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Beyond Patrimonial Plunder: The Use and Abuse of Coconut Levies in the Philippines

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ABSTRACT

This article re-examines a case of corruption that was perpetuated during a period of authoritarian rule in the Philippines: the subversion of ‘coconut levies’, a tax on coconut production imposed by strongman President Ferdinand Marcos from 1971 to 1982. Literature on the case has formed the basis for locating the political origins of the country’s struggles with long-run economic transformation in terms of the extent of ‘rent-seeking’ and articulations of ‘neo-patrimonialism’ in this middle-income developing economy. The article interrogates how extant analyses of the case have explained associated malign developmental outcomes with reference to institutional design and governance conditions. It forwards a re-interpretation that focuses on the distributional contest underpinning levy mobilisation, including the types of state-engineered privileges contested, and how access to these were politically determined and regulated during and after the Marcos period. This approach, in which developmental possibilities of rent-creating state interventions are not universally denied but considered with reference to configurations of power and structures of political bargaining, will be shown to address limitations of preponderant analyses and bear relevance to developing countries where, because of structural reasons, neo-patrimonialism may be endemic but rent-creating state interventions cannot be discounted as instruments for promoting economic development.



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This article re-examines an iconic case of corruption that was perpetuated during a period of authoritarian rule in the Philippines and has formed the basis for locating the political origins of the country’s struggles with long-run economic transformation in terms of the extent of ‘rent-seeking’¹ and articulations of ‘neo-patrimonialism’² in this middle-income developing economy. The article interrogates how extant economic and political analyses of the case, which have mostly focused on the causes and repercussions of the personalised use of the state’s power in the act of fostering and distributing rents,³ account for its developmental consequences. It then forwards a re-interpretation of the case which proceeds with a view to the political economy of rents and rent-seeking (Khan 2000a, 2000b), where developmental possibilities of rent-creating state interventions are not universally denied but considered with reference to configurations of power and structures of political bargaining. This approach will be shown to address limitations of preponderant analyses and bear wider relevance to developing countries where, because of structural reasons, neo-patrimonialism may be

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endemic but rent-creating state interventions cannot be discounted as instruments for promoting economic development.

The case relates to the subversion of the uses of 'coconut levies',⁴ a tax collected from coconut producers from 1971 to 1982 – a period when coconut oil was the Philippines' leading agricultural export – in ways that directly benefitted politically connected individuals and in contravention of avowed developmental purposes. The subversion happened under an institutional framework that was established by fiat by strongman President Ferdinand Marcos, ruling under Martial Law,⁵ whereby the collections were not remitted to the national treasury for wider redistribution, but to investment funds nominally owned by coconut producers. These funds and the assets acquired through them were all administered by a cabal of politically connected individuals – including presidential associates⁶ and the national leaders of the leading sectoral organisation, the Philippine Federation of Coconut Producers (COCOFED). The investment funds were established ostensibly to raise resources for agro-industrial upgrading⁷ and enhancing the welfare of coconut producers, who are also among the country's poorest. The authority extended to COCOFED in the administration of the levies, was supposed to represent the coconut producers' participation in the development of their own industry. However, the dominant assessment is that the imposition of the levies merely led to the depression of rural producer incomes and effected the transfer of resources out of the agricultural sector (Clarete and Roumasset 1983, Intal and Power 1990) without fostering wider dynamic benefits to the economy. Moreover, the levies have been deemed as one of the main ways through which the authoritarian leader utilised state power to forward particularistic advantage during his 20-year rule (Manapat 1991, Aquino 1999). Utilising extra-ordinarily concentrated executive authority, Marcos saw to the mobilisation of levies in ways that gave rise to state-engineered privileges – including monopoly rents, and distributive and redistributive transfers – as well as opportunities for private capital accumulation, access to which he purposively allocated to his allies. The case of coconut levies has thereby been used as an exhibit of 'patrimonial plunder', the instrumental use of the state power to foster and allocate rents as a means for private capital accumulation (Hutchcroft 1991, McCoy 1994, Aquino 1999), which in turn structures broader possibilities for economic expansion and transformation. When Marcos was booted from power in 1986, among the first acts of the government under President Corazon Aquino was to sequester assets acquired through the coconut levies, allegedly forming part of Marcos and his cronies' ill-gotten wealth, and to file a court case in the then newly formed anti-corruption court.⁸

The extant literature on coconut levies has tended to account for their associated malign developmental outcomes – taken here as chiefly relating to their failure to either foster productive upgrading within the sector or lend to broader economic transformation – as a direct result of the use of state power to create and distribute rents. This logic effectively contributes to the narrative that denies the developmental potential of all state-created rents,⁹ or any developmental possibilities within conditions of neo-patrimonialism.¹⁰ By implicating state interference and underpinning governance conditions with the developmental failure, the case has been invoked to justify structural adjustment and deregulation policies pursued in the Philippines from the 1980s, to underscore the importance of good governance-type reforms following the fall of Marcos from power, and to form part of the empirical base from which broader attacks on state interventionist development policy have been launched. However, the utility of the case for drawing these types of policy conclusions is anchored on an analysis of the coconut levies premised on an ahistorical appreciation of state-fostered rents and essentialised rendering of neo-patrimonialism, which in turn have been questioned in the literature essaying the developmental state (Amsden 1989, Wade 1990, Amsden and Hikino 1994, Amsden 2001); in writings of Khan (1995, 2000a, 2000b, 2005a, 2005b) that depict alternative lenses with which to analyse rents and rent-seeking; and literature on political settlements, which underscores the role of state-created rents in engendering conditions for peace and production (di John and Putzel 2009, North *et al.* 2009, Khan 2010). The weaknesses of extant analyses are explained in the first section of the paper, which also makes the argument for a re-interpretation of the case. This re-interpretation, focusing on the political regulation and/or

