The Case Against Cheap Bananas: Lessons from the EU-Caribbean Banana Agreement

By

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CERLAC Working Paper Series

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> *All of this nonsense … you hear of 'cheap' [bananas]. Someone has to pay upfront. They have to pay in blood or in terms of poverty. Because the person who comes and works for you for less than a US dollar a day, he is giving you his wealth. He is giving you the wealth of his children.*
>
> (Grant, interview 2008)

This is how Lesley Grant, the Manager of the national banana growers' association in St. Vincent and the Grenadines (SVG), recently assessed the human costs of 'cheap' bananas produced by the world's dominant banana growers: giant plantations in Latin America whose workers are often paid as little as one US dollar a day. He contrasted this to the Eastern Caribbean banana industry, which is dominated by small-scale, family-run banana farms whose employees have experienced significantly better working and living conditions than their Latin American counterparts. Unable to compete with 'cheaper' bananas from Latin America in an open market, the Caribbean industry has only been able to survive and, for many decades, thrive on the basis of a preferential trade agreement between the EU and the Caribbean. Over the past decade and a half, this agreement has been systematically dismantled by the World Trade Organisation (WTO) and its member states, which have deemed the agreement to be an affront to 'free trade', with devastating effects for Caribbean banana farmers.

While free trade proponents have claimed that the removal of preferential agreements like that between the EU and Caribbean are essential to promoting economic growth and development, critics have long argued that free trade prescriptions have generally failed to deliver on their social and economic promises: A recent report by the Center for Economic and Policy Research (CEPR) affirms that the last 25 years of free trade policies throughout the Global South have witnessed a marked decline in progress for most social and economic indicators—including economic growth—compared to the 1960s and 1970s (Weisbrot, Baker, and Rosnick 2005). If this is the case, why do so many global institutions, national governments, media outlets, and non-governmental organisations (NGOs) persist in the belief that free trade leads to economic growth and poverty reduction? Some scholars have effectively sought to explain this discrepancy between myth and reality by examining free trade not just as a policy framework, but as an ideological or discursive construction—to which Michael Goldman (2006) instructively applies the label 'power/knowledge regime'—maintained in part by international organisations like the World Bank and the WTO. Rather than developing trade policies on the basis of objective 'technical' or value-neutral 'knowledge,' these organisations spend tens of millions of dollars per year funding reports, working papers, data analysis, seminars, and journals to construct a particular type of 'knowledge.' Drawing from a variety of critical traditions—neo-Gramscian, Polanyian, historical materialist, postcolonial, heterodox economics, feminist—political economists have pointed out how this 'knowledge' serves the interest of the rich and powerful and legitimises the current, highly unequal world order by making market-values and the artificial separation of politics from the economic realm appear natural and desirable; depicting markets as being driven by 'rational' economic agents, while obscuring the highly unequal relations of social and political power under which markets actually operate; portraying non-market, non-selfish, solidaristic and communal activities as pre-modern and archaic; and exceptionalizing the social and economic crises caused by the global market's everyday operations (Taylor 2009; Kapoor 2008; Lines 2008; Chernomas and Hudson 2007; Goldman 2006; McNally 2002; Elson and Cagatay 2000; Gill 1995; Wood 1995; Brenner 1985; Cox 1977; Polanyi 1944).

In this article, drawing on the essential insights of critical political economy regarding the political and ideological nature of neoclassical economics, I will examine the steady dismantling of the EU-Caribbean banana agreement and how its decline has been justified by economic critics drawing on highly dubious 'knowledge' about the benefits of free trade and the negative effects of 'preferential' trade. Over the past fifteen years, free trade policies have been steadily applied to the EU-Caribbean banana agreement and its key elements have been eliminated or severely weakened to the point that it no longer provides effective support for Caribbean farmers.[1] This fact has generally been embraced by mainstream neoclassical economists, whose views are aptly demonstrated by a recent article in the *Economist* magazine that celebrated the fact that the 'cosy regime is crumbling' due to the actions of the WTO, which 'frowns on such favouritism.' With this 'legacy of empire' eliminated, the door has now been opened to a new trade relationship between the EU and the Caribbean 'based on "reciprocity" not dependency' (The Sun Sets 2008). In what follows, I will argue that these assertions are based largely on the speculative claims of the free trade power/knowledge regime and not the actual record of the preferential banana agreement or the historical, power, and class conditions under which bananas are produced, traded, and sold. First, I will provide a brief history of the banana agreement, drawing particularly on the experience of the tiny Caribbean nation of SVG, where I conducted 27 open-ended interviews with government officials, banana officials, and banana farmers in the summer of 2008. This will be followed by a political assessment of the critiques of the agreement and an alternative vision of the lessons to be learned from its history, one based on the agreement's relative social efficiency in the context of highly imperfect international market conditions. Contrary to the claims of free traders that the elimination of the agreement was necessary, inevitable, or beneficial, I argue that a historically-rooted appraisal of the agreement reveals the relative social efficiency of preferential treatment in general to defend the livelihood needs of otherwise marginalized small producers. Concealed behind the veil of "scientific" objectivity, the arguments of the economic critics in fact serve to obscure how the dismantling of the agreement does not serve the social or development ends of small banana farmers and workers, but rather the interests of large and powerful actors who desire the expansion of the corporate food regime on the basis of a "world price."

The EU-Caribbean Banana Agreement

The EU-Caribbean banana agreement emerged out of a variety of specific banana arrangements developed in the post-War era between European colonial powers and their colonies and former colonies. The largest of these was that of the British Empire, which developed in the 1950s and primarily involved Jamaica, long an exporter of bananas, and the Windward Islands (Dominica, Grenada, Saint Lucia, and SVG), whose exports until then had consisted primarily of sugar produced on white-owned plantations. With the Caribbean sugar industry in crisis due to increased global competition, the colonial administration sought an export alternative in the form of bananas, which had long been grown by black smallholders for local consumption. At the same time, lacking dollars in the wake of the Second World War, the British government sought to manage its domestic currency crisis and meet its growing demands for fruit imports through a restricted, sterling area trading zone. Through promoting banana exports, the British Empire was able to meet these demands while incorporating peasant producers into the broader colonial economy

[1] Debate on human and economic development in the Caribbean has generally shifted in recent years from centering on the relative merits of the preferential trade agreement to discussing the institutional policies required for Caribbean nations to better adjust to freer trade and improve their negotiating abilities at the WTO and other free trade forums. For example, see Heron (2008) and Clegg (2008). For works concerning and debating the relative merits of the preferential trade agreement, see Clegg 2005; Borrell and Bauer 2004; Myers 2004; Grossman 2003; Herrmann, Kramb, and Mönnich 2001; McCorriston 2000; Guyomard, Laroche, and Mouel 1999; Borrell 1994.

and strengthening the UK's ties to its Caribbean colonies (which attained formal independence in the 1960s and 1970s). Moreover, the Empire had to respond to intense pressure from below, including escalating social unrest and repeated labour strikes from sugar workers in the Caribbean (Green 2007; Slocum 2003; Grossman 2003), and demands from an array of social groups in the UK, including conservative ones wanting the metropole strengthen it links with its colonies, and progressive ones insisting the government promote global distributive justice and an end to world hunger (Trentmann 2007).

The end result was a preferential trade arrangement centered on a quota system that reserved the bulk of the UK market for bananas exported from Commonwealth countries that traded in sterling. A tiny quota was reserved for non-sterling sources, mostly Latin American nations that traded in US dollars. Under these conditions, Jamaica and the Windward Islands established a near-monopoly position in the UK market and banana exports boomed in the 1950s and 1960s. In 1973, the UK acceded to the European Community and had to agree to extend duty-free entry for bananas to all former European colonies and associated territories. This opened the UK market to all 45 members of the African Caribbean and Pacific (ACP) countries, who in 1974 signed the first Lomé Convention with EC members. As a result, Commonwealth banana exporters became exposed to new competition from the ACP, but still remained protected from the most competitive exporters in Latin America (Frundt 2005; Myers 2004; Grossman 2003; Raynolds 2003; Brown 2000).

