5-18-2007

U.S. Banana Company Levied Stiff Fine for Supporting Paramilitary Group

LADB Staff

Follow this and additional works at: https://digitalrepository.unm.edu/notisur

Recommended Citation

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiSur by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.
U.S. Banana Company Levied Stiff Fine for Supporting Paramilitary Group

by LADB Staff
Category/Department: Colombia
Published: 2007-05-18

The banana company Chiquita Brands International admitted to a US federal court in March that it had made almost US$2 million in payments to Colombia's top paramilitary group Autodefensas Unidas de Colombia (AUC), incurring US$25 million in fines for supporting the organization, designated a terrorist group by the US State Department, and others like it.

Colombian prosecutors have since sought extradition of Chiquita executives for supporting the death squads responsible for a majority of atrocities in the country's ongoing civil war. Another US-based company, Drummond, is facing a criminal investigation into whether it played a role in the murder of three union leaders in Colombia.

Chiquita paid US$1.7 million in protection money over 7 years Chiquita pled guilty in front of US District Judge Royce C. Lamberth in Washington, DC, on March 19 to charges that, for years, it paid the AUC to protect its Colombian banana-growing operations.

The company pleaded guilty to one count of doing business with a terrorist organization. The plea was part of a deal with prosecutors that called for the US$25 million fine. The fine is to be levied at a sentencing hearing on June 1, and Chiquita pledges to cooperate in a Justice Department investigation of the payments. No Chiquita executives were charged. The agreement ends a lengthy Justice Department investigation into the company's financial dealings with right-wing paramilitaries and leftist rebels the US government deems terrorist groups.

Prosecutors say the Cincinnati-based company and several unnamed high-ranking corporate officers agreed to pay about US$1.7 million in at least 100 installments between 1997 and 2004 to the AUC. The AUC has been responsible for some of the worst massacres in Colombia's civil conflict and for a sizable percentage of the country's cocaine exports.

The US government designated the right-wing militia a terrorist organization in September 2001. Prosecutors said the company made the payments in exchange for protection for its workers. In addition to paying the AUC, prosecutors said, Chiquita made payments to the leftist Ejercito de Liberacion Nacional (ELN) and the Fuerzas Armadas Revolucionarias de Colombia (FARC), as control of the company's banana-growing area shifted. Chiquita stock rose sharply since the deal was announced the week before. It had fallen 16% in 2007, leaving the company with a market value of US$565.7 million.

'Payoffs were for the safety of our employees'
"The payments made by the company at all times were motivated by the company's good faith and desire and concern for the safety of all of its employees. Nevertheless, we recognize the obligation
to disclose the facts and circumstances of this admittedly difficult situation to the United States
government and the Department of Justice," James Thompson, senior vice president and general
counsel, told reporters after entering the company's plea.

Activities of the AUC included drug trafficking, assassinations, kidnappings, and the murder of
civilians in Colombia, where Cincinnati-based Chiquita had banana-producing operations, the US
government said.

The company sold its Colombia banana business to Invesmar Ltd. for US$51.5 million in 2004.
Chiquita recorded a reserve of $25 million in 2006 in anticipation of the fine. The company said in
May 2004 that the US was investigating the role of a Colombian subsidiary in making payments to
groups identified as foreign terrorists. "Funding a terrorist organization can never be treated as a

American businesses must take note that payments to terrorists are of a whole different category.
They are crimes." Colombia's illegal armed groups include both left-wing insurgents, who extort
money from companies and individuals to finance a four-decade fight against the government, and
right-wing paramilitaries, which began in the early 1980s as private armies for landowners.

Chiquita made the payments through a wholly-owned Colombian subsidiary known as Banadex.
The payments began following a meeting in 1997 between Carlos Castano, then leader of the AUC,
and a senior executive of Banadex, according to prosecutors.

The payments continued even after the US State Department designated the AUC and the FARC
and other groups international terrorist organizations following the Sept. 11 attacks in the US.
Castano implied that failure to make the payments might result in harm to Banadex personnel and
property, court records show.

Chiquita's payments to the AUC were reviewed and approved by senior executives, prosecutors
said. Federal prosecutors noted that, from 2001 to 2004, when Chiquita made US$825,000 in illegal
payments, Banadex earned US$49.4 million and was the company's most profitable unit.

Chiquita said it sought the Justice Department's guidance three years ago when it became aware
that the groups it dealt with had been designated foreign terrorist organizations under a US statute
that makes it a crime to support such organizations. The company agreed in October 2001 to pay
US$100,000 to settle US regulatory charges that employees tried to conceal a bribe to Colombian
officials.

Chiquita neither admitted nor denied any wrongdoing in the settlement. Gannett Co.'s Cincinnati
Enquirer newspaper first described the alleged bribe in May 1998 but later issued a front-page
apology, saying its reporter obtained the information through unlawful means.

Colombia wants Chiquita exec extradited Colombia's chief federal prosecutor said on March 20
that he would demand the extradition of eight people allegedly involved with Chiquita's payments
to the paramilitaries. "They should be judged in Colombia, not only for the extortion payments, but also for the transport and safekeeping of 3,000 rifles," Prosecutor Mario Iguaran told RCN radio.