contestation for access to the privileges fostered by levy mobilisation, is essayed in the other three sections of the paper. The second section unpacks the types of state-engineered privileges fostered by levy mobilisation, while the third and fourth sections explore how access to these were determined and regulated during the Marcos period (1971–1986) and after Marcos had been thrown out of power (1986–2011), respectively.¹¹ By empirically exploring key features of the distributional contest, this paper draws attention to some of the conditions in political economy that delimited the possibilities for the developmental mobilisation of the coconut levies: in particular, those that allowed the subsumption of the productive to the political goals. By expanding the temporal terms of analysis to the period after Marcos, when conditions were formally democratic and structural adjustment reforms have been in place, this paper also interrogates the central proposition in extant literature that an unaccountable strongman's exercise of agency and the personalisation of state power have explanatory power in accounting for the failure of coconut levies as a state interventionist development policy.

In a nutshell, the article argues that in developing countries like the Philippines, the outcomes of rent-creating state interventions cannot be mechanistically deduced from the fact that privileges are politically vested. Instead, these outcomes are instead best explained with reference to configurations of power buttressing distributive politics, an optic that illuminates on a puzzle in the Philippines with wider significance to other developing countries: why reforms towards deregulation and/or democratisation, which are meant to constrain the possibilities for the personalised use of state power, may prove ineffective at breaking developmental patterns attributed to neo-patrimonialism and rent-seeking.

Preponderant Explanations Interrogated

Explanations of why coconut levies failed as a development policy can be found in two strands of literature, each of them bearing weaknesses that leave critical questions unanswered.

First, economic analyses of the levies suggest that their failure is best explained with reference to institutional design embodied by the levies, whereby the state, by fostering rent-seeking, scrambled incentives for efficiency. These analyses come in the form of assessments of agricultural, trade and industrial policy during the time of Marcos.¹² They mostly draw attention to monopoly rents fostered by the use of coconut levies in a vertical integration programme, which shored up market power in a group of firms in the buying and processing of *copra*,¹³ and the production and exportation of coconut oil. This programme is seen as limiting competition, concentrating market power in an umbrella group of oil mills and creating extra-normal profits for these mills. The levies are thereby depicted as driving a wedge between border and producer prices, with the resultant depression of producer prices effectively protecting an umbrella group of coconut oil mills (Clarete and Roumasset 1983, p. 2). This strand of the literature suggests that the very act of the state fostering rents 'weakened the efficiency and profit motivation' faced by economic actors, misaligning incentives in a way that 'changed the nature of the economy' by encouraging investments in extractive exports like coconuts and other protected industries (Dohner and Intal 1989, pp. 475–9).

The conclusion that any economic policy that fosters rents is detrimental to economic development is criticised by a raft of literature that shows how state involvement in shepherding productive transformation – including through market-distorting, rent-creating interventions – has worked in other historical contexts, particularly where access to privileges was disciplined by performance parameters.¹⁴ What weakens economic analyses of the levies is thereby the tendency to bear a delimited and ahistorical conception of rents – homogenised not only in consequence but also in form. Here, very little care is given to unpacking the types of rents created by different modes of levy mobilisation, focusing instead on just the monopoly rents arising from the levies' use in the vertical integration programme. As will be shown in the proceeding section, this mode of mobilisation constituted less than half of what the levies were used for. This kind of essentialist rendering of rents is rightly questioned by Khan (2000b), who underscores the need to categorise different

types of state-created rents; and suggests that fostering some of these may be necessary for actors to produce a given good at all in contexts where they are necessary to induce peaceful cooperation with ruling coalitions,¹⁵ and/or to create incentives for inducing technical progress or innovation. Given that state interference creating rents elsewhere succeeded where coconut levies failed in the Philippines, this paper questions the reductionist proposition that the outcomes associated with levies are best explained with reference to the act of the state creating rents.

Second, political analyses tend to highlight neo-patrimonial governance conditions, whereby the exercise of state power is personalised for particularistic advantage and within which access to privileges were distributed. One sub-set of this strand of the literature is Marcos-centred, and depicts the imposition of the levies as one of the ways through which he used extraordinarily concentrated executive authority to plunder the economy.¹⁶ This sub-set also includes those that exhibit how the levies served the strongman's political goals of carving and consolidating the base for his authoritarian regime.¹⁷ There is another sub-set emphasising that this instrumentalisation of state power is not unique to Marcos but part of a pattern that has persisted throughout the post-colonial history of the state and democratic politics in the Philippines.¹⁸ Despite these differences in the centrality of Marcos' role in the analysis, there is a commonality that ties all these together: the suggestion that outcomes can be traced to the politicised basis for allocating state-organised privileges, implying further that the personalisation of state power under conditions of neo-patrimonialism undermines prospects for long-run economic development.

