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The Banana Road From South America to China

Photo by Bernd Dittrich

In November, Álvaro Noboa, the father of Ecuador's president Daniel Noboa, had a heart attack. He was hastily taken to a clinic in Guayaquil, his hometown, and then after he was stabilized, flown to a hospital in New York. Álvaro Noboa unsuccessfully ran for president five times (1998, 2002, 2006, 2009, and 2013), but it was his son who prevailed in 2023 at the age of 35. What defines the Noboa family is not political office, but the wealth of the Noboa Corporation. Grupo Noboa was formed out of Bananera Noboa S.A. set up in 1947 by Luis Noboa Naranjo, the grandfather of the current president. Bananera Noboa expanded, thanks to Álvaro, into the Exportadora Bananera Noboa, which is the heart of the Group's billion-dollar empire in Ecuador (population 18 million, a third of whom live below an abysmally low poverty line). The name of the expanded firm has two words in it that describe the hold of the Noboa family on the Ecuadorian economy and on its political life: the export (*exportadora*) of bananas (*bananera*).

Banana Trade

Countries other than Ecuador produce a very large share of the world's banana product. India produces more than a quarter of bananas, while China produces a tenth. But these are not banana-exporting countries because they have enormous domestic markets for bananas. More than 90 percent of the world's exported bananas come from Central and South America as well as the Philippines. Ecuador, which only produces a little over 5 percent of the world's banana produce, exports 95 percent of its production, making up 36 percent of the world's exported bananas (Costa Rica is next at 15 percent). Grupo Noboa is Ecuador's largest banana firm, and therefore one of the most important companies in the export of bananas globally. The largest importers of bananas are the European Union (5.1 million tons), the United States (4.1 million tons), and China (1.8 million tons). Europe and the United States have established suppliers in Central and South America (Colombia, Costa Rica, Ecuador, and the Dominican Republic), and neither experience major supply shortages.

China has faced problems from its major suppliers Cambodia and the Philippines (from which it procured 50 percent of its imported bananas). For instance, Cambodia has been wracked by El Niño, resulting in less precipitation, greater depletion of soil moisture, and an increase in pesticide resistance pests. Such a climate change phenomenon has damaged banana production in both Cambodia and the Philippines. This is the reason why Chinese importers have invested in expanding banana plantations in India and Vietnam, two emerging suppliers for the Chinese market. But there is no substitute for Ecuadorian bananas.

Chinese Market

Between 2022 and 2023, Ecuador's exports of bananas to China increased by 33 percent. However, the problem with Ecuadorian bananas is that the journey from South America to China has increasedthe average import unit value to $690 per ton. This means that for the Chinese market bananas from Ecuador are 41 times more expensive than bananas from Vietnam. Over the past five years, the banana merchants of both China and Ecuador, and their governments, have tried to reduce the cost of the bananas for export to China.

First, the two countries signed a free trade agreement in May 2023 that ensured that 90 percent of the goods traded between the countries would be tariff-free and that any tariffs on bananas would be eliminated over the next decade. China is already Ecuador's largest trading partner. It is expected that the Chinese firms will invest in processing and in the industrial production capacity within Ecuador so as to make products from the bananas before the fruit sets sail.

Second, the Chinese have been eager to cut the shipping time between South America and China, which means to ensure upgrades at ports at both ends. The Chinese government has upgraded both the Dalian Port in Liaoning Province and the Tianjin Port in Tianjin. Both of these ports are capable of running container ocean liners from dock to dock over twenty-five days, which is a week faster than other routes. The new Peruvian port in Chancay, built with Chinese investment, will enable goods from Bolivia, Brazil, and Peru to travel very fast to and from China, while the upgraded Ecuadorian ports of Puerto Guayaquil and Puerto Bolívar already ensure rapid transit of goods from Ecuador. Meanwhile, the Colombian government and the Chinese government are considering the expansion of the port of Buenaventura and the building of a "dry canal" to link the Pacific (Buenaventura) and Atlantic (Cartagena) ports by a rail link; this would be a direct challenge to the Panama Canal, which is perhaps why Donald Trump made his speech about bringing that canal under direct U.S. control.

Third, the banana merchants on both sides of the Pacific have been working to upgrade their ports so that they are both storage facilities for cold chain products (such as fruits and vegetables) and light manufacturing so that value can be added to them through processing. With warehouses for refrigerated containers, there is less waste and greater haste in getting the goods ready for the long journey.

With European supermarkets enforcing a cut in banana prices, Central and South American exporters are keen to send their bananas to China. But this is not just about bananas.

Cold Banana War

The United States government has taken it as a personal affront that Chinese businesses and the Chinese state have been involved in economic activities in Latin America. In 2020, the United States blocked a Chinese firm from developing La Unión port on the Pacific Ocean in El Salvador. But this year, it was impossible to prevent Peru from participating in the $3.6 billion upgrade to the port of Chancay, also on the Pacific. In comparison, in May 2023, the United States pledged $150 million as a credit to upgrade the Turkish-run Yilport Terminal Operations at the Puerto Bolívar port in Ecuador. The arrival of expensive Chinese Belt and Road Initiative (BRI) projects in South America is now a fact.

The U.S. government has only now begun to invest in its own ports (to the tune of $580 million promised in November 2024, a pittance compared to what is needed). In November 2023, the United States launched the Americas Partnership for Economic Prosperity, whose intention is to contest China's BRI in Latin America. However, the Partnership only has $5 million as an accelerator, which is an embarrassingly small amount of money. Colombia, Ecuador, and Peru—all three involved in the BRI projects—are members of the Partnership, but the gains they get from it are minimal.

The story seems to end where it always ends. Unable to compete on commercial grounds, the United States brings its cavalry to bear. President Noboa gave the U. S. permission to use the environmentally fragile Galapagos Islands as a military base to conduct surveillance in the area.

The Noboa family knows a thing or two about using force instead of conducting an honest negotiation. When workers from their plantations organized a union to fight for an end to child labor (documentedby Human Rights Watch) and to ensure that the Ecuadorian Constitution was honored, the Noboa corporation refused to engage with them. Twelve thousand workers at Los Álamos plantation struck on May 6, 2002. Ten days later, armed men went into the workers' houses, detained the organizers, and tortured them (one was killed). They threatened the workers that if they did not stop the strike, they would put about 60 of them in a container and dump it into a nearby river. They shot at the workers, wounding many of them. Mauro Romero, whose leg had to be amputated, received nothing from his employers; it was the union that paid his bills. This was under the watch of President Noboa's father and his minister of agriculture (Eduardo Izaguirre). But despite where the story appears to end, these men understand the current realities: they will trade with China, but give up part of their territory to the United States for a military base.

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Vijay Prashad's most recent book (with Noam Chomsky) is The Withdrawal: Iraq, Libya, Afghanistan and the Fragility of US Power (New Press, August 2022).