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People Need More Than Just Bananas: A look at dependency theory through the history of the *Zona Sur* of Costa Rica. Jonathan Warner

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(Página 53 de 77) p. 53

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Resumen

El artículo analiza algunos de los componentes centrales de la Teoría de la Dependencia y cómo, a pesar de que ésta ha probado ser insuficiente para explicar el subdesarrollo en América Latina, algunos de sus supuestos, especialmente los referentes a las consecuencias sociales y económicas derivadas de la inversión extranjera, no pueden ser ignorados. Al centrar su atención en la región de Golfito, en la *Zona Sur* costarricense, el trabajo procura dimensionar el estado de dependencia creado a partir del control económico y social ejercido por la United Fruit Company, y la forma en que el impacto socioeconómico generado a partir de la retirada de la compañía, incidió en la incapacidad ulterior de la región para desarrollarse de forma autónoma.

Abstract

This article evaluates several core elements of the dependency theory, although proved insufficient for justifying Latin American underdevelopment, some of its scenarios, especially those related to the social and economic consequences arising from foreign investment cannot be disregarded. Focused on the port of Golfito, in the southern coastal region of Costa Rica, this work intends to reveal the state of dependency created as of the social and economic control exerted by the United Fruit Company, and the way in which the socioeconomic impact, generated by the company's withdrawal, negatively affected the region's future autonomous development.

Jonathan Warner.

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People Need More Than Just Bananas: A look at dependency theory through the history of the *Zona Sur* of Costa Rica

Jonathan Warner

Introduction

The introduction of dependency theory in the 1960's dramatically altered perceptions of Latin American-foreign relations, and became the dominant paradigm in Latin American thought for the next twenty years. *Dependistas* (early proponents of the dependency theory) argued that the poverty of third-world countries was not caused by internal factors, but rather by their incorporation within the world economic system. Underdeveloped states provided a destination for the excess capital of dominant countries such as the United States, both crippling local economic development and creating a state of dependency. This radical new theory proposed that Latin American underdevelopment was not the fault of individual nations, but rather the consequence of American and European economic expansion. The dependency theory's politically-charged tenants subsequently came under attack from various scholars who questioned the Marxist undertones of the *dependistas*, as well as claiming the theory was too simplistic and deterministic in nature

Ultimately the critics prevailed and dependency theory collapsed under its own weight. However, certain aspects of the theory cannot be ignored. Although dependency theory has proved too simplistic to provide a complete explanation of a lack of economic development, this paper argues that many of its central insights into the dangers of foreign investment can, in many cases, still hold for true for local economies. Focusing on the region of Golfito in the *Zona Sur* of Costa Rica, this paper will demonstrate how the United Fruit Company took complete economic and social control of this region, stifling its own internal economy and creating a state of dependency. When the Company then abandoned the *Zona Sur* after fifty years of economic and social domination, the region proved incapable of sustaining its economy.

Dependency Theory and its Critics

To understand the evolution of the dependency theory and its subsequent criticism, an examination of the early *dependistas* is pertinent. According to the first *dependista*, Andre Gunder Frank, developed nations such as the United States expanded their capitalist markets into satellite states, crippling the local economies while the dominant state gobbled up the surplus wealth.¹ Frank argued that this economic model could be found throughout Latin America and represented the sole cause of economic underdevelopment. Frank adopted a clear Marxist stance, declaring that only through revolution could Latin America become economically independent. De Santos followed Frank's dependency model, arguing that the bulk of dependency occurred only after the Second World War, when huge multi-national corporations heavily invested in Latin America.² De Santos viewed this "new" form of dependency to be based primarily on the importation of technology from the dominant economy that the native states could not duplicate. The role of the Latin American economies was to supply the more developed country with raw materials.. The last of the major *dependistas*, Cardoso, proposed that foreign capital developed within a host nation which compromised local and state capital, leaving the dominated state in disarray.³ While the three *dependistas* developed unique ideas on the causes of state dependency, each agreed dependency proved the impetus of underdevelopment.⁴

The radical theories proposed by the *dependistas* aroused much criticism within the academic community, starting with Raul Fernández and José Ocampo. Fernández and Ocampo believed that dependency theory was a revision of Marxism, "which [resurrected]...an ancient polemic among Marxists and [brought] to the forefront the

¹ Andre Gunder Frank, "Dependence Is Dead, Long Live Dependence and the Class Struggle: An Answer to Critics" *Latin American Perspectives*, Vol. 1,1: 1974.

² Theotonio Dos Santos, "The Structure of Dependence" *The American Economic Review*, Vol. 60, 2: 1970.

³ Fernando Cardoso "Impedimentos estructurales e institucionales para el desarrollo" *Revista Mexicana de Sociología*. Vol. 32, 6: 1970.