The central weakness of the political analyses surveyed above is that personalised use of state power purportedly embodied by the levies is deemed exogenous to, rather than symptomatic of, developmental conditions. Related to this, and as in neo-Weberian renderings of the state in developing country contexts, the instrumentalised use of state power by politicians is assumed to be based entirely on their exercise of agency, with no view to supporting structural factors (Khan 2005a, p. 714). Such an analytical straitjacket is particularly pronounced in the Marcos-centred strands of the political analyses, which suggests that malign developmental outcomes associated with the levies can be explained by non-democratic governance conditions under which Marcos exercised agency. But even analysts like Hutchcroft (1991) and McCoy (1994), who buck the narrative of Marcos exceptionalism, present the historically continuous articulations of neo-patrimonialism in the Philippines as a malignancy that needs to be addressed for development to happen – implying that they also see these as exogenous to, rather than symptomatic, of underdevelopment. The explanatory power of neo-patrimonial governance conditions has been questioned in literature critical of good governance orthodoxy,¹⁹ which suggests that governance conditions – including the absence of an autonomous Weberian meritocratic bureaucracy, as well as democratic transparency, accountability and competition – must be conceived as starting points of analysis in developing country contexts, rather than being ascribed the power to cause developmental outcomes.²⁰ Moreover, it has also been proposed that neo-patrimonial governance conditions have differential impact on growth and institutional performance, depending on conditions in political economy underpinning them – a view that also recognises the idea that these conditions may structure but are also structured by specific conditions of underdevelopment.²¹

In summary, extant explanations of what led to the malign developmental outcomes associated with the levies have been anchored on problematic foundational assumptions. On one hand, economic analyses trace these outcomes back to how coconut levies embodied political tinkering with market signals fostering rent-seeking, but anchored on a homogenised view of rents that does not stand the test of historical experience of late developing countries. On the other hand, political analyses trace these back to the personalisation of state power, anchored on an essentialised view of neo-patrimonialism problematically cast as a cause, rather than a symptom of underdevelopment. If analysis of coconut levies was to be useful for exposing the political origins of the Philippines' struggles with economic development, it should purvey a more nuanced understanding of conditions that led the developmental failure associated with the act of state creating and distributing rents. As suggested by Khan (2000a, 2000b), this would, in turn, entail ascertaining: *first*, what

types of rents and politically organised privileges arose with the mobilisation of the levies; and *second*, what objective conditions underpinning neo-patrimonialism determined the emergence and allocation of these state-engineered privileges. As will be shown in the re-interpretation of the case essayed in the remaining sections of this paper, an observation of the distributional contest underpinning the assignment of benefits from levy mobilisation provides the material to respond to these unanswered questions.

The Case Re-interpreted: A View to Objects of Distributional Contestation

Coconut levies are analysed in this paper as a state intervention embedding institutions that regulated the extraction and use of surplus extracted from a key foreign-exchange generating sector. The analysis proceeds from a recognition that institutions 'do not only define ways of solving particular economic problems; they simultaneously define the distribution of net benefits' (Khan 2010, p. 22). The mobilisation of the coconut levies in investment funds fostered state-engineered privileges that became objects of rent-seeking and political contestation. These privileges are constituted by: (1) monopoly rents, and distributive and redistributive transfers, which directly rose out of specific modes of levy mobilisation; and (2) opportunities for private capital accumulation, in which levy-acquired assets were used and leveraged in further investment activities.

Direct Benefits from Levy Mobilisation

The types of benefits derived directly from levy mobilisation can be deduced from Figure 1, which shows major categories of fund disbursements, based on Pelaez (1993), a report on an audit undertaken by the Philippine government. The figure shows the six major modes of levy mobilisation: a

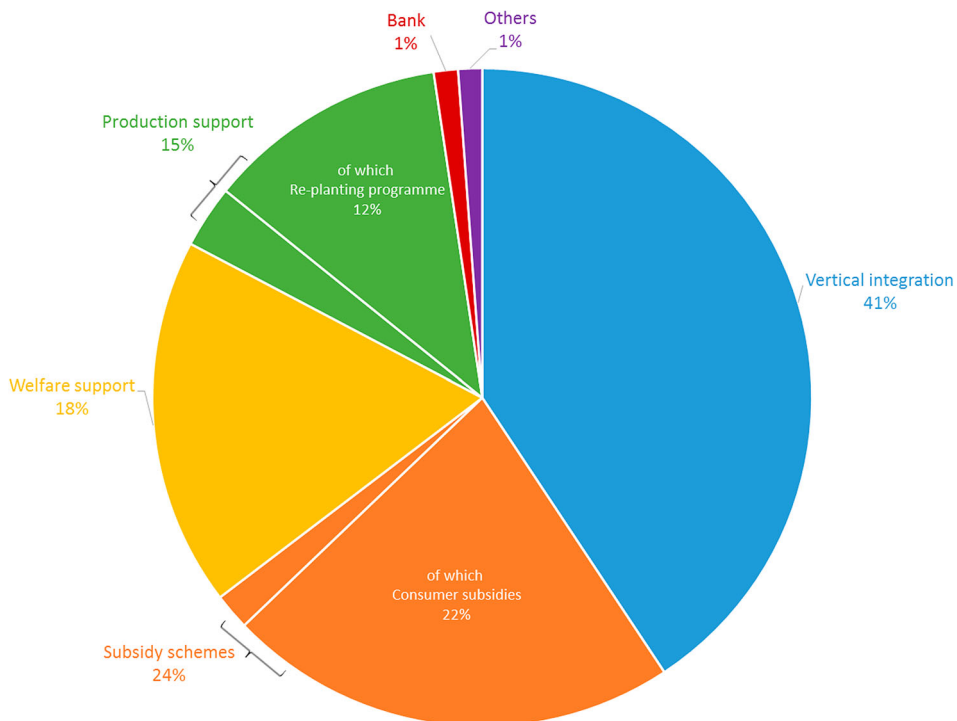


Figure 1. Disbursements of coconut levies (1971–1982), by category of use (in per cent). Source: own elaboration based on data from Pelaez (1993)