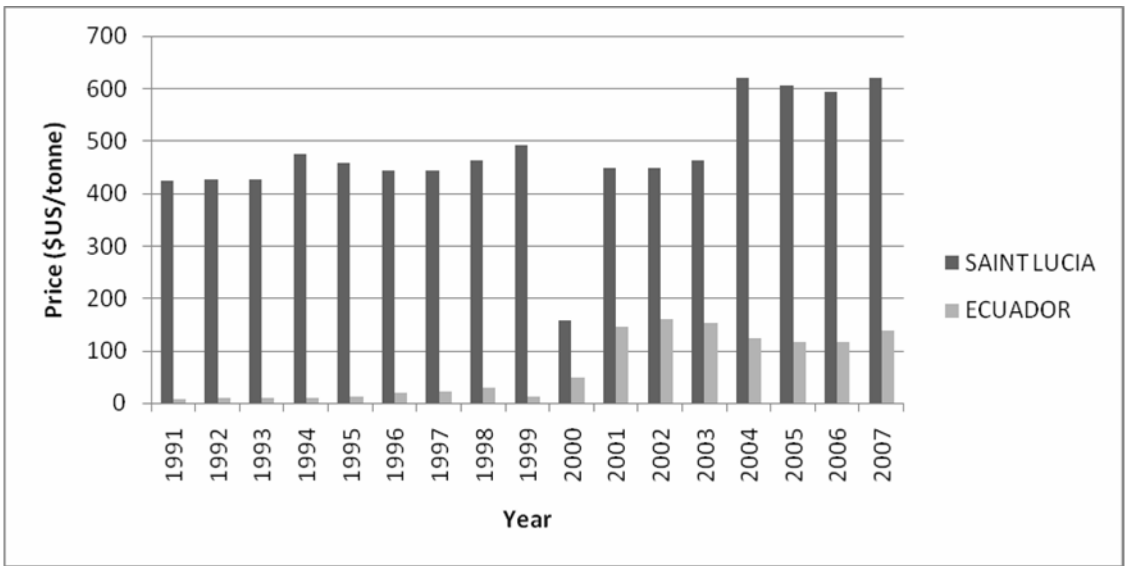
From the 1970s onward, the Jamaican industry went into steady decline for a variety of complex political, economic, and environmental reasons. Exports from the Windward Islands, however, continued to grow, from 100,000 tons of bananas in 1963 to 275,000 tons in 1992. By then, Dominica, Saint Lucia and SVG had come to rely on bananas to provide between 50 to 70 per cent of all export earnings and over one-third of all employment. They had become, according to former British government official Gordon Myers, 'more dependent on their banana exports than any other state in the world' (Myers 2004:34, 19-35).

The banana industry that developed in the Windward Islands under the protections of the preferential agreement has been distinctly different than most of the industry in Latin America. The majority of bananas exported from Latin America are produced on huge banana plantations, which can be upwards of 5,000 hectares in size, through technology-intensive methods (agriculture machinery, chemical fertilizers, and extensive irrigation) with a low-waged labour force working under highly exploitative conditions. In contrast, the industry in the Windward Islands is based on labour-intensive methods on small family plots—many of which are today run by female heads of household—with the majority averaging less than five hectares. Farm labourers work less hours per day and can be paid nearly three times as much as even unionised banana workers in Latin America. Combined with rugged terrain located within the hurricane belt and comparatively shallow soil with less mineral content, the Windward Islands banana industry has generally been less productive and more costly than the Latin American industry, even while the former has provided much better working and living conditions (see Figure 1). Moreover, Caribbean bananas have generally been produced in a much more environmentally sustainable manner. While still applying some chemical fertilizers and pesticides, Caribbean farmers have used much less chemicals and technology-intensive inputs than giant plantations and frequently cultivate bananas in a mixed-cropping model alongside other crops which has resulted in less overall waste, water contamination, soil deterioration, and health hazards for workers, and has contributed to local food sovereignty as additional crops and bananas are grown for local consumption as well as export (Frundt 2009:117-136; Grant, interview 2008; Ryan, interview 2008; Vanloo, interview 2008; Myers 2004; Grossman 2003; Raynolds 2003; UNCTAD 2003; Andreatta 1998).

These unique social and ecological relations of production have historically been combined with equally unique and responsive state-managed marketing boards. Perhaps the best example of this is the St. Vincent Banana Growers' Association (SVBGA), a statutory corporation of the Vincentian government that has been granted an exclusive monopoly of banana exports since 1955. The association has regulated quality standards while provided farmers with a guaranteed market, technical advice, interest-free credit, extension services, and subsidised inputs. The government has not had direct access to the association's funds, and the association has generally operated with a significant degree of autonomy, with farmers playing a participatory and consultative role in its operations, including electing local delegates and seven of the association's thirteen board members. Consequently, unlike the history of many other marketing boards in the South, in SVG, states geographer Lawrence Grossman, the government 'has not used the [banana] industry as a major vehicle for state accumulation based on the exploitation of the peasantry'(Grossman 2003:300). Rather, it has been a model example of an efficient and effective state marketing board, one that has required the support of the EU-Caribbean banana agreement to survive—since the deterioration of the agreement, declining banana prices has forced the SVBGA into debt and it is currently slated for major reform or removal (Grant, interview 2008; Vanloo, interview 2008; Grossman 2003).

The long decline of the agreement began in 1993 with the signing of the Single European Act, which included the replacement of the old banana 'volume quotas'—which involved specific limits on the amount of bananas ACP and Latin American countries could export into Europe—with new 'tariff quotas'—which allowed countries to export bananas beyond their allotted quota, only with prohibitively higher tariff rates (Myers 2004:42-63; Herrmann, Kramb, and Mönnich 2001). This was followed by the creation of the World Trade Organisation (WTO) in 1995, which significantly

Figure 1:
Prices Paid to Banana Producers: Saint Lucia vs. Ecuador



Source: Food and Agricultural Organization (FAO) statistical database, http://faostat.fao.org/site/535/DesktopDefault.aspx?PageID=535#ancor
[accessed July 2009 and February 2010]. Note: information for SVG not available

strengthened the opposition to the banana agreement from major Latin American banana exporters, especially the world's largest, Ecuador, which had long opposed the preferential banana agreement, and the United States, which viewed the agreement as an affront to US-based banana companies in Latin America. The WTO possessed much stronger enforcement mechanisms than its predecessor, the General Agreement on Tariffs and Trade (GATT), and opponents to the banana agreement were quick to take advantage of them, launching major challenges to the agreement in 1997 and 1999. Both times, the WTO ruled against the agreement's core aspects as an affront to free trade and the principle of 'non-discrimination.' After the second ruling it granted the US permission to apply sanctions against the EU totalling $191 million a year. The EU gradually succumbed to the pressure, agreeing first to increases in the size of the quota for non-ACP bananas and eventually to removing the tariff quotas entirely by 2006 and replacing them with a tariff-only regime (Clegg 2005; Myers 2004; Raynolds 2003).