⁴ The author is admittedly not an economist and the description of each economic theory is in its most simplistic form. For a more detailed and thorough analyses of each theory, see: Ronald Chilcote, "Dependency: A Critical Synthesis of the Literature" *Latin American Perspectives*, Vol 1, 1: 1974.

necessity for a theoretical basis of the Latin American revolution.”⁵ They also argued that dependency theory was too simplistic in nature and did not explain relevant internal factors as causes for underdevelopment. Finally, they stressed that Latin America was under a form of economic imperialism from the United States, not dependency, and that economic imperialism represented the greatest threat to Latin American stability. Richard Bath and Dilmus James expanded on these criticisms and argued that dependency theory awkwardly combined political and economic elements and stressed the need to keep the two disciplines separate.⁶ In this sense, the *dependistas* bit off more than they could chew. In addition, Bath and James declared that Frank’s Marxist theory elicited an overly emotional response, and questioned the validity of Frank’s proposed Latin American class-consciousness necessary to make a social revolution possible. Another major criticism leveled against dependency theory, brought forth originally by Agustin Cueva, was that the theory absolved Latin America of all blame for its poor economic standing in the world hierarchy.⁷ Internal factors influencing development, such as corrupt government, mismanaged funds, poor economic choices were ignored; all blame for Latin America’s underdevelopment was placed squarely on the shoulders of the United States and Europe. Cueva claimed that such a radical theory would ultimately do more harm than good for Latin America. These critics of dependency theory were indeed correct to claim the theory could not fully explain underdevelopment of entire Latin American nations. However, a closer examination of the *Zona Sur* of Costa Rica reveals that some of the basic tenants of the theory can apply to localized regions.

Dependency Theory and the History of the United Fruit Company in Costa Rica

Dependency theory cannot be applied to all regions of Costa Rica due to the country’s unique history and standing within Latin America. Since the early post-colonial period,

⁵ Raul Fernandez and Jose Ocampo, “The Latin American Revolution: A Theory of Imperialism, Not Dependence” *Latin American Perspectives*, Vol 1,1: 1974.

⁶ Richard Bath and Dilmus James, “Dependency Analysis of Latin America: Some Criticisms, Some Suggestions” *Latin American Research Review*, Vol. 11, 3: 1976.

⁷ Agustin Cueva, “Problems and Perspectives of Dependency Theory” *Latin American Perspectives*, Vol 3. 4: 1976.

Costa Rica has enjoyed a relatively peaceful democratic history as a direct result of the relationship between local coffee growers and rural elites. Local farmers controlled the majority of coffee production while the elites dominated coffee processing and shipping. This created a peaceful symbiotic relationship amongst the two social classes, leading to a stable democratic government as elites were not able to wield undue influence over the poorer farmers. When the banana companies attempted to exert their economic might in Central America in the early twentieth century, Costa Rica's stable economy and peaceful government proved strong enough to stave off complete assimilation. Thus, Costa Rica avoided the fate of its neighbors such as Honduras and Nicaragua and never became a full-fledged "banana republic".⁸

However, the United Fruit Company did develop strongholds in certain regions of Costa Rica in the late nineteenth century, most notably on the Caribbean side of the country in Limón. Costa Rica, attempting to create more transportation opportunities for coffee across the country, signed a contract with Minor Kieth in 1871 to build a railroad connecting San José to the port of Limón. In 1882, the Costa Rican government defaulted on its payments, and in 1884 gave Keith 324,000 hectares of tax-free land along the railroad plus free use of the train route for 99 years. When construction of the railroad finished in 1890, the flow of passengers was insufficient to cover Keith's debt. However, since by this time the banana market had grown substantially, Keith decided to concentrate all efforts on the shipment of bananas. In 1899, Keith merged his company with the rival Boston Fruit Company and created the United Fruit Company (which will be referred to as the Company in the paper). Within the next thirty years the Company dominated the entire banana market not just in Costa Rica but also in all of Central America and by 1930 it had absorbed more than 20 rival firms and became the single

⁸ The issue of Costa Rica exceptionalism is an interesting paper topic in and of itself. The coffee production only helped stave off the power of the banana companies in the early twentieth century. Later on in its history, due to a number of remarkable politicians and fortuitous events, such as the only armed civil war in Costa Rica's history in 1948, the country emerged from the 1950's and 60's as the most stable country in Latin America, a distinction it still owns today. For a greater look at why coffee was able to produce a stable government, see: Jeffery Paige, *Coffee and Power: Revolution and the Rise of Democracy in Central America* (Harvard University Press, 1997); Bruce Wilson, *Costa Rica: Politics, Economics, and Democracy* (Lynne Rienner Publishers, 1998); Leonard Bird, *Costa Rica: The Unarmed Democracy* (Shepard, 1984.)

largest employer in Central America.⁹ Thus, although the Company controlled much of of Central America, it dominated only one section of Costa Rica. While the rest of the country continued its economic growth, the Atlantic region of Costa Rica remained under the strict economic control of the Company. The Company decided to leave the Atlantic region in the 1930's because of a steady decrease in the fertility of the land and an increase in the prevalence of disease.¹⁰

In 1930 the Company signed a new contract with the government that opened the doors for its move to the *Zona Sur*, allowing it to take up railroad lines, abandon *fincas* (plantations), and cease all production in the Atlantic Zone. The Company now turned its attention to the acquisition of fertile land in the southern area of Costa Rica. In 1934, the Company signed a contract with the government of Costa Rica allowing it to select 3,000 *hectareas* of land in the *Zona Sur*. The land acquisitions in the region continued with the powerful foreign Company either buying out all competition or freezing the shipping capabilities of local growers. The Company signed its final contract with the Government in 1938 that gave the Company almost complete control of all agricultural and exporting services in the *Zona Sur* of Costa Rica. The contract stated the Company had to construct two public docks as well as construct a public-use hospital. In return for fulfilling these obligations, the Company received permission to construct railroads anywhere in the region, as well as permission to continue with the plantation and cultivation of bananas in the area. At the termination of the contract in 1988 or whenever the Company saw fit, the dock and the railroads were to be handed over to the Government free of charge.¹¹ For the next 45 years following the signing of the 1938 contract, the Company's official head of operations was located in the *Zona Sur*, and by the end of 1938 it held 118,000 *hectares* of land. The Company further increased its amount of land through 1955 to a total of 202,345 *hectares*, or 10% of all cultivated land.¹² This acquisition came at the

⁹ Steve Striffler, ed., *Banana Wars* (Duke University Press, 2003).