vertical integration programme; subsidies given to coconut product consumers and exporters; a tree re-planting and fertiliser distribution constituting production support; a scholarship and life insurance scheme constituting welfare support; the procurement of a commercial bank, and others²² – each of which effectively generated state-engineered privileges. As will be explained in what follows, almost 75 per cent of the funds were mobilised for expenditures that fostered monopoly rents and redistributive transfers, while those that fostered distributive transfers retained by coconut producers account for the remaining share.

It is not surprising that economic evaluations of the levies focus on the monopoly rents generated as the vertical integration programme accounted for the single-biggest share of disbursements, at 41 per cent of the total funds collected. The programme involved the procurement of among the largest of the country's coconut oil mills and refineries that were organised under an umbrella firm called the United Coconut Oil Mills (UNICOM); the establishment of a manufacturing plant for coconut-based chemicals, the United Coconut Chemicals Incorporated (UNICHEM); and the establishment of COCOFED-controlled copra-buying stations through the country. Through this programme, 80–93 per cent (Tiglao 1981, p. 88) of the country's total milling capacity came under the control of UNICOM, whose copra-buying operations were also financed by the levies. Montinola (2013, p. 172) estimates monopoly control of coconut oil milling generated rents ranging from \$165.65 million in 1975 to over \$486 million in 1979, and amounting to an average of 71 per cent of the value of coconut oil exports from 1975 to 1982.²³

However, disbursements of the levies for purposes that fostered redistributive transfers – taken here to mean payments and transfers made through purposive political intervention and with the effect of redistributing income – together account for 37 per cent of the funds, which is almost the same as the allocation for the vertical integration programme. These include two subsidy schemes, accounting for 24 per cent of fund disbursements, which effectively transferred income from coconut producers to subsidy recipients, including price subsidies to consumers of coconut oil-based household products²⁴; rebates on premium duties paid by coconut product exporters.²⁵ Redistributive transfers were also fostered through disbursements that financed government contracts that generated extra-ordinary income streams for private agents – in particular, businessman Edjuardo Cojuangco, known as an associate of Marcos, who figures so prominently in the distribution of privileges that he had been dubbed the 'coconut king' (Boyce 1993, p. 205).

The transfers that Cojuangco obtained relate to disbursements for the tree re-planting programme and for the procurement of what came to be known as the United Coconut Planters Bank (UCPB), accounting for 12 per cent and 1 per cent of total disbursements, respectively. In the case of the tree re-planting programme, coconut levies were used to finance a lopsided contract²⁶ in which Agricultural Investors, Inc (All), a private company that he solely owned, became the exclusive provider of coconut seednuts distributed to producers. The levies financed the development costs of All's seednut farm,²⁷ and the guaranteed procurement of all it produced. The seednut variety introduced through the programme was found to be unsuitable for local conditions (Parreño 2003, p. 133), and thus largely failed in its goal of enhancing productivity. When levy collection ceased in 1982, and the government could no longer buy the seednuts, the government paid a fee to the corporation as stipulated in the contract. The fees paid and the costs of developing the farm together account for 9 of the 12 per cent, shown in Figure 1 as being disbursed for the re-planting programme. Meanwhile, in the case of the procurement of the bank, a deal was engineered by Cojuangco for the procurement of a floundering commercial bank named First Union Bank (FUB), ostensibly to take care of the credit needs of coconut producers. The controlling shares in FUB were bought from Cojuangco's own uncle, purportedly for twice their market value (Manapat 1991, p. 221, Parreño, 2003, p. 136). For brokering the deal, Cojuangco secured 7 per cent of the bank shares as payment. He was also awarded a management contract, renewable every five years and that made him president and chief executive officer of the bank. He was given the power to designate three of the 11 directors in the board of directors of the bank. (Parreño 2003, p. 137)

In contrast to spending on initiatives fostering monopoly rents and redistributive transfers, those effecting distributive transfers, taken here as the portion of the levy contributions retained by the coconut producers through expenditures on production and welfare support that benefited them, constituted a smaller share of the disbursements. Eighteen per cent of the disbursements, which were directly controlled by COCOFED, went to a life insurance fund and scholarship programme benefitting coconut producers, while disbursements for production support that were not paid out to All as described above but went to research and development, and fertiliser distribution constituted about 6 per cent. Despite having COCOFED in the organelles administering the levy funds, only a small portion of the benefits were ultimately secured by the coconut producers.

Fostering Capital Accumulation

Meanwhile, coconut levies are also associated with the generation of opportunities for capital accumulation through the use of the oil mills and UCPB as investment vessels. The biggest opportunity came in the form of the corporate takeover,²⁸ again brokered by presidential associate Cojuangco, of what has been described as the ‘crown jewel’ of Philippine business, the San Miguel Corporation (SMC), a conglomerate chiefly involved at that time in beer and food production and distribution. The deal enabled Cojuangco to obtain a controlling stake in SMC, with 16 per cent of the shares obtained by the oil mills (this came to be known as the COCOFED shares); and 31 per cent by himself. To acquire their shares, the oil mills established holding companies for the sole purpose of buying the stocks; both the oil mills and the holding companies then acquired loans from UCPB to finance the procurement of their shares. Based on a government report (COA 1997), these loans were amortised from 1983 to 1996 from the income from oil milling operations, as well as from dividends arising and the sale of some of shares of stock. A high-ranking CIIF official that the author interviewed in 2009²⁹ asserted that it was only in 2004 that the debt was completely paid by the mills. This means that for almost 20 years, returns on coconut levy investments in the oil mills were effectively used to finance these loans.