The constant wrangling over the banana agreement and its gradual erosion ruined its effectiveness for the Windward Islands. In SVG alone, banana exports declined from around 79,863 tonnes in 1992 to 17,514 tonnes in 2007, matched by an astounding drop in the number of active farmers from 7,855 to 1,151—a decline of 85 per cent (see Table 1, Figures 2 and 3). Currently, the last tool left to protect

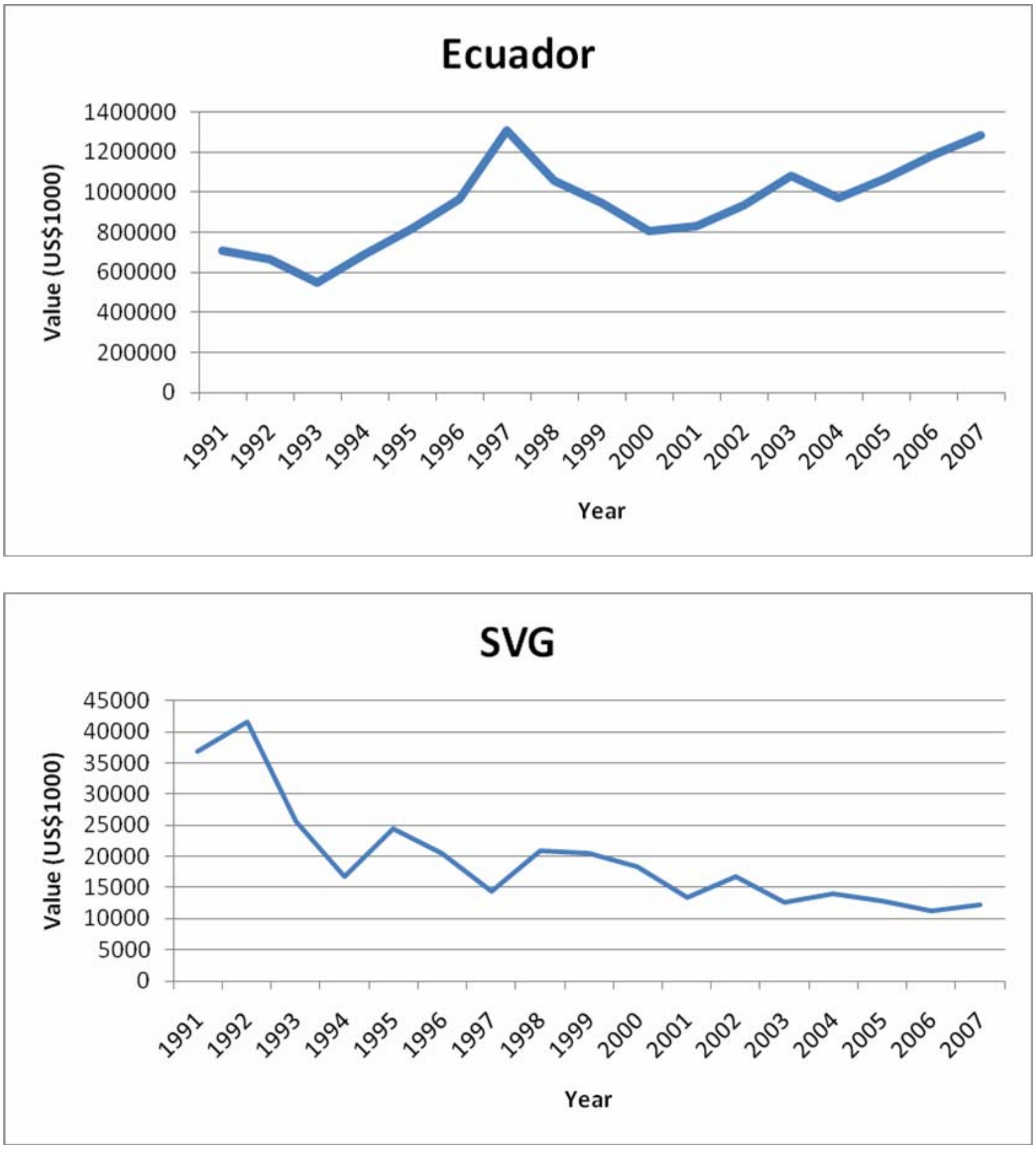
Table 1:
Declining Banana Industry in SVG

Year	Active Farmers	Export Value (in US$1000)	Export Quantity (in tonnes)
1992	7855	41540	79863
1993	7543	25696	64608
1994	6139	16704	34552
1995	5991	24463	54788
1996	5665	20490	48850
1997	4670	14397	32865
1998	4152	20891	40820
1999	3696	20523	40211
2000	3623	18300	43400
2001	3360	13500	33000
2002	2673	16727	39664
2003	2309	12582	28455
2004	2099	13972	30315
2005	1737	12815	27470
2006	N/A	11162	23783
2007*	1151	12307	17514

Source:
Active Banana Farmers:
St. Vincent Banana Growers Association (SVBGA), personal correspondence.
* Information for 2007 based on interview with Reuben Roberston, Chief Agricultural Officer of SVG, Kingstown, SVG, 16 July 2008.

Caribbean farmers are different overall tariff rates for ACP and non-ACP producers. The US and Latin American exporters have been putting intense pressure on the EU to eliminate or reduce this discrepancy, and the EU has responded. In December 2009 the EU agreed to lower the import duty on Latin American bananas from 176 euros per tonne to 148 euros per tonne in 2010, followed by a further reduction to 114 euros by 2017, causing a former regional trade negotiator, Sir Ronald Sanders, to predict that Caribbean