¹⁰ Ronny José Viales Hurtado, *Después del Enclave* (Editorial de la Universidad de Costa Rica, 1998).

¹¹ Aspa, *Desarrollo* (33)

¹² In 1930, while the company was engaged in moving its operations to the *Zona Sur* of Costa Rica, it was also dealing with monopoly problems in the US courts. As a result, the United Fruit Company changed the name of its company in Costa Rica to the *Compañía Bananera de Costa Rica* (CBCR), the name under which the Company operated in the *Zona Sur*.

expense of private growers; by 1942 only 6.08% of all land devoted to bananas remained in the hands of private growers in the *Zona Sur*.¹³

The national government was all too willing to sell lands in the *Zona Sur*. At the time, most of the area was unused, uncultivated, and sparsely populated. By selling the lands, Costa Rica not only received much needed revenue but also a hospital, a functional port, and working railroad for free. The national government also expected that the newly founded banana plantations would provide thousands of jobs for Costa Ricans. Because of these consideration, the national government ceded control of virtually all arable lands in the region to the Company. As a consequence, the Company was able to establish a monopoly on all areas of banana production, from growing, to packaging, to shipping. What more, the Company owned all the railroads and trains which transported the bananas from different regions of the *Zona Sur* to the city of Golfito, where the bananas were then exported on Company boats to the American markets.¹⁴ No local growers could thrive because they could not afford to compete with the huge multinational corporation. Soon, all growers were either bought out or eliminated. Thus from the very beginning, the Company controlled all aspects of production within the region. Because the economy was solely based on the giant company, the area's economic success was tied to the Company's fortunes.

Golfito in the 70's

Golfito served as the headquarters for operations in the entire *Zona Sur* during the middle 1970's to the early 1980's, as well as the main port through which the Company exported bananas to various markets around the world. As a result, Golfito was transformed into a bustling port city, prompting a steady influx of people into the area. Unlike other cities in Costa Rica where the local municipality was in charge of local city conditions, the United Fruit took responsibility for all street repair, garbage collection, and sanitary functions.

¹³ Ana Luisa Cerdas Albertazzi, *El Sugimiento del Enclave Bananero en el Pacífico Sur*, 28 vols., Revista De Historia (Univiseridad de Costa Rica, 1993).

¹⁴ Aspa, *Desarrollo* (43)

The fact that the managers and company heads also resided in Golfito led to the city being relatively clean and well run. For example, while the Company remained in the control of the city, the streets were well-maintained and potholes were quickly fixed. Also, the Company took great care to ensure the overall cleanliness of the region, maintaining regular garbage collection, such that all agreed that the city was largely free of litter. As attested by various citizens of Golfito who lived in the town during that particular era, Golfito was a city *muy preciosa*.¹⁵

As in the other cities and towns controlled by the Company, the layout of Golfito was arranged hierarchically, with the town divided into three different zones or neighborhoods. Located on the far southern end of town were the homes of the banana workers and their families, the *zona gris*, named after the grey paint used to paint the houses both inside and out. Adjacent to the workers' neighborhood stood the *zona amarilla*, also named after the houses' color (yellow), which accommodated mainly work bosses and foremen. Finally, in the far northern end of town, located on a hill surrounded by the mountains, was the *zona americana*, named for the high percentage of American bosses and managers who lived in the zone.

The houses in the *zona gris* and the *zona amarilla* were constructed from hardwood and roofed with zinc. For single workers with no family, communal houses with a large central room housed from ten to twelve men. Each house was furnished by the Company, complete with sink, cots, tables and chairs and a telephone connected to localized phone system. Whenever any fixture of the house failed (light bulbs, the plumbing, etc) the Company would be called. Within hours a repairman would appear and the problem would be solved. Even though the houses may not have been the most aesthetically pleasing, they provided adequate housing complete with reliable water, electricity, and repairs.

¹⁵ J.S.M., interview by author. Golfito, Costa Rica, 19 March 2006; G.G.G., interview by author. Golfito, Costa Rica, 1 March 2006; X.G.G., interview by author. Golfito, Costa Rica, 1 March 2006; J.G., interview by author. Golfito, Costa Rica, 3 March, 2006; V.H.L., interview by author. Golfito Costa Rica, 19 March 2006; M.F.P., interview by author. Golfito, Costa Rica, 13 April, 2006; D.S.P., interview by author. Golfito, Costa Rica, 13 April, 2006.

Every worker received a stipend for a days work, usually a minimal amount of about 18 colones (\$2.10) daily.¹⁶ However, since all the living expenses were provided by the Company, the majority of the worker's salary could be spent freely. The *zona gris* and the *zona amarilla* had specific stores or markets where various goods could be purchased such as food, work clothes, boots, cigarettes or alcohol. The Company also organized various sporting teams and events in which the workers could either participate in the local soccer team or spend their free time attending the games. The Company thus not only controlled the economy of the region but also the society as well. Workers were reliant on United Fruit for food, water and shelter. The banana workers were not given pensions, as were other Costa Ricans during the 1950's. In every way, the region and its inhabitants were solely in the pocket of the Company.