The more contentious aspect of the story is the means by which Cojuangco acquired his own shares in the company, which was through a loan from UCPB, and advances made to him by the oil mills – all made at the time that he was, as indicated above, an officer of the bank, and as will be shown below, part of the administrative infrastructure controlling the levies. This is perhaps the clearest exhibit of the coconut levies’ association with ‘patrimonial plunder’ – as this is clearly an instance in which access to the levies was purportedly used to accumulate personal wealth.

In a nutshell, this section has shown that monopoly rents, distributive and redistributive transfers were the types of privileges directly fostered by specific modes of levy mobilisation. While economic analysis of coconut levies mostly highlighted monopoly rents arising from the use of levies in the vertical integration programme, it is clear that redistributive transfers from the subsidisation schemes, and arising from the government contracts for production support and the procurement of UCPB, together formed an equally significant share in benefits generated. Even more tellingly, in comparison to levy disbursements fostering monopoly rents and redistributive transfers, those leading to distributive transfers that directly benefitted levy contributors formed a relatively minimal part of privileges.

Moreover, this paper flags the importance of evaluating the developmental potential of opportunities for capital accumulation associated with the coconut levies, on which extant analysis mostly provides only a descriptive account. The value created from investment activities associated with the levies could be generously interpreted as buttressing the virtuous goals of fostering business development in the Philippines – perhaps not unlike what was fostered through government intervention privileging *chaebols* in South Korea. The problem, however, is that the investment can hardly be read as developmental, in as much as investment in SMC represented support for productive capacity that was already existing, in a sector in which opportunities for learning technologies of the type that would have helped in aspirations for industrial upgrading, as in South Korea, were

absent. Here, surplus extraction through the imposition of coconut levies ultimately aided processes of capital accumulation that were not anchored on upgrading productive capacity in or beyond the coconut sector.

Privileges Captured During the Marcos Period

During the Marcos period, the strongman President facilitated the capture of these privileges by means of the extra-ordinary scope of executive power that he enjoyed under Martial Law. Marcos enacted eight presidential decrees between 1971 and 1981³⁰ that enabled access to these privileges, and established the organisational infrastructure for controlling the investment funds and thereby enforcing the distribution of benefits. In all these decrees, coconut producers were deemed as owners of the coconut levy funds – by extension, related assets acquired – and the ultimate reason for being of the levies. But rather than being given operational meaning,³¹ the coconut producers' ownership of the funds was used as a means to deem the funds private and thereby escape public audit.³² Both in terms of power exercised in the administration of the mobilisation of the levies and their investment, and the distribution of benefits enabled by the presidential decrees, coconut producers increasingly lost out to presidential associates like Cojuangco.

Delimited Administrative Control

To effect Marcos' desired distribution of benefits, he established an organisational infrastructure for the administrative control of coconut levy mobilisation that was centralised in a delimited set of individuals. Three organisations emerged as the main nodes for administering the coconut levies: the Philippine Coconut Authority (PCA), a government agency; COCOFED; and UCPB. Control of levy mobilisation, through the composition of the boards of these organisations was increasingly centralised through the entrenchment of interlocking directorates. For example, in 1980, all five members of the PCA board of directors were also members of the bank's board. Four directors of COCOFED – including the chairman and president – were also directors of either PCA or UCPB, or both. Cojuangco was the president of the bank and was a director of the PCA (Ramos 2014, p. 188).

Though COCOFED leaders dominated the board of PCA in terms of numbers, they did not really control the most lucrative modes of mobilisation. Based on government audit reports categorising disbursements by disbursing authority (COA 1997), PCA was responsible for modes of disbursements that were earmarked for specific purposes: consumer and exporter subsidies and the re-planting programme. Here, there was little room to shape the expenditures of PCA around the objectives of COCOFED as the uses of the fund had already been determined by fiat. Meanwhile, the share of the funds that directly went under COCOFED's control were the welfare support programmes, which constituted 18 per cent of the total disbursements. It was UCPB that ultimately emerged as the most important regulatory node in terms of fund mobilisation. Of the three organisations administering the funds, the bank ended up administering the biggest share of the disbursements, particularly the acquisition of all assets and all other investments in support of vertical integration. Moreover, while PCA and COCOFED administered coconut levies for use in 'one-off' projects – like consumer subsidies, production and welfare support – the bank administered investments of the funds that created further income and wealth streams. These investments, in turn, were nominally owned by UCPB – all on behalf of the coconut producers, of course.

In UCPB, it was Cojuangco and not COCOFED representatives that reigned supreme. The COA team that audited UCPB operations in 1986 indicated that Cojuangco 'controlled the UCPB for more than ten years' (Commission on Audit 1986b, p. 9). Cojuangco was the president of the bank from the time it was purchased in 1975–1986. Hawes (1987, p. 79) also suggests that while COCOFED was represented in the board of the bank, it was outnumbered in the bank's executive committee, which was constituted by five members: the COCOFED president, Cojuangco, and

three individuals who represented the stakes of the bank's former major stakeholders before UCPB was procured for the coconut producers. A COCOFED official interviewed by Hawes (1987, p. 82) said that it was in the management team set up at the UCPB where 'landlord politicians of COCOFED felt they were losing out to the political associations of the president [Marcos]'.