Figure 2:
Value of Banana Exports – Ecuador vs. SVG

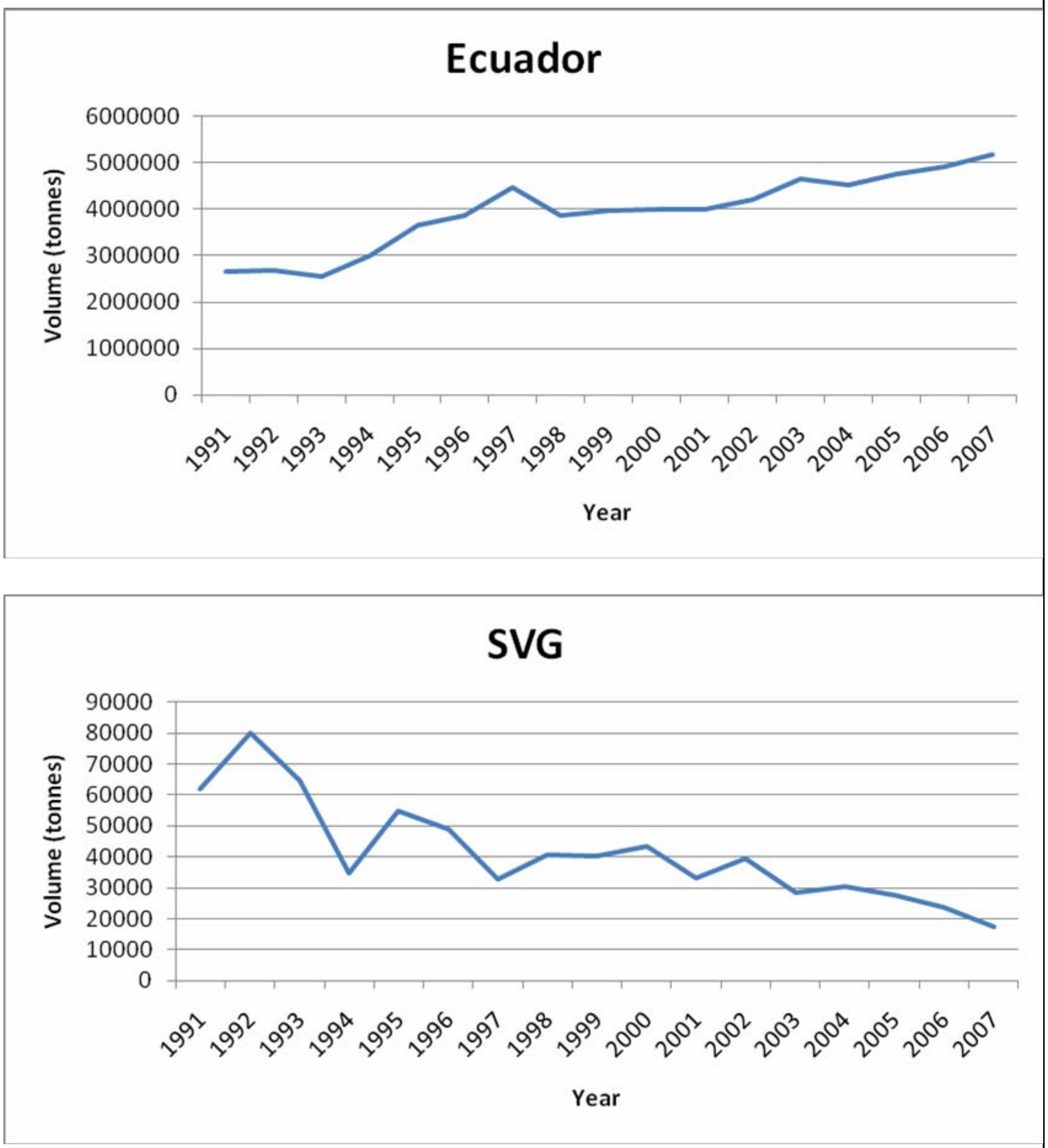


Source: Food and Agricultural Organization (FAO) statistical database, http://faostat.fao.org/site/535/DesktopDefault.aspx?PageID=535#ancor [accessed July 2009].

banana farmers will now "be wiped out of the market" (WINFA official disappointed with new Latin American tariff 2009; Former negotiator likens EU-Latin American banana accord as a stab in the back 2009).

In place of the decimated banana agreement, the WTO has pushed for new Economic Partnership Agreements (EPAs) premised on shifting the relationship between the EU and ACP countries from one of preferential trade to one of 'reciprocity' (The Sun Sets 2008; Brewster, Girvan, and Lewis 2008; Orbie 2007; Clegg 2005; Brown 2000). In October 2008, the EU and 13 Caribbean

Figure 3:
Volume of Banana Exports – Ecuador vs. SVG



Source: Food and Agricultural Organization (FAO) statistical database, http://faostat.fao.org/site/535/DesktopDefault.aspx?PageID=535#ancor [accessed July 2009].

nations concluded negotiations for their own EPA. Critics have pointed out that the Caribbean, which already receives duty-free access for nearly all of its major exports to the EU, is unlikely to attain significant benefits from the EPA but will be negatively impacted by removing its duties on European goods, eliminating an important source of revenue and exposing Caribbean industries to fierce competition from more economically advanced European industries. The difficulties of seeking reciprocity between such highly unequal partners has been recognized in the process of European unification through various mechanisms that have transferred significant funds from wealthier European countries to traditionally poorer economies like Ireland, Spain, and Portugal. In the case of the proposed EU-Caribbean EPA, no such firm commitment exists, but rather there are non-binding commitments of relatively inadequate funds from the EU, with priority given to supporting those activities that ensure EPA implementation (Brewster, Girvan, and Lewis 2008).

Moreover, the process through which the proposed EPA has been negotiated has generally lacked full public disclosure and consultation within the Caribbean, regardless of the fact that the agreement effectively locks the region into a legally binding arrangement with significant long-term developmental impacts. The EPA calls for the elimination of tariffs on 82.7 percent of European imports into the Caribbean, while European markets would be opened to Caribbean services but only under highly restricted conditions. In terms of the free flow of people, the EU has made no commitment to loosen its tight visa restrictions on Caribbean citizens, which gives significant advantage to European business people and workers who generally face relaxed visa requirements for entering Caribbean nations due to the needs of the tourist industry. Moreover, the EU has demanded that Caribbean states not only adopt the basic commitments required for WTO compatibility, but that they also adopt "WTO-plus" commitments. These "plus" commitments entail provisions in services, intellectual property, competition, public procurement, and investment that go beyond that which countries have agreed upon in multilateral forums, and are often foisted on poorer countries through bilateral trade negotiations between highly unequal partners(Brewster, Girvan, and Lewis 2008:4).[2] This is no secret for Caribbean government officials, many of whom have only reluctantly agreed to the EPA under intense duress from the EU which has threatened to impose new duties on Caribbean imports. According to SVG Prime Minister Ralph Gonsalves, negotiations for the EPA took place with 'a veritable gun to our heads' (Gonsalves, interview 2008).[3]

International initiatives between state actors like the EPA have been accompanied by non-state initiatives like fair trade certification, which provides banana farmers with higher prices and social premiums in exchange for meeting a series of social and environmental standards. Fair trade has provided farmers with higher and more stable prices and the regional fair trade organisation, the Windward Islands Farmers' Association (WINFA), has served as an important lobbying organisation for small farmers (Bobb, interview 2008; Torgerson 2007).[4] At

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[2] For a discussion of WTO-plus agreements relating to Trade-Related Aspects of Intellectual Property Rights (TRIPS)—"TRIPS-plus"—see Rajotte (2008).

[3] Given the highly unbalanced nature of the EPA, the agreement appears to have been concluded under significant duress from powerful European countries. In the aftermath of the negotiations, President Bharat Jagdeo of Guyana publicly stated that the talks had taken place amidst threats that tariffs would be imposed on Caribbean exports of bananas, sugar, and manufactured goods (Statement by a Group of Concerned Caribbean Citizens 2008). Arguing that the EPA is a bad deal for the Caribbean, he stated: "I think it is time we come clean with people across the region that this was the best we could have gotten out of a bad situation…. I resent that characterization that we won from these negotiations, we didn't win anything" (quoted in Williams 2008).

[4] The minimum price for fair trade certified bananas vary by country of origin with the exception of a guaranteed social premium of US$1 per 40 lb box. In SVG in July 2008, fair trade banana farmers were receiving a farm-gate price of

the same time, fair trade certification has not been able fill the vacuum left behind by the decline of the banana agreement. The fair trade price paid to members has not kept with up the rising costs of living and farm inputs, and the size of the fair trade market cannot match the old protected banana market—while 90 per cent of banana exports from SVG are currently certified fair trade, this has occurred only after the number of active farmers in SVG has dropped by 85 per cent since the 1990s. Moreover, unlike the *preferential* banana agreement, fair trade is premised on *reciprocity*: producers must meet a series of social and environmental standards in order to gain the support of Northern consumers. While these standards are generally desirable, they also impose extra burdens on small farmers that they are not fully compensated for—currently, many farmers have expressed concern over the restrictions on pesticide use, which requires extra labour for weeding and negatively affects banana productivity (Bobb, interview 2008; Vanloo, interview 2008; Grant, interview 2008; Fridell 2007; Moberg 2005).

Compared to the state of the industry under WTO-led reforms since the 1990s, the old banana agreement appears to have been a much more successful human development project that helped preserve a unique situation of small farmer production. This is not to say that the agreement did not have its shortcomings. The higher and stable prices offered by the agreement did tend to discourage diversification, which left the Windward Islands in a continued state of dependency on a limited range of exports (Brown, Crawford, and Gibson 2008; Heron 2008; Green 2007; UNCTAD 2003). In addition, the exclusive nature of the agreement intensified opposition from 'outsiders' in Latin America even though they already dominated the global banana market—Ecuador's banana exports in 2000 accounted for 33.7 per cent of the world total, over 14 times the combined banana exports of the entire Caribbean (UNCTAD 2003:62) (for more recent shares, see Figure 4).