Besides controlling the wellbeing of the region's inhabitants, the nature of the banana plantations made it difficult for other local businesses to succeed. The American managers of the Company, wanting to bring pieces of home with them, imported everything from house materials to furniture—no local merchandize was used. Employees were forced to buy goods and other materials from the company store, essentially eliminating the market for outside businesses. In this way, United Fruit controlled not just its workers but also the whole entire region. No outside business could survive without the help of the Company, and if it succeeded, so too did the people. The opposite, unfortunately, also proved true and when the Company slowly ceased operations in the region in the early 1980's, the region could not sustain itself in the absence of an indigenous economy.

The end of the United Fruit Company in the region

Starting in the late 1970's, the Company started scaling back its production of bananas in the region and switched to the production of African palms. By 1979, only 6,786 hectares of a total of approximately 24,000 hectares were dedicated to the cultivation of

¹⁶ The exact salary differential between different jobs could not be found. The number was taken out of various interviews with different workers.

bananas, with the remainder now devoted to the growing of African palms.¹⁷ As a result, the workforce in the region slowly diminished, for African palm plantations needed only a tenth of the workers compared with banana plantations.¹⁸ (This considerable difference in the labor cost of production was a significant factor favoring the transition from bananas to palms, illustrating the desire for maximum profit) It soon became clear that the Company intended to greatly scale down operations in the region, if not cease them entirely.

Other signs of an imminent withdrawal were evident in 1983, when local sports clubs and organizations, founded and run by the Company, experienced numerous financial and logistical problems that forced them to disband, as the Company decided to stop providing support to the teams.¹⁹ In June of 1984 managers declared the teams could still use its lawnmowers, but that the Company would no longer employ workers to cut the field. 1984 proved to be a chaotic year for the citizens of Golfito as it became increasingly apparent that the Company had decided to entirely abandon the area. In January, all train services to Laurel were stopped, a move that greatly affected the shipment of goods from private *fincas* in the area not associated with the Company.²⁰ Problems with the pump that supplied water to houses outside Golfito also began in February, as the repairs ceased.²¹ In March matters further deteriorated for the people of Golfito, as the Company stopped paying for water services to the houses, forcing the local Municipality to assume responsibility for this service.²²

A few months later, the residents of Golfito testified to the local municipal council about various problems with the houses, as well as other local infrastructure. The road, no longer repaired, had become nearly impassable by car and dangerous to pedestrians. The discontinuation of refuse services quickly resulted in an accumulation of trash, and a very disagreeable odor now pervaded the neighborhood. Other problems included broken

¹⁷ Aspa, *Desarrollo* (72)

¹⁸ Even though the Company dedicated twice as much land to the cultivation of African palm in 1979, the Company employed only 2,623 workers in African palm while employing 6,423 to the cultivation of bananas.

¹⁹ *Actas*, 13 Sept. 83: 3.

²⁰ *Actas*, 10 Jan. 84: 22.

²¹ *Actas*, 21 Feb. 84: 2

²² *Actas*, 6 Mar. 84: 2

sanitary pipes that spewed sewage onto the streets, and insufficient flow of the potable water pipes that supplied basic community needs. Worse yet, the new tariffs on water and electricity forced the residents to pay for these inadequate services. Since the majority of these people had no jobs and were therefore unable to pay for such services, the Company handed the bill to the local government, or municipality.²³ The municipality, unaccustomed to managing basic services such as water and trash collection, proved inadequate to these new responsibilities. As a result, over the course of 1984 and 1985, the city of Golfito became dirty and disorganized. Finally, in 1984 the Company decided to convert all remaining banana fields to the cultivation of African palm, a move which, combined with a reduction in the total number of hectares in agricultural production, lowered the total number of workers in the region to 500.²⁴

On January 15th, 1984 two Company managers, Richard Charles Johnson Miller and Raúl Romero Alvarado, met with Danilo Jiménez Veiga, Minister of the President, to discuss the Company's standing in the *Zona Sur*. At the meeting, Miller and Alvarado announced that starting on October 24th, 1984, the Company would cease all activity in the *Zona Sur*, citing a list of several reasons for the move. First, the overall market for bananas had become saturated over the past several years, causing the market price to fall and profits to shrink. Second, other Latin American countries, such as Ecuador, had eliminated taxes on the exporting of bananas from local ports, leaving the Company in a disadvantageous situation in Costa Rica. Third, the price of petroleum had risen such that transporting the bananas across the Panama Canal had become too costly (this factor did not affect the production of bananas in the Atlantic Region of the country). Fourth, the land conditions in the Division of Golfito, which for the past years have been worsening due to the depletion of nutrients and disease, caused a fall in production and profits. Fifth, the prolonged (72 day) illegal strike by the workers in Golfito caused significant economic damages to the company. Finally, the Miller and Alvarado stated that before they made this decision, they had first consulted with their lawyers, who stated that the

²³ *Actas* 15 June 84: 4

²⁴ Aspa, *Desarrollo* (62)

termination of production in the *Zona Sur* did not constitute a breach in the state contract of 1938.²⁵