Purposive Rent Allocation for a Presidential Associate

There is further evidence that suggests that the governing impulse beyond levy mobilisation was the provision of limited access to the privileges to individuals. For example, the presidential decrees that authorised the use of coconut levies in ways that have been shown to have benefitted Cojuangco were allegedly promulgated through the direct efforts of the presidential associate. In the case of the use of the levies for the tree re-planting programme, Parreño (2003, p. 132) suggests, quoting a close associate of Cojuangco as his source, that Cojuangco met with Marcos six months before the relevant decree was signed into law and presented the president with the idea for a nationwide coconut re-planting programme that he could carry out. Moreover, Cojuangco was specifically charged with responsibility for the use of coconut levies – with the collaboration of Marcos, and named national leaders of COCOFED – in the establishment of UNICOM, which he is said to have 'beneficially controlled'.³³ In the vertical integration programme, he was accused of coordinating the anomalous procurement of 16 mothballed oil mills – including assumption of debts of 7 of them, purportedly owned by other presidential associates – with the express consent of Marcos and to control the prices of copra and other coconut products, and establish a monopoly 'for their own benefit'. This charge of private gains from the operations of UNICOM by Cojuangco is echoed in another US Embassy Cable, entitled 'The Philippine Coconut Monopoly' acquired under the US Freedom of Information and cited by Boyce (1993, p. 207). In the Cable, the US Embassy in the Philippines alleged that Cojuangco found many indirect methods of profiting from the monopoly. For example, equipment and materials purchases made by the firm were said to have been routed to a company operated by Cojuangco's son, 'who takes 10 per cent commission on all purchases'. The embassy estimated that income personally accumulated by Cojuangco through the monopoly – but also through other purposively allocated rent streams as well as capital accumulated through investments associated with coconut levy enterprises, ranged from 'several hundred million dollars to over a billion'. (Boyce 1993, p. 207)

In a nutshell, coconut producers evidently did not have the political muscle to influence the distribution of benefits during the Marcos period. Thus, this distribution was largely governed by the strongman's political project of building and consolidating a base for authoritarian rule, as suggested by Hawes (1987) and Boyce (1993). In this project, providing limited access to state-engineered privileges, rather than productive expansion in the coconut sector was critical. This explains why redistributive transfers and monopoly rents, which rather than being ploughed back to the sector as resources for industrial upgrading also quite likely leaked out through corruption, dominated over distributive transfers; and why coconut producers, through COCOFED, increasingly lost power within the organelles of administering levy mobilisation.

Privileges Contested: The Post-Marcos Period

The regulation of access to what remained of the privileges in the post-Marcos period – particularly those related to the ownership of the assets with remaining value such as shares in the UCPB and SMC – took an interesting turn in 1986, soon after Marcos was deposed from power. Two things were set in motion when the government of President Aquino took over: *first*, a legal challenge to the Marcos-era assignment of benefits; and *second*, the undermining of the regulatory infrastructure that Marcos set up to control the mobilisation of coconut levies. Both the ownership of coconut levy-funded assets, and control of the returns from these thus became open to contestation. Therefore, in the post-Marcos period, the distributional struggle is best observed in the adjudication of this contest

through judicial court rulings and presidential action during the course of long drawn out process of litigation.

Between 1989 and 2011, various court rulings established the following³⁴: that coconut levy funds were public funds; and assets shown to have been unquestionably acquired through the mobilisation of coconut levy funds – including the shares in UCPB, COCOFED shares in SMC, and the coconut oil mills acquired under the vertical integration programme – were owned by the government ‘on behalf of coconut producers’. With these rulings, the continuing income streams from the coconut levy investments were put in direct control of the state. COCOFED lost their claims on these assets; while Cojuangco lost his claims on UCPB but retained ownership of his SMC shares.

However, as the judicial litigation process on issues of ownership was drawn out over more than 20 years, successive presidents during this period had the latitude to regulate the distribution of remaining benefits. The exercise of presidential authority came in the form of executive orders containing formulations of how the income and profit from the coconut levy assets were to be mobilised and controlled. Moreover, because the corporate boards of the UCPB, SMC and the group of oil mills controlled the mobilisation of said income streams, appointments in these boards were also a means for the regulation of benefits. These appointments, in turn, were made by the president through the Presidential Commission on Good Government (PCGG), first formed in 1986 to oversee the sequestration of ill-gotten wealth during Marcos’ presidency. Thus, the choice of the head and the commissioners of the PCGG had significant consequences on the adjudication of the distributional struggles. Finally, because the Philippine government was the plaintiff in the coconut levy cases and the enforcer of the sequestration of assets, decisions on legal strategies in the pursuit of these cases ultimately rested on the sitting president, including the decision to enter out-of-court settlements. What is interesting about all these presidential actions is that they also reflected the configuration of interests that held sway under the term of a given president. An enduring quality of the distribution of benefits was thus that, even under conditions of a formal democracy, executive prerogative underpinned its regulation. In the post-Marcos period, the exercise of executive authority was influenced by outcomes of negotiations that successive presidents had with COCOFED and Cojuangco, who were keen on maintaining their claims on the assets; and emergent groups, purporting to represent the interest of coconut producers in the distributional contest.