Finally, the banana regime was developed and operated in a highly unequal manner: the EU formally ran the regime with Caribbean countries allowed only a consultative role, although the latter did develop effective lobbying capacities. These inequalities, it should be noted, have only been made worse by the WTO which has not regarded the Windward Islands, in procedural terms, as core participants in the banana agreement. Consequently, they were shuttled aside, allowed only select access to WTO sessions, permitted to make only brief statements, and denied the right to pose questions to complainants or submit rebuttals (Clegg 2005; Myers 2004:73-90,159-166). This situation persists not just with issues directly pertaining to the banana regime but within the WTO generally. Despite the fact that Caribbean countries *do have* formal representation at the WTO based on one-member-one-vote, in reality decisions are made on the basis of "consensus" with tiny countries fearful of upsetting powerful ones by speaking out or voting against their proposals. Moreover, Caribbean countries lack financial and human resources, with only three of them—Barbados, Jamaica, and Trinidad and Tobago—capable of maintaining permanent representation at the WTO offices in Geneva (Clegg 2005). (In one instance in 1996, two Windward Islands advisors were even ejected from the WTO banana panel for being private lawyers and not permanent members of the delegation (see Myers 2004:89-90)[5].)

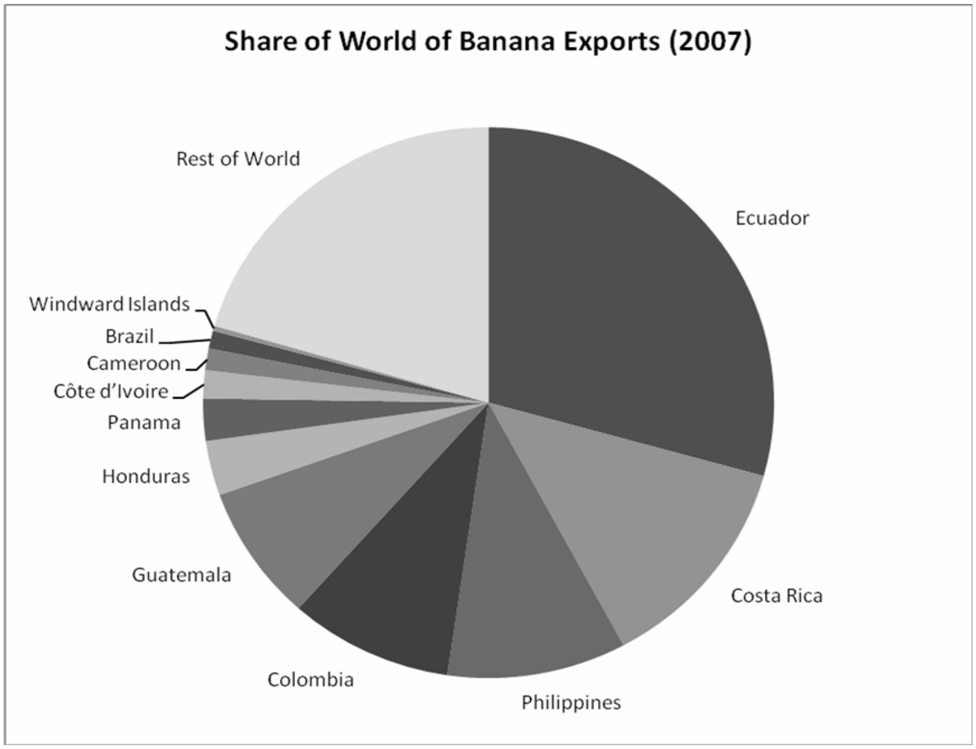
Given some of the shortcomings of banana agreement, it is clear that changes were required. The key issue, however, is what form those changes would and should take. A newly formulated international banana agreement, one that included all major producers and paid greater attention to the goal of export diversification, was certainly not beyond the realm of human possibility (Brown, Crawford, and Gibson 2008; Lines

US$ 6.78 (EC$ 18) per 40 lb box, which was about US$ 0.76 (EC$ 2) more than conventional prices (Bobb, interview 2008). For more on fair trade standards for bananas see (Raynolds 2007)

[5] This situation was later on overturned on appeal but, states Myers, "by then the damage had been done" (Myers 2004:90).

2008, 2007; Orbie 2007; Green 2005; Talbot 2004). In fact, major banana farmer organizations, workers' unions, and NGOs have been meeting in an array of multi-stakeholder forums since the late 1990s to develop and advance a variety of proposed alternative international banana agreements, including one based on differential tariffs on the basis of social, environmental, and economic criteria (Frundt 2009; Lines 2005). In the era of neoliberal hegemony, however, the world's most powerful institutions and their policy advisors have advanced only one overarching agenda: the complete dismantling of the banana agreement in favour of 'free trade.' The reasons, according to the critics, are that the banana regime not only discouraged diversification, but was inefficient and costly and would be better replaced with direct aid from the EU designed to encourage competitive adjustments (Borrell and Bauer 2004; Herrmann, Kramb, and Mönnich 2001; Borrell 1994). These assertions, I will argue, are based largely on speculative economic modelling and have ignored the actual historical, power, and class conditions of the global banana industry; with grave effects for small banana farmers in the Caribbean.

Figure 4:
The 10 Biggest Banana Exporters & the Windward Islands



Source: Food and Agricultural Organization (FAO) statistical database, http://faostat.fao.org/site/535/DesktopDefault.aspx?PageID=535#ancor [accessed 4 February 2010].
Based on volume of exports in tonnes

A Critique of the Economic Critiques

Bananas Without History?

The history of the banana agreement above reveals a more complex picture than that generally offered by mainstream economic critics. This is due, in large part, to the fact that they neglect the actual history of the regime in favour of speculative economic models. These models compare the banana regime to a hypothetical free trade situation that rarely, if ever, has existed, and consider historical structures and political forces as mere obstacles to attaining the ideal situation—rather than being the core dynamics that have and continue to shape market conditions in the real world.[6] This neglect of history has the effect of silencing two very important issues.

First, the economic critics of the agreement tend to neglect one of the reasons for its continued support since the 1970s, as affirmed by the Lomé Conventions—to compensate former colonies for the long, painful historical legacy of slavery and colonialism. The downplaying of this legacy is common not just among critics of the banana agreement, but among mainstream neoclassical economists in general. In his highly influential book, *The End of Poverty,* Jeffrey Sachs (2005:31, 50) condemns the brutality and racism of the colonial era, but suggests there is no basis for the assertion that 'the rich have gotten rich *because* the poor have gotten poor.' Over the past two hundred years, he asserts, both rich and poor regions have experienced increased economic growth and the 'key point' is that the '[b]ad policies of the past can be corrected. The colonial era is truly finished.'

The impact of the colonial legacy, however, cannot be measured merely by economic growth, but by the manner in which former colonies and neo-colonies have been inserted into the world economy in highly vulnerable and dependent positions. This is indeed the case with the Windward Islands which have been compelled into dependence on a narrow range of exports with few options for enhancing their international 'comparative advantage' (Myers 2004). This vulnerable position in the global economy cannot be attributed merely to small size and lack of resource endowments because, as sociologist Cecilia Green (2007:43) argues, 'certain aspects of "small size" were caused directly by colonialism, rather than being themselves the cause of underdevelopment and dependency.' The fact that SVG is highly dependent on tourism and bananas as opposed to higher value-added goods or services is due predominantly to its long colonial history which imposed upon the tiny island a plantation economy in the interests of rich nations in the North (Green 2007; Andreatta 1998).