In the subsequent governmental negotiations, the Company sold 1700 hectares of land and the associated infrastructure, including packing buildings, tractors, trailers, and all the administration and housing facilities to the Government. Also, the Government agreed that the Company had the right to exercise the option of buying any bananas produced in Costa Rica. In accordance with the contract of 1938, the Company handed over to the government free of charge the principal rail line of Southern Railway, and the dock of Golfito. The Company donated to Costa Rica the use of all water and sewer systems, as well as various buildings located in Golfito. In return, however, the Company maintained ownership of all other rail lines not located on government property, as well as the irrigation system located on all non-government lands in Palmar. The Company also explicitly stated that it reserved the right to remove said rail lines and irrigation systems from the land however and whenever the company desired. In regards to the houses in all three zones of Golfito, the homes were sold in a way that would yield maximum profit.²⁶

A closer examination of the facts reveals that the Company had perhaps exaggerated the problems of continuing production in the *Zona Sur*. Even after drastically reducing lands devoted to bananas in favor of African palm, the Company still managed to export an impressive number of bananas. In 1979, the *Zona Sur* proved to be the second most productive area of banana cultivation in the country, next to Pococí. Combined with all the area of banana plantations that the Company owned, the land produced 25.53% (13,589,264 boxes exported) and represented 26.6% of all cultivated land. In respect to the Company's problem with its workers and the high number of strikes, it appeared to have been slowly reducing the work force in Golfito ever since 1974. In that year, there

²⁵ The preceding was found in a document entitled *El Finiquito* in the Municipality of Golfito. The document was a summary of the negotiations between the United Fruit Company and the national government and included detailed information pertaining to what Costa Rica received and for what price.

²⁶ *El Finiquito*

were 6,493 workers under contract for the cultivation of Golfito. By the year 1983, only 3,500 remained, a reduction of 44% of the total work force.²⁷

According to Garnier,²⁸ the Company actually ceased operations in the *Zona Sur* primarily because of the upcoming renegotiations of the governmental contract of 1938, which needed to be renewed in 1988. Evidence in support of this hypothesis comes from the fact that even after the Company officially abandoned operations in the *Zona Sur* and sold the 1,700 hectares of land to the government, the region still proved lucrative. Palma Tica, then a subsidiary of the Company, continued with the production of the African palm. In 1989, Palma Rica maintained 7,000 hectares devoted to the cultivation of African Palm, 4,406 hectares of which were formerly devoted to bananas. Thus, while the region may not have yielded maximum profits, the continued agricultural value of the area was obvious and the primary basis for the Company's decision seemed to be higher production costs. This important fact looms large over the subsequent years of poverty in the *Zona Sur*, for once the profits of the region declined, the United Fruit Company headed off to "greener" pastures. The negative impact on region cannot be understated, for the large foreign company had no obligations to Costa Rica. The United Fruit Company was able to leave on its own terms, keeping and selling what it wanted. Even though the large multinational corporation could not impose itself on Costa Rica as a whole, it could take advantage of an economically weak region of the country, something smaller, local businesses could not do.

Evaluating Golfito after the Company moved: a regional look

The situation in Golfito as the banana operations wound down was nothing short of chaotic. In compliance with the governmental agreement of 1984, the Company finally decided to sell the houses in Golfito directly to the workers. In the *zona gris*, workers could buy the houses for 25 thousand colones (\$561), in the *zona amarilla* 50 thousand (\$1122), and finally in the *zona americana*, 100 thousand (\$2245).²⁹ Unfortunately, these

²⁷ Leonardo Garnier, Gladys González and Jorge Cornkciik. "Costa Rica: la vicistiudes de una política bananera nacional" in *Cambio y continuidad en la economía bananera* (FLASCO, 1988).

²⁸ Garnier, *Costa Rica: la vicistiudes de una política bananera nacional* (102).

²⁹ J.S.M., interview; J.G., interview; V.H.L., interview; G.H.S., interview; A.S.O., interview. The author remains skeptical of these prices, as they appear extraordinarily high, especially for the time. Since the

prices were far beyond the ability of most to pay. According to various interviews and testaments, the housing situation still remained confusing, as no one knew for sure who exactly owned or had the deed to which house. Groups of squatters came and took over various houses, refusing entrance to those families who claimed to have rightful ownership of the house. This housing situation fueled the chaotic fires spreading throughout Golfito.

People who had worked for the Company for as many as thirty years were suddenly left jobless without other real employment opportunities. To make matters worse, the majority of employees received no pension. Because salaries had been at a subsistence level leaving little opportunity for saving, people were left without economic resources. In response to this situation, most former employees and their families left Golfito and migrated to other areas of Costa Rica. Some went San Jose or Guanacaste, and still others followed the Company back to Limon. In April of 1985, the council of Golfito publicly recognized this ongoing mass migration, and acknowledged the difficulties that this demographic shift posed to any chance of economic recovery.³⁰

To say those who stayed in the *Zona Sur* and Golfito found themselves in economic hardship would be an understatement—jobs in the area remained scarce and many were unable to obtain work. Immediately following the Company's exodus, approximately 250 to 300 workers attempted to earn a living by fishing. However, this proved to be an unsuccessful strategy for most, and after a few years only around 60 to 80 fishermen remained.³¹ Others migrated across the Gulf from Golfito to Puerto Jiménez in search of gold, which indeed could be found in the area. The municipality of Puerto Jiménez asked that the council of Golfito discourage this migration across the gulf, as the influx of new workers in Golfito led to many social problems.³² For the women in the area, some felt that prostitution represented the only viable option with girls as young as twelve participating. As a result, in the year immediately following the Company's move, the

numbers were taken from interviews, perhaps the workers changed the prices to fit the current exchange rate, which would seem to make more sense, for then the houses would have been sold at \$50, \$100, and \$200, respectively.

