1965) followed by a high level saturation campaign to expose those media's reporters to United Fruit's version of the facts regarding the situation in Guatemala. Concurrently the Company placed a series of ads in the *New Leader*, what was then considered a liberal publication and whose editor, Sol Levitas, was a colleague of Bernays. These ads took the form of public service space for the Red Cross and for Savings Bonds, and were only subtly identified as institutional advertisements.

United Fruit continued its campaign by financing and distributing several hundred copies of *Report on Guatemala*. No author ever took credit for the publication and therefore it was never copyrighted, but the tone of the text was considered to be highly anti-communist:

"A Moscow-directed Communist conspiracy in Central America is one of the Soviet Union's most successful operations of infiltration outside of the Iron Curtain countries....Any Guatemalan who loves his country so much that he wishes to protest publicly against being under the yoke of the Kremlin--now or ever--must face the startling fact that he is held to be subversive. It may be considered the official government viewpoint." (McCann 1976, p.49).

This 235 page manuscript was delivered to every member of congress as well as every major opinion holder in the United States as identified by Bernays.

The public relations campaign was reportedly successful enough that the press accepted uncritically the stories provided by United Fruit that were often false or misleading, and helped to create a climate in the United States that tolerated the overthrow of Arbenz by rebels supported by both the Central Intelligence Agency and UFCO (Matthews 1989). Matthews states that the Company's role in the Guatemalan Revolution instilled a hostile and ill-informed American press which helped to create an emotional public opinion. This in turn affected the Congress and the state department as well.

## CONCLUSION

The public relations effort of the United Fruit Company, supported by the work of Edward Bernays, was in many ways responsible for the successful coup in Guatemala and the subsequent securing of fruit company land in the country. Across Central America United Fruit ran, in the short term, an effective campaign to block both the expropriation of company land and social upheaval among the latinos. In the long term, however, the public relations measures of United Fruit only served to sour the relationship between the multi-national and the local populations, and eventually the press of the United States learned that company information was little more than propaganda and could be counted on to distort the facts for the company's benefit. This led to the media support of the Castro revolution in 1959: while United Fruit was following the same strategy as it had in 1954, the press, having learned the truth behind the Guatemalan coup, understood the revolutionary position and eventually the public support necessary to protect fruit company lands in Cuba disappeared (Matthews 1989).

United Fruit became United Brands in 1970 and has subsequently diversified outside of the fruit industry, although bananas still account for the largest share of operating income, 42.3 million of \$69 million (Dagnoli 1987). Troubles continued for United Brands, however. Financial losses and plunging

banana harvests drove Black to commit suicide from a New York high-rise window in 1975. Further attempts to curb rebellion in Nicaragua in 1979 only resulted in more expropriated company land after the successful coup there by the Sandanistas. During the Nicaraguan overthrow, the American media was once again anti-United Brands: the press had learned its lessons since 1954.

In the past five years, trade between the United States and Latin America has increased dramatically. Anti-American sentiment in many portions of Central and South America has decreased, and policy agreements enhancing business opportunities are evolving rapidly throughout the hemisphere. Still, the history of the United Fruit Co. in the Central American region is yet a barrier to current multi-nationals attempting to enter, and profit, in the Latin American markets. The public relations failure by the company to develop and maintain an altruistic reputation among both the Latin American populace and the American media resulted in a breakdown in United Fruit operations and eventually a diminished role within the region.

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