The second historical issue neglected by the economic critics has been the actual history of the banana agreement and its relative strengths and weaknesses at addressing commodity dependence and poverty. The erasure of the history of the agreement is part of what proponents of commodity agreements in general have dubbed a 'conspiracy of silence' regarding the negative social and ecological impacts of commodity price volatility and the pressing need for some sort of international market intervention to address it. In the era of 'free trade' hegemony, the failings of international commodity agreements have been widely exaggerated while their successes all but ignored (Lines 2008, 2007; Green 2005). In the case of the banana regime, while far from perfect, it provided a better solution for addressing price volatility and poverty in the Caribbean given the complex real world market and political conditions than the current free trade agenda. Rather than ignoring its history, lessons should be drawn from it to provide new directions for the future.

Bananas Without Power?

In 2001, economists Roland Herrmann, Marc Kramb, and Cristina Mönnich made their case against the banana agreement's tariff rate quota scheme, just a few years before its elimination:

[6] For a critique of the assumption of perfect competition in the banana industry, see McCorriston (2000).

> In general, firms had to invest time and money in understanding and applying a difficult licensing scheme, which could have been used *more effectively from society's point of view* in production, processing, and trading activities [emphasis added] (Herrmann, Kramb, and Mönnich 2001:17).

This quotation reveals a great deal about Herrman et al's assumptions regarding power and efficiency in international trade that are common to most economic critics of the banana agreement and many neoclassical economists in general.[7] In their assessment, the source of power is the state, which promotes the inefficient and wasteful use of time and money to the benefit of a select group of companies (those with quotas) and the overall detriment of 'society.' With the state removed from the equation, resources would be employed in the most efficient manner possible, resulting in greater benefits for society—especially consumers who would ultimately attain cheaper bananas.

While Herrman et al show great concern for what they consider to be the unfair and inefficient use of state power, they all but ignore the powerful role in the global banana market played by giant transnational buyers and Northern retailers through their oligopolistic control of marketing and distribution. The world's three largest banana companies—Chiquita Brands International, Dole Food Company, and Fresh Del Monte Produce—control around 70 per cent of the entire world's import and export of bananas. Up until the 1970s, these banana companies were heavily involved in the entire banana chain, from direct growing (through ownership of mostly giant plantations), transportation, ripening, and distribution. Over the last couple of decades, they have shifted their operations toward a greater focus on marketing and distribution—often through partnerships with giant retail food chains—with bananas supplied on the basis of long-term contracts with independent local banana producers. This way, the banana companies have been able to download the risks associated with direct production onto local banana farmers, while vertically coordinating the chain through their control of the most value-added stages of transportation, distribution, and marketing (Brown, Crawford, and Gibson 2008; Lines 2008, 2007; UNCTAD 2003:9-10).

The introduction of these giant transnationals into the equation throws a significant wrench into the assumptions of Herrman et al. Rather than the removal of state regulation of commodity prices leading to markets being freed from unfair manipulation and control, the power to do this merely shifts out of the hands of the state and into the hands of Northern-based transnational companies (Brown, Crawford, and Gibson 2008; Lines 2008, 2007; Daviron and Ponte 2005; Talbot 2004). As Thomas Lines correctly observes:

> The basic issue is one of power: who controls the market or supply chain. Over recent decades the control of commodity markets (and with it, the ability to manage supplies) has gradually shifted from the producer to the consumer end of supply chains, and from public to private authorities (Lines 2007:17).

Thus, what Herrman et al depict as the elimination of waste and the transfer of resources from the state into the hands of 'society' is in fact a transfer of these resources into the hands of transnational corporations. On what basis do they assume that these resources will be used to enhance 'production, processing, and trading' as opposed to going into the pockets of the banana companies' largest shareholders? (One might almost forget, reading Herrman et al, that the *private* accumulation of profit is the primary goal of a corporation.) In fact, to the extent to which citizens are able to convince government to devote resources to assisting small farmers and workers in the South—like the banana agreement did—there would appear to be much greater potential for these resources to be employed for the benefit of 'society' in

[7] For a critique of the claim that EU Tariff Rate Quotas did not result in greater market liberalisation, see Guyomard et al. (1999).

government hands than in private ones (Chernomas and Hudson 2007).

The assumption of Herrman et al that society's interests and corporate interests are necessarily the same ignores how unequal power operates throughout the banana industry. Since the decline of the EU-Caribbean banana agreement, for example, supermarket chains in the UK have used their heightened oligopolistic control over access to the UK market to continually lower banana prices in a fierce price war. The burden for this war has not fallen on the shoulders of the transnational corporations who conduct it, but rather on those of the Southern importer, the Windward Island Banana Development and Exporting Corporation (WIBDECO), which is half-owned and managed by the governments of the Windward Islands. WIBDECO buys bananas from Windward Islands farmers at the fair trade price and then sells those bananas to the retail chains in the UK who, in turn, are not bound by any minimum price in their dealings with WIBDECO. While WIBDECO has been able to absorb the loss in the short term, these market conditions create intense downward pressures on banana prices generally, which ultimately places the greatest burden on those who are the most vulnerable and posses the least market power, the remaining Caribbean banana farmers (Anonymous Official 2008; Ryan, interview 2008). The deterioration of the banana agreement has thus not resulted in the removal of inefficient or unfair sources of power from the commodity chain, but rather has caused power to shift into the hands of transnational corporations who exercise it in the interest of private profitability.

Bananas Without Class?

> Under the unified EU [banana] policy, quotas, high prices, and preferential access provide aid to preferred suppliers, but cost EU consumers dearly and the quota restrictions hurt nonpreferred suppliers (mainly Latin American countries) (Borrell 1994).

In a working paper for the World Bank, Brent Borrell, one of the banana regime's most adamant opponents, makes this claim on the basis of a common evaluative tool used by economists, that of consumer/producer 'surplus' (the difference between the final price of a product and what a consumer/producer would have been willing to buy/sell it for). Frequently, surplus is evaluated purely on the basis of monetary value with little regard for how people of different social classes experience different gains from the same amount of money—a $100 bill, for example, contributes more to the daily life of poor person than to a rich one (Krugman and Obstfeld 2009:188-192). Borrell is no exception here. Arguing that consumers in Europe have experienced a significant decline in consumer surplus as a result of higher banana prices, Borrell deduces that the majority of European consumers have paid 'dearly' for the banana agreement (See also Herrmann, Kramb, and Mönnich 2001; Guyomard, Laroche, and Mouel 1999). This proposition can only be sustained by ignoring the lived reality of relatively affluent European consumers, whose lifestyle has long been supported by cheap commodities from the South (Wolf 1997; Mintz 1985). How can the pains of a tiny additional cost for bananas be compared to the livelihood needs of thousands of small farmers in the Caribbean? Moreover, through a seeming slight of hand, Borrell appears to invert the long history of both regions, with the Europeans now appearing as victims of Caribbean banana farmers.