³⁰ *Actas*, 15 April 85: 45.

³¹ M.F.P., interview.

³² *Actas*, 18 July 85: 16.

incidence of venereal diseases in the area skyrocketed.³³ Alcoholism and drug use also became rampant in the town, as people sought ways to ease their pain. As many citizens of Golfito attested, the year of 1985 was one of hardship. These events graphically illustrate how dependent the region was on the Company. After fifty years of Company reliance for the economic and social wellbeing of the region, the citizens were suddenly required to be self-sufficient. However, since no kind of internal economic or social development could take place in the shadow of Company dominance, the region fell into disarray once this shadow was removed.

Initial interactions between Municipal and National Governments

The local economy and inhabitants were not the only ones left dependent. So too was the local municipality, who for forty years relied on the Company to maintain all working infrastructure in the region and now proved incapable of handling such tasks on their own. As a result, the local government turned to the national government for help. The national government, however, unused to helping a region that for so long leaned on outsiders for everything, were unable to offer help. What followed was a classic story of dependency, where a region so imbedded in the economic system of a foreign company was forced into sole reliance on that one company for economic help, thus inhibiting indigenous growth. Once stripped of the foreign resources, the region proved unable to survive on its own.

As it soon became obvious that the Company planned to abandon banana operations in the *Zona Sur* of Costa Rica, the Municipality of Golfito attempted to contact the National Government of Costa Rica for help. Throughout the turbulent years of 1984 and 1985, council members (members of local government, or municipality, which will be referred to as the Council from now on) continually pleaded with the national government to send any sort of help to the region, and each time the municipality was met with a limited response. Finally, late in 1984 the frustrations of the Council reached a boiling point, and

³³ *Actas*, 18 July 85: 22.

it openly accused the national government of ignoring the *Zona Sur*, stating “that the President of the Republic, due to a lack of responsibility towards the problems faced by Golfito, has thirty days in which to conduct a forum concerning the *Zona Sur*.”³⁴ What more, the Council also issued a warning, saying that the young people of Golfito were willing and ready to strike against the national government if no help arrived.³⁵

The national government finally responded when on January 26, 1984 the First Vice-President of the Republic, Alberto Fait Lizano, arrived in Golfito to address the questions and concerns of the council members.³⁶ However, this meeting was fruitless as it became clear that the national government was unable to financially assist the impoverished region. It was not until November 27, 1984, that the Council of Golfito received the official news that the Company had ceased operations in the area. In a somber meeting, the Council discussed holding a massive city council meeting in order to explain the situation to the citizens of Golfito, who undoubtedly already had discovered the information for themselves. Once again, they implored the national government of Costa Rica for help in the region.³⁷ In early December of 1984, the national government invited certain members of the Golfito Municipal Council to a meeting at the Presidential House in San Jose to discuss the state of negotiations between the Company and the government. At the meeting, led by Danilo Jiménez Veiga, Minister of the President, the national government finally admitted to the council members that in reality they had no viable plan that could help the citizens of the *Zona Sur*.

Meanwhile, the reality of the Company’s departure from the region continued to intrude on these efforts and occupied an increasing proportion of the Council’s attention. On May 7, 1985 the Company officially handed over responsibility for trash collection and maintenance of water systems to the Municipality of Golfito, which signaled the end of the Company’s involvement with the Municipality. As a practical consequence, all

³⁴ *Actas*, 10 Dec. 83: 12, Translation by author

³⁵ *Ibid.*

³⁶ It is important to keep in mind that this statement is indeed true, as Costa Rica, along with nearly every other country in Central and South America during the 80’s, experienced country-wide depression. In fact, In 1981, Costa Rica earned the dubious distinction of being the first of many Latin American countries to fault on their international debt payments during the 80’s.

³⁷ *Actas*, 27 Nov. 84: 15.

people living in Company housing now had to pay for water, electricity and trash collection. This move also posed a number of problems for the Municipal Government, who up until this time had little previous experience with handling such services. As a result, the Council once again asked the national government to send experts in order to assess the problem and give advice, requests that were, as usual, ignored.³⁸

It became evident that the magnitude of the challenges far outstripped the resources or experiences available to the Municipal Council, which renewed its appeals to the National Government. In July, the Council, frustrated with the lack of help received from the government, wrote an article entitled “*What will Golfito eat?*”, which documented the various hardships occurring at the time. The Council stressed that the promises of help made by the national government had not been fulfilled, and as a result the people of Golfito remained anguished. Finally, the council members once again demanded that the government provide practical assistance to devise solutions to the problems facing Golfito.³⁹ Throughout the course of 1985, the Council repeatedly discussed potential sources for new jobs, the consensus being that fishing and a duty free zone would provide the most job opportunities. However, little real progress was made, and the economic situation continued to deteriorate.