In 2001, a Banadex ship was used to unload 3,000 rifles and thousands of rounds of ammunition for the paramilitaries. Iguaran said the arms were used by the paramilitaries to push leftist rebels out of the zone in northern Colombia where Chiquita had its banana plantations. Iguaran did not identify the people he hopes to extradite, and the US complaint did not identify anyone by name it simply said that 10 people working for Chiquita or its Banadex subsidiary were involved in the illegal payments.

Chiquita spokesperson Mike Mitchell declined to discuss the eight people that Colombia wanted extradited, noting the Justice Department complaint "names no individuals, and no individuals have been charged." "As we have previously noted, Chiquita voluntarily disclosed to the Department of Justice and Chiquita also informed the Colombian government of the situation and the payments almost three years ago," Mitchell said.

Drummond investigation developing

Prosecutor Iguaran also said in the interview with RCN radio that his office had opened a formal investigation into allegations that Alabama-based coal producer Drummond Company, Inc. collaborated with paramilitaries to kill union members. "In the case of Drummond, there's a formal investigation. The investigation is well-advanced. Still, a decision has yet to be made," said Iguaran.

A Colombian union, Sintramienergetica, sued Drummond in 2002 in Birmingham, Alabama, with help from the United Steelworkers of America (USW), blaming the company for the paramilitary killings of three union leaders at the company's mine in northern Colombia in 2001.

In February, a federal judge in Alabama allowed the civil suit to go forward against Drummond. "What we're seeing is some private businesses that recruit the (paramilitaries), aware of their conduct, to kill," said Iguaran.

Both Chiquita and Drummond have operated along the northern coast, long a paramilitary stronghold. Colombia is now in the midst of its worst political crisis in decades as evidence emerges of a symbiotic pact between politicians allied with President Alvaro Uribe and the paramilitaries, in which the militias intimidated voters into supporting certain candidates in return for cuts of public contracts (see NotiSur, 2007-05-04).

Drummond, the second-largest producer of coal in Colombia, denied on March 22 having any relationship with right-wing death squads and said it has no intention of settling the US lawsuit. "Drummond publicly states that it has not nor will it make any payments, agreements, or transactions with illegal groups and emphatically denies that the company or any of its executives has had any involvement with the murder of three labor union leaders," the company said in a statement issued at a news conference. "It will not settle with the plaintiffs."

At the news conference, Jose Miguel Linares, a local Drummond vice president, acknowledged under questioning that one of its directors, Alfredo Araujo, is a cousin of Sen. Alvaro Araujo, who
was jailed on charges of working with the paramilitaries to kidnap a political rival (see NotiSur, 2007-03-02 and 2007-03-09). Drummond said it had full confidence in Alfredo Araujo. Drummond appeared to have been shaken by accusations by a former paramilitary collaborator and government official, Rafael García, a key witness in the unfolding scandal, who is in prison.

García says he was present when the president of Drummond Colombia, Augusto Jimenez, handed over "a suitcase full of money" in 2001 to a representative of regional paramilitary warlord Rodrigo Tovar Pupo.

According to what I heard, Mr. Jimenez indicated at this meeting that this money was to be given to Rodrigo Tovar Pupo to assassinate specific union leaders at Drummond," García said in a May 13, 2006, deposition to the lawyers of the three murdered union leaders. García said later that the union members killed were the same as those mentioned in the meeting.

A Drummond lawyer, Hugo Palacios, told reporters that the company "emphatically denies" that such a meeting occurred and that it was in any way involved with the killings of union members. "Civil and criminal charges for slander and defamation against García have been filed, and we are confident that it will be proven that García's testimony is false," he said. Top opposition leader Sen. Gustavo Petro has also accused the company of conspiring to have him killed.

’All the banana companies paid us’

Columnist Natalia Springer of the Bogota daily newspaper El Tiempo wrote on May 13 that she spoke with jailed AUC chief Salvatore Mancuso one week earlier and that he claimed that all banana companies operating in Colombia had paid his group. Interviewing Mancuso at the maximum-security prison in Itagui, Springer reported that he said, "All of the banana companies paid us. All of them."

Mancuso claimed there was a meeting at the end of 1997 between the AUC and all the banana companies operating in the group's territory. Mancuso recalled, "This accord was agreed to with Chiquita Brands Inc, Dole, Banacol, Uniban, Proban, and Del Monte. They paid us US$.01 per US $1.00 on every crate that left the country. The rest of the businesses in the sector made biannual payments.

Dole took charge of collecting the money and finalizing the operation, which happened with full knowledge within the companies." Mancuso said the payments were distributed proportionally between the Castano organization and the Bloque Bananero, part of the AUC, as well as "a part for social investment and another to pay for the corruption of state institutions." Mancuso said collusion existed between unions and the large banana companies. "In the time when the area was controlled by the guerrillas, the big companies and the unions agreed on some strikes that would be prolonged for a month. The strikes sought to ruin the small banana companies and permitted the large companies to absorb them and get themselves a monopoly."

Mancuso said the massacres by the FARC and AUC groups that came later "permitted [the companies] to dismantle the social-assistance models they had agreed to with the unions." Colombia ranks as one of the world's most lethal nations for union organizers. Regionally, Chiquita
has had a decades-long history of troubled relations with laborers and their unions, particularly in Central America (see Update, 1990-06-29, 1990-08-01, 1990-08-08, and 1992-02-21 and Chronicle 1990-07-03 and 1996-04-25).

-- End --