Not only do the economic critics fail to make a meaningful distinction between the lives of consumers and producers in evaluating 'surplus' gains, but they also neglect to make a meaningful distinction between different producer groups in the South. They argue that the banana agreement not only hurt consumers, but it also caused a 'worldwide' loss of producer surplus in the banana industry. With the restrictions of the banana agreement removed, the critics argue that EU banana prices will decline and the market will expand, providing greater producer surplus for all the world's banana producers (Borrell and Bauer 2004; Herrmann, Kramb, and Mönnich 2001:15; Borrell 1994). The extent to which the market will expand to meet these optimistic predictions is, at the least, questionable. The decline of Caribbean banana producers hardly represents a bonanza for Latin American competitors—in 2000, all the major Caribbean banana countries combined accounted for only 2.4 per cent of world banana exports (UNCTAD 2003:62). Moreover, while the end of the banana agreement likely will spark an increase in the total volume of EU banana imports, this does not necessarily mean higher incomes for specific banana producers as it will be driven by declining prices, a common dilemma of tropical commodity markets in general.[8]

Perhaps more significantly, appeals to the needs of 'worldwide' banana producers in the abstract glosses over a wide variety of differences among producers, including those of class, race, gender and region. When making reference to banana producers, do the critics mean giant agro-industry, large-scale plantation owners, small farmers, rural workers, men or women? Who will be the ones that gain access to increased producer surplus? All but ignored by the economic critics is the fact that the majority of bananas in the Windward Islands have historically been produced by small family farms in a more socially responsible manner compared to the majority of Latin America bananas.[9] Given this, it is difficult to imagine how the transfer of banana income and employment from the Caribbean to Latin America would be socially beneficial for the 'world.' The abstract reference to worldwide banana producers leaves little space for those who are concerned about the unique conditions and needs of vulnerable small farmers in specific regions. If the majority of banana producers in the Windward Islands are to be sacrificed for the sake of the economic efficiency of the world banana industry, where does this leave one concerned with human development within those islands? It is a common position of mainstream economists to defend the current highly unequal global economic order by pointing out that the wealth of the *world* has increased significantly over the past 200 years (Krugman and Obstfeld 2009:263; Sachs 2005:5-50). While this might be comforting for the one-sixth of humanity who have garnered the lions share of this wealth, it would likely be of little comfort for the 1.4 billion people in the world who continue to live mired in poverty, struggling to meet their day-to-day needs (Schifferers 2008). Similarly, with the decline of the banana regime, it is difficult to imagine how Caribbean banana producers can be compensated for the loss of essential income with the knowledge that the worldwide banana industry is now operating more efficiently. What sort of development prospects do the economic critics hold for vulnerable Caribbean banana farmers?

In the end, the economic critics' concern for the world banana industry is not one for producers *per se*, but for the construction of what Phillip McMichael (2006:409) has termed a "world price" stemming from a "corporate food regime." This world price is "significantly divorced from labour costs" and artificially depressed by the oligopolistic actions of Northern TNCs, overproduction, and dumping, and then "universalised through liberalisation (currency devaluation, reduced farm supports and corporatisation of markets)" (McMichael 2006:409; Rosset 2006). Small farmers everywhere are increasingly vulnerable to bankruptcy and dispossession as a result of world prices. In the banana industry, this is true not just for Caribbean farmers, but for small banana farmers everywhere (Lines 2005). This includes Ecuador, the world's largest banana exporter, which has been a fierce opponent of the EU-Caribbean banana

[8] Thomas Lines demonstrates that it is very common for most tropical commodity markets in the post 1945 era to experience an increase in total trade alongside an overall decline in total value. With coffee, for example, he states that "world coffee exports increased from 3.7 million metric tons in 1980 to 5.9 million tons in 2000, but their total value declined from US$ 12.5 billion to $10.2 billion in the same years." Interestingly, from 1977 to 2006, years when the EU-Caribbean agreement was in effect, the banana industry was one of the few tropical commodities *not* to experience this general trend (Lines 2008:40-41). See also (Lines 2005).

[9] It is important to note that banana unions in Latin America have fought vigorous campaigns to improve working conditions and made important gains in recent years. See Frundt (2009, 2005).

agreement. As anticipated, Ecuador's overall share of the volume of world banana exports has increased with the decline of the banana agreement: from the early 1990s to 2005, while the Caribbean share of world banana exports dropped, Ecuador's share of world banana exports steadily increased (see Figures 2 and 3). However, much of the extra value gained through these exports have not made their way down to banana workers and small banana farmers, but rather has remained in the hands of giant export industries, especially those owned by the country's wealthiest man, billionaire Álvaro Naboa. As a result, in May 2005, the government of Ecuador introduced a national supply management scheme to *regulate* the country's banana exports in an attempt to force up prices for banana farmers and smaller domestic exporters (Lines 2008:85; Banana Link 2005:2). These moves reflect a recognition on the part of the Ecuadorian government that without some form of market regulation, it is the largest and most powerful players in the banana industry that will benefit the most from an unregulated world banana price as they will use their enhanced oligopolistic position to manipulate prices and exchanges in their interests. These are the 'worldwide' banana players that will gain the most from increased access to producer surplus with the banana agreement removed. The vulnerability of small farmers, in both Ecuador and the Caribbean, will merely increase in the face of an unregulated 'world price,' albeit to varying degrees.

Bananas Without Development: Efficiency for What Purpose?

In the final analysis, the economic critics do not envision much of a future for the majority of small banana farmers in the Caribbean whose survival as farmers, they argue, has depended on the 'wasteful' and 'inefficient' protections of the banana agreement. Calling for the agreements' elimination, the critics counterpoise an alternative strategy aimed at replacing the banana regime with the transfer of direct aid aimed at promoting diversification into new industries (The Sun Sets 2008; Herrmann, Kramb, and Mönnich 2001; Borrell 1994). While direct aid and diversification would certainly be helpful to the Caribbean, it is highly questionable that the actual political conditions exist for these proposals to be realized in any meaningful way.

First, the economic critics charge that the banana regime has been a highly inefficient way to transfer resources and a better alternative would be a 'big dollop' of direct aid (The Sun Sets 2008). According to Cecil Ryan (interview 2008), Chairman of the SVBGA, this suggested alternative is dubious as official aid payments tend to get delayed or wasted in the huge and highly stringent EU bureaucracy, as well as the government bureaucracy in SVG, whereas price supports go directly to small farmers who 'can then decide what to do with the extra resources they get.' Moreover, if we accept that the proposal for direct aid is a good one in theory, the odds of sufficient aid transfers actually emerging and in a manner that could be sustained over an adequate amount of time is highly unlikely as it would be considered by most EU members to be too expensive and politically untenable. In the world of politics, protectionist mechanisms that result in small individual costs (such as paying a few cents more for bananas) tend to be far more palatable than highly visible, large-scale transfers of economic aid (Krugman and Obstfeld 2009:220-222; Myers 2004). The direct aid proposal for bananas harkens back to the famous example of Jeffrey Sachs' 'Shock Therapy' prescriptions for Russia after the fall of the Soviet Union. Alongside wholesale privatisation and market liberalisation, which did happen, Sachs proposed the transfer of billions of dollars of aid from West to East, which did not happen, resulting in a social and economic disaster for the region.[10] A similar prospect now confronts the Caribbean banana industry: market liberalisation, stripping the region of a key source of foreign exchange earnings, without significant new aid transfers to help offset its effects. Thus far, the EU has agreed

[10] Under 'Shock Therapy' reforms, the percentage of those living in poverty in Russia dropped from two percent in 1989 to 23.8 percent in 1998 (Stiglitz 2002:133-165; Gowan 1999:187-247).

to provide a one-time compensation package of 190 millon euros to *all of the ACP*, of which the Windward Islands will only receive a tiny share—what WINFA Coordinator Renwick Rose characterizes as a "drop in the bucket" (Former negotiator likens EU-Latin American banana accord as a stab in the back 2009; WINFA official disappointed with new Latin American tariff 2009).