Negotiating the Post-Marcos Distribution of Benefits Outside the Courts of Law

As the court rulings were increasingly favouring the Philippine government to have the rightful claim over the contested assets, the adjudicating power of the executive authority in this distributional struggle also gained strength. Contending claimants struggled to influence presidential action, and through this, their claims on the coconut levy funded assets. In what follows, actions of a succession of presidents after Aquino³⁵ are presented in a synoptic fashion to exhibit the influence exercised by the contending claimants in the distributional contest.³⁶

During the presidency of Fidel Ramos (1992–2001), who succeeded Aquino, two executive orders³⁷ were issued ordering the treatment and utilisation of all income, interests, proceeds and profits derived from coconut levies as ‘public funds’, even before Supreme Court rulings had categorically classified them as such. In the first of these, Ramos ordered the setting up of a committee that was mostly made up of government actors to oversee fund utilisation. This committee was tasked with consulting with coconut farmer’s organisations and devising a ‘master plan’ for the years 1995–2000. In 1998, right before the end of his term, Ramos promulgated the second executive order, which called for the lifting of sequestration orders on coconut levy assets, with the purpose of selling off these assets for use in the ‘master plan’ devised under his first executive order. Here, he also directed the constitution of a committee, made up of heads of PCGG, PCA and UCPB, to administer the disposition of the ‘unlocked coconut levy funds’. These orders signified Ramos’ posturing against COCOFED and Cojuangco, who of course at this point were battling against the classification of the funds as public in character. Considering that Cojuangco himself unsuccessfully ran in

the 1992 presidential election partly explains this posturing – Cojuangco was obviously not an ally of Ramos. However, emergent coconut producer organisations³⁸ involved in the campaign for the ‘recovery’ of the coconut levy funds were dissatisfied with both executive orders: the first one, for bearing no implementing mechanisms; the second, which was promulgated right before the elections of 1998 when Ramos’ term was to conclude, deemed a ploy to shore up support for the presidential election campaign of Jose de Venecia, whom Ramos backed but lost. (Royandoyan 2007, pp. 34–43)

President Joseph Estrada’s administration (1998–2001) followed that of Ramos. Estrada had served as the Vice-President during the Ramos administration, but he was Cojuangco’s running mate in his failed presidential bid in 1992.³⁹ Unsurprisingly, as a known Cojuangco ally, the presidential actions of Estrada reflected a posturing that was the polar opposite of Ramos’. This was a period when the crucial court rulings on ownership of coconut levy-funded assets had still not been handed down, and so the reconstitution of the Marcos-era distribution of benefits was still very much a possibility. There were two presidential actions that are emblematic of how this nearly happened under the watch of Estrada. *First*, Estrada appointed known allies of Cojuangco and COCOFED to key positions soon after he was sworn into office in 1998: a COCOFED lawyer became the administrator of PCA, an aide to Cojuangco’s legal counsel became the head of the PCGG. With a ‘friendlier’ PCGG, government representatives in the SMC voted Cojuangco back as chairman of the board. (Royandoyan 2007, pp. 45–6) *Second*, Estrada promulgated two executive orders⁴⁰ that signalled a very different treatment of coconut levies, reverting back to Cojuangco and COCOFED’s preference of considering them private funds. In these orders, he called for the establishment of trust funds, capitalised by returns and incomes from coconut levy-funded assets, and to be managed by presidential appointees. In the second of these orders, it was specified that trust income was to be allocated such that: 20 per cent was disbursed to COCOFED, 30 per cent to four other coconut producers’ organisations,⁴¹ 30 per cent for ‘agricultural programmes’ not limited to the coconut sector, 3 per cent for administration costs, and the remaining balance reverted to the trust fund. These orders were a product of negotiations among Estrada, COCOFED, Cojuangco and emergent groups – including organisations of coconut producers – on the post-Marcos distribution of benefits. Negotiations between Cojuangco and the Estrada government on the ‘unlocking’ of the coconut levy assets and talks of an executive order promulgating this began in 1999. In a newspaper interview, Cojuangco’s lawyer spoke of the establishment of a fund noticeably similar to what was described in Estrada’s second executive order: a self-sustaining trust fund, capitalised by the COCOFED shares in SMC.⁴²

Two groups that articulated opposing positions emerged at the time of these negotiations. The first, a multi-sectoral coalition⁴³ opposed any kind of deal with COCOFED and Cojuangco. This coalition was led by a 10-member council, only 3⁴⁴ of whom were directly involved in the coconut sector; the rest were politicians,⁴⁵ and leaders of churches⁴⁶ and non-government organisations.⁴⁷ They lobbied for the issuance of an executive order that created a trust fund, but affirmed the public character of the coconut levy funds; subjected the funds’ disposition to the Commission on Audit; and excluded the participation of COCOFED in both the proposed governing committee and in the allocation of funds. Meanwhile, the second group was a set of coconut producers organisations⁴⁸ who supported the Estrada deal with Cojuangco and COCOFED embodied in the second executive order. They convened the National Coconut Producers Summit in March 2000 to express support for the executive order.