The inability of the national government to help the local municipality and people of Golfito should not be viewed as intrinsic national problems, but rather as reflecting the state of dependency created in the region by the United Fruit Company. At the time of the Company’s departure, Costa Rica, like all of Latin America, was experiencing numerous financial problems due to a world economic crisis. The national government, not accustomed to allocating funds to a region that had been under the strict control of the Company, could not afford to spend more money to help the region. (In fact, after the economic crises subsided, the national government did indeed attempt to enact agricultural measures to help the region, but, unfortunately still met failure due mainly to inexperience. This will be discussed later on in the paper.) Thus, even though the national government was not economically dependent on the Company, it was unable to

³⁸ *Actas*, 7 May 85: 12.

³⁹ *Actas*, 18 June 85: 27.

help a dependent region in disarray. The dependency of the *Zona Sur* not only affected its own ability to form an internal functional economy, but also hindered the ability of the national government to help as well.

It was now apparent that neither the Company nor the national government would provide succor for the people of Golfito, so the Municipal Council turned its attention away from these external sources to focus upon what it could do to help its citizens. The creation of jobs remained of primary concern. In January of 1985, the Municipal Council investigated the possibility of building a pipeline from the *Zona Sur* to Limon using investment funds supplied by a French company. A representative from the *Empresa de Oleoductos Costarricenses* explained that such a pipeline would provide an estimated 3,500 jobs for the citizens of the *Zona Sur*.⁴⁰ A few weeks later the Council received a telegram from Luis Monge, President of Costa Rica, in which the President informed the council that such a pipeline could not be constructed as it would pass through many important biological reserves.⁴¹ Thus, the first attempt to solve the job crises in Golfito by the Municipality had failed.

The Council next solicited the national government's help to designate a duty free zone in Golfito, explaining that the infrastructure left behind by the Company proved an excellent place to house such a duty free zone, and that in Golfito there already existed ample hotels for Costa Ricans who might shop there.⁴² Throughout the course of the year, the Council believed the creation of a duty free zone in Golfito to be the most viable option, and possible construction plans were discussed.⁴³ The Council also attempted to promote the fishing industry and believed that the creation of new docks in Golfito could greatly benefit the fishing industry in.⁴⁴ However, a lack of resources, boats and inexperience doomed this effort.

⁴⁰ *Actas*, 4 Jan. 85: 1.

⁴¹ *Actas*, 15 Jan. 85: 4.

⁴² *Actas*, 15 Jan. 85: 22.

⁴³ *Actas*. 5 June. 85: 1; *Actas*, 20 de June. 85: 13. Also, for the next four years the municipality asked for the government to open up a duty free zone, which the government finally did in 1989. This will be addressed later in the paper.

⁴⁴ *Actas*, 12 Feb. 85: 22.

It is interesting to note that not once did the local municipality propose bananas as a viable source of income. This was due to the Company's continued control of the most fertile lands, which by this time were fully converted to the growth of African palms. Another reason was that simply the local government and its inhabitants did not possess the infrastructure, capital, or the knowledge needed to run a large-scale banana plantation. The Company controlled all the railroads, and the rails that were not taken up by the Company were still under its control. More importantly, the famous "Great White Fleet" of the United Fruit Company no longer provided its services for international shipping. Thus, even if the region solved the problems of transporting bananas to the ports, it still had not means of shipping them internationally. The inability of any local growers and producers of bananas to thrive due to the policies enforced by the Company during its time in the region left the *Zona Sur* unable to provide for itself agriculturally and economically after the Company left.

Agricultural Programs that Failed

The national government in the early 1990's did fund some agricultural programs in the region, but due mainly to inexperience, these endeavors failed. The national government did decided to devote a portion of the 1700 hectares purchased in Palmar to the cultivation of cacao. With the help of the National Bank of Costa Rica the national government purchased seed and equipment which it distributed to the various work groups or cooperatives formed to carry out the project. However, this particular venture suffered numerous problems with faulty seed, poor management, and insufficient funds, and as a result the government terminated the project in the late 1980's. The next agricultural government-funded project in the area encouraged the cultivation of bananas by individual growers. In Palma Sur and surrounding regions, the government set up no less than six cooperatives of banana growers, but like the experience with cacao production, the cultivation of bananas failed because of poor financial management and faulty equipment. As a result, the National Bank, which had financed the project with

loans to both the government and the workers, took control of most of the lands surrounding Palmar Sur.

In 2002 the national government helped fund the latest agricultural project in the Zona Sur, supporting a cooperative of plantain growers. This cooperative (which was still running at the time the paper was written) consists of 105 associations and upwards of 400 different workers. The government provides money for equipment, seeds, and general upkeep, while co-op sells plantains directly to Del Monte, which ships the plantains directly to the United States market. However, the managers of the co-op are concerned about the long-term viability of this enterprise given the experiences with the prior two projects—they are afraid that a lack of funds and a bureaucracy unused to dealing with these types of agricultural projects will lead to the Coop's downfall.⁴⁵

The only major government-funded project that helped Golfito was the creation of the duty free store founded in 1989.⁴⁶ The duty free zone did help the Golfito some with the creation of jobs in the stores for the residents of Golfito. However, ultimately the duty free zone only provided modest help for the residents of Golfito, as all the merchants were from San Jose or outside of Costa Rica. Therefore, the majority of the money generated by the duty free zone flowed to San Jose or even out of the country. The only revenue created which stayed in the Golfito was the money generated by providing services to the Costa Rican citizens that came down to Golfito for a day to buy refrigerators or other major appliances, and the few employees that were hired from the local area to staff the stores. The perception by the residents of Golfito today is that the duty free zone provides minimal benefit for the region.

The national government faced the same problems as the Municipality in its attempt to provide economic resources to the region, and had no previous experience in dealing with large banana, or in this case, plantain plantations. Therefore, the government allocated

⁴⁵ The preceding information was taken from two interviews done with members of the current government funded coop in Palmar Sur. One, A.S.I., worked main office of SURCOOP as manager of human resources. That interview was realized April 19, 2006 in Palmar Sur by the author. The other interviewee, S.O.R., worked at the Coop's vivero stations as head of operations. That interview was realized April 20, 2006 in Palmar Sur, Finca 5 by the author.

⁴⁶ The same duty free zone which the Council asked for in 1985. It took the government four years to implement the project, even though it assured the Council numerous times that a law was on the way to help speed up the creation.

insufficient funds towards the region and seemed unable to operate the plantation. What more, the problem of shipping was not solved, for even though the plantains are grown in Costa Rica, the shipping company was not local. All the plantains are bought by the Dole Fruit Company who then transports them to the US for sales. Thus, the money does not stay in the country but falls in the hands of foreign companies once more. The inability of local companies to grow under the company again forced Costa Rica to turn elsewhere for economic help.

Golfito today

Many of the same problems presented by the departure of the Company over 20 years ago still persist. Alcoholism and drug use remain prevalent, with crack cocaine now being the drug of choice. *Pachucos* (drunks) can always be found at night in the local bars, drinking late into the night and representing a source of real concern for the local inhabitants. As one local citizen attested:

*Before, when the Company was here, there were no problems with drugs. Now, it's terrible, all the people selling and doing crack. Some people, you know what they do? They break up pieces of glass and put them in sausages and give them to dogs! It kills them! I protect my dogs, I don't want someone to kill them.*⁴⁷

Thievery, although not rampant, still occurs almost daily. Prostitutes can still be found walking around the streets, and there is still a thriving, though very clandestine, red light district. Tourism has been of minimal help to the region, as the majority of tourists who visit the region tend to use Golfito only as a stopping point to take the ferry across the golf to Puerto Jiménez. Ultimately, many people who remained in the community found some employment, either in the hospital, at the duty free zone, in a hotel, or at another

⁴⁷ D.S.P., interview, transcribed and translated by author.

local small business.⁴⁸ However, unemployment is still high, and at night the homeless can be found sleeping on the streets on park benches.

So what is the legacy of the Company's involvement in Golfito? Many locals hold a nostalgic view of Golfito in the time of Company dominance, with almost everyone interviewed stating that Golfito was much better off when the Company was there. However, this local perspective may not reflect the actual balance of benefit and detriment to the overall well being of Costa Rica and its citizens. The often ruthless tactics employed by the Company to obtain vast tracts of land in Zona Sur were no doubt exploitative of a great many Costa Ricans. There is also little doubt that the decisions made by the Company were in its own best interests, rather than those of the people of Costa Rica. Although the Company did provide jobs and other economic development, the profits generated by its activities flowed not to Costa Rica, but back to American shareholders.

Conclusions

While Golfito today remains impoverished, the rest of Costa Rica has fared much better. Costa Rica enjoys a unique standing in Central and Latin America, due its stable, self sufficient economy and well run democratic government. The nation has received much praise from the international community with its progressive views towards welfare, education and personal rights, as well as its stance as an unarmed country. Indeed, Costa Rica bears the commonly used description "The Sweden of Latin America" with pride. While the country does experience problems of poverty, it is nowhere near as severe as the plight of its Central American neighbors like Nicaragua and Honduras. The *Zona Sur*, however, is the notable exception. Residents from San Jose express their distaste for the impoverished region and some go as far to state that the *Zona Sur* is not part of Costa Rica. Inhabitants of Golfito echo this claim and often feel ignored or left out of the

⁴⁸ Also in Golfito, there is branch of the Universidad de Costa Rica that has an emphasis mainly in biology.

relative prosperity of Costa Rica. While the reason for the unbalance may seem simplistic, the evidence is irrefutable: the legacy United Fruit Company.

Dependency theory no longer enjoys its status as the dominant discourse in Latin American studies. The controversial theory possessed too many intrinsic holes, and it ultimately proved unable to explain why the majority of Latin American nations either failed to develop or suffered from major underdevelopment. Still, the experience of the *Zona Sur* after the Company abandoned the area shows that the basic concept of dependency theory can still hold true for specific regions. The United Fruit Company held a virtual monopoly over the region by owning all the agricultural lands, controlling transportation and packaging of bananas, and possessing the only means of shipping the products to outside markets. What more, the overbearing tactics of the Company prohibited the development of the local businesses, and also prevented the local and national government to gain experience in dealing with the region. Thus, when the Company suddenly ceased banana operations in the region, not only were the local inhabitants reduced to poverty, but also the local and national governments were unable to provide the help needed by the region. While basic internal problems did contribute to the failure of economic expansion in the form of mismanagement and insufficient funds after United Fruit left, these factors were greatly overshadowed and indeed caused by the Company's controlling nature. Costa Rica as a whole did not suffer at the hands of the United Fruit Company, but unfortunately, the *Zona Sur* did. The still impoverished region of Costa Rica serves as a reminder that foreign investment, especially when dominate in a localized region, can ultimately prove harmful.