Second, while the economic critics may be right to point to the need for greater diversification, it does not necessarily follow that options for diversification actually exist on a sufficiently large scale. The tourism industry can only grow so large and absorb so much employment, and there are major ecological limitations to its expansion (Andreatta 1998). Diversification of agricultural exports is very difficult and would take a long time to fully develop as the small islands lack the economies of scale necessary to create the packaging and shipping infrastructure for new crops in a cost-efficient manner. Moreover, it is unlikely that the islands posses a basis for an "absolute advantage" to produce any tropical crops more efficiently than giant plantations in Latin America. Consequently, many of the growers left behind by the decline of the banana regime have been compelled into unemployment and migration abroad. The Windward Islands have among of the worst net migration rates (the number of persons entering versus the number of persons leaving a country during the year per 1,000 persons) in the world, with SVG ranking 176 out of 180 countries with a net migration rate in 2009 of minus 11.80 (CIA 2010; Grant, interview 2008; Vanloo, interview 2008; Emmanuel, interview 2008). There are also persistent reports that desperate farmers are turning increasingly to trafficking in illegal drugs. The extent to which this is the case can be notoriously difficult to determine, but the Windward governments have shown growing concern for the issue and the CIA considers all of the Windward Islands to be "transhipment points" for illegal narcotics bound for the US and Europe, with SVG and Dominica considered to be "small-scale" and "minor" cannabis producers respectively (CIA 2010; Grant, interview 2008; Vanloo, interview 2008; Emmanuel, interview 2008; Drug Information Network 2003).

Most conventional economists would argue that, in the final analysis, any nation can adjust and enhance its comparative advantage on the basis of low-waged labour (Krugman and Obstfeld 2009:40-42; Sachs 2005). Given the fiercely competitive nature of the global economy, it is questionable the extent to which all nations can successfully employ this comparative advantage in an economically viable way. As Don Wells has pointed, many of the assumption about the advantages of a low-waged economy are based on the experience of the East Asian economies in the 1950s and 1960s when competition was relatively limited, whereas today there are dozens of competitive economies seeking to eek out their comparative advantage in this way. "Given this," he observes:

> … and given the burgeoning numbers of low skilled unemployed and informally employed workers in the global South, competition on the basis of low labour rights and standards is less a step onto a low rung in a development ladder and more a 'race to the bottom' (Wells 2004:126).

At their core, the arguments of the critics of the banana regime center on a belief in the utility of economic efficiency above and beyond all else. The banana regime is depicted as being inefficient as it provides obstacles for the most efficient producers (those in Latin America) and artificial prices to less efficient producers (like those in the Windward Islands). This perspective has been rightly criticised, recently by Louis Lefeber and Thomas Vietorisz (2007:140,161), for a narrow focus on economic efficiency, even when it 'may not be conducive to the enhancement of social welfare, and may even lead to the opposite.' Instead, Lefeber and Vietorisz argue for an understanding of efficiency that avoids being 'narrowly economic' and focuses on 'social efficiency rooted in concrete social problems' (See also Elson and Cagatay 2000; Sen 1999). By this measure, the banana regime provides an effective example of 'social efficiency,' with it having promoted much-needed employment, higher prices, and more socially sound production methods, all of which served to enhance the social welfare of Windward Island producers in the context of a global economy offering them few positive alternatives.

Situating the preferential banana agreement within its social, historical, and political context reveals its relative social efficiency and offers both a refutation of the speculative claims made by the economic critics and a proposition that the banana regime offers important lessons for future development and social justice efforts. This is not to suggest that the banana regime as it has been constituted can merely be revived. The specific historical conditions under which the agreement emerged no longer exist and the agreement in practice did have some significant shortcomings which need to be better addressed—its tendency to discourage diversification perhaps being the most important. Nonetheless, while the goal cannot be to revive the past, we can certainly garner important lessons from it and apply those lessons to new and reinvigorated debates about the future. While there are a great many specific and technical lessons to be learned from a close examination of the agreement, two overarching lessons are particularly salient.

First, while the claims made by free trade economists might appear to add up when gauged within their own speculative models, their assertions simply do not measure up to how markets, and the social forces intertwined with them, operate in the real world. Dressed up in the garb of scientific objectivity, the economic critics in fact selectively omit or ignore historical and political realities to support a political position in favour of free trade that suits the interest of the most wealthy and powerful actors in the global banana industry. The result is highly dubious 'knowledge' about the purported benefits of free trade that leads to policies that simply do not deliver their developmental promises—indeed, from the perspective of small banana farmers in the Caribbean, one might wonder what exactly these promises are. The demise of the banana agreement will not result in unfair obstructions being removed from the market, but will merely shift power from public agents and Southern producers into the hands of oligopolistic private companies. It is these powerful companies that will gain the most from the end of the agreement, while relatively well-off European consumers will gain some marginal benefits ('cheaper' bananas) and some Latin American producers will attain uncertain benefits, much of which will not make its way down to poor banana workers upon whose backs the Latin American comparative advantage is built. All of this will occur only at the expense of laying ruin to a unique model of socially sustainable banana production that has provided a livelihood for thousands of small farmers and workers in the Caribbean.

Second, not only does the free trade power/knowledge regime offer flawed developmental prescriptions, but it also serves to obscure the history of distinctly non-free trade mechanisms that *do* offer effective development models. The history of the banana agreement reveals the relative social efficiency of state regulation and preferential policies to meet the needs of specific social groups otherwise marginalized and exploited by the global economy. These lessons have not been lost on the current government in SVG, headed by Prime Minister Ralph Gonsalves, which since gaining office in 2001 has bucked advice from international financial organisations and pursued a model of "advanced social democracy," boosting public spending to combat the effects of the global economic recession and the decline of the banana industry. While high unemployment has only been somewhat diverted by job growth in construction and services, the government has made important social gains and developed welfare programs that would embarrass some wealthy Northern states in the current context of welfare state retrenchment. For example, the government has constructed over 400 low-incomes houses since 2001, distributes antiretroviral drugs free of charge to HIV patients, provides low-cost home mortgages to public employees, continues to pay wages to public employees that go on leave to attend university, and plans to have a universal childcare program in place by 2011 (Gonsalves, interview 2008).

Internationally, the government has sought preferential arrangements with new partners to somewhat offset the waning support of the EU, including signing on to the principles of the Bolivarian Alternative for Latin America and the Caribbean (ALBA). Launched by its lead promotes, Venezuela and Cuba, in 2004, ALBA represents a conscious alternative to free trade agreements and proposes a socially-oriented regional trade bloc where wealth would be redistributed to poorer countries through a special compensatory fund and social issues such as local food sovereignty, access to generic drugs, and environmental rights would take precedence over liberalized trade. Paul Kellogg (2007:201) in his appraisal of ALBA states, "where traditional trade deals use language like 'comparative advantage,' ALBA instead argues, 'the political, social, economic and legal asymmetries of both countries have been taken into account'." A major project in the Caribbean has been the joint energy initiative, Petrocaribe, where Caribbean states (originally 14, including all 4 Windward Island nations) have been able to purchase oil from Venezuela through preferential credit and low-interest rate loans.[11] This has been combined with a variety of specific social and economic supports for different countries. In SVG, Venezuela and Cuba have been providing tens of millions of dollars of in-kind assistance in the form of engineering services and heavy machinery to initiate the construction of the country's first international airport, designed to promote tourism, trade, and service industries (Gonsalves, interview 2008; Ryan, interview 2008).

In the final analysis, SVG and its new Southern partners can only do so much to forge an alternative agenda as long as powerful Northern countries and international organisations like the WTO continue to promote, impose, and enforce free trade policies. For this reason, those in the North concerned with international development must make it a priority to look for ways to challenge the free trade agenda of their own powerful governments and critically examine and expose the abstract claims of the free trade power/knowledge regime. As one piece of this puzzle, a sober assessment of the actual history of the EU-Caribbean banana agreement reveals that, rather than being an unfortunate case of economic inefficiency as its critics would claim, it has been an instructive model of social efficiency. It is the lessons of this model that must be built upon, rather than dispensed with, if the future is to entail meaningful, socially sustainable livelihoods for small farmers and workers in the Caribbean and beyond.

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[11] Petrocaribe also holds out the prospect that oil could be traded directly to the Caribbean in exchange for traditional commodities like bananas or sugar, as well as for services. It appears that this has not yet been attempted (Fritz 2007; Kellogg 2007:203).

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