In the end, Estrada passed the executive order more faithful to the position for which Cojuangco was lobbying. However, perhaps to appease the two contending coalitions, the executive order allocated shares of the funds to coconut farmer organisations from both sides. Estrada’s executive orders, as with Ramos’, never saw implementation.⁴⁹ In January 2001, a few months after issuing these orders, Estrada fled the Malacañang presidential palace. He was forced out of office after large-scale protests in Manila over perceived irregularities in the impeachment proceedings over alleged corruption,⁵⁰ and when the Supreme Court found ground to declare his presidential seat vacant.

Estrada's term of office cut prematurely, then Vice President Gloria Macapagal-Arroyo (who was De Venecia's running mate in his failed presidential bid) took over as President.

Arroyo served as President in the last three years of Estrada's term until 2004, and in a controversy-ridden presidential election that year, secured a full six-year term. Under the presidency of Arroyo (2001–2010), presidential action was characterised by contradictory positioning, exhibiting Arroyo's attempt to play both sides of the contest. On one hand, soon after the ouster of Estrada – and swept to power by a reform coalition that included some of the organisations and personalities involved in the multi-sectoral coalition opposing any deal with Cojuangco and COCOFED – some of the early presidential acts of Arroyo included the reversal of the Estrada orders. She then appointed a well-regarded lawyer, Haydee Yorac, at the PCGG, which in 2002 caused the elections of a new set of directors to the boards in the oil mills, UCPB and SMC. Out of about 85 seats that were to be occupied in the boards of these corporations, 30 were assigned to farmer representatives and NGO leaders. These 30 seats were equally shared by groups for and against the compromise deal with Cojuangco and COCOFED. (Faustino 2003, pp. 2–4) For the first time, representatives of claimants other than COCOFED and Cojuangco occupied regulatory nodes.

On the other hand, the government under Arroyo continued to show indications of being open to negotiating with Cojuangco and COCOFED – even as the courts released the crucial rulings described in the above section during her term. For one, her government allowed Cojuangco's known allies to hold on to their seats in the boards of UCPB and the oil mills despite court rulings awarding these to the government. (Faustino 2003, p. 5) Part of the compulsion of the government to maintain negotiations for an out-of-court-settlement was the concern for the expeditious release of funds, which could not be mobilised while the litigation process was ongoing.

Arroyo's position must also be understood in relation to the enduring power that Cojuangco held in national politics. It must be noted that Cojuangco continued to exert power in Congress as leader of a party⁵¹ that held a minority of seats in the House of Representatives but became part of the coalition that supported Arroyo's presidency.

Meanwhile, as the possibility for a negotiated settlement remained open, a further splintering among the coconut producer claimants was happening. The multi-sectoral coalition opposing any deal with Cojuangco and COCOFED saw the exit of a church leader and a coconut producer organisation in 2001, as they revised their position on the question of striking a compromise deal.⁵²

In 2005, a year into her full elected presidential term, Arroyo was herself under threat of being made to undergo impeachment proceedings in Congress because of her alleged involvement in rigging the 2004 presidential elections.⁵³ It became even more pronounced that the Arroyo government seemed open to a negotiated settlement with Cojuangco and COCOFED, despite the previously described court rulings deemed favourable to the government. This was undoubtedly partly because of the importance of maintaining the support of Cojuangco's party in the House of Representatives if there were to be impeachment proceedings.

Arroyo replaced Yorac⁵⁴ in PCGG with someone⁵⁵ who averred support for striking a compromise deal with Cojuangco and COCOFED. The new appointee caused the corporate boards of coconut levy companies to be reorganised, unseating those appointed when Arroyo just came to power. He fostered the second round of talks between Cojuangco, COCOFED and those that split from the multi-sectoral coalition, in a conference that issued a statement supporting an out-of-court-settlement regarding the COCOFED shares in SMC. (Faustino 2003, p. 7)

In a nutshell, the distributional contest during post-Marcos years was consequently marked by: (1) the use of executive authority, mostly attempts to foster compromise deals that would free up the coconut levy funds; and (2) splintered representation of coconut producers, and the participation of non-coconut sector-based individual political agents like NGOs and church leaders. The negotiations outside the court between 1986 and 2011 produced nothing more than discussions on a 'division of spoils' among the claimants to the coconut levy-funded assets with continuing value, but no clear indication of how the 'spoils' were to be used to incentivise productive expansion.

Conclusion

This paper sought to understand the conditions that delimited the developmental potential of coconut levies, which extant literature has simplistically and problematically put down to institutional design and governance conditions. It shone a light on the associated distributional contest – including the types of state-engineered privileges fostered that were the objects of contestation, and the political regulation of access to these state-engineered privileges both during and after the Marcos period – as an empirical means to explore some of the political conditions that structured the potential of coconut levies as a state interventionist developmental policy. It finds that significant redistributive transfers were, effected either legally or illegally, through modes of levy mobilisation during the Marcos period. A significant portion of these transfers were captured by a key presidential associate, who did not only obtain purposively allocated transfers but was also able to accumulate capital by leveraging his authority to control the levies. This is supportive of political analyses of the levies that suggest the building and consolidation of the political base for authoritarian rule as a driving force behind the levy, but it is also revelatory of the relative political weakness of coconut producers in shaping the modes of levy mobilisation despite their presence in the organelles of control set up by Marcos. After Marcos had been ousted from power, the regulatory framework and infrastructure that Marcos put in place to distribute benefits were challenged and partly dismantled. In the post-Marcos period, the distribution of benefits was thus opened to contestation between Marcos period beneficiaries and emergent claimants. The contest was adjudicated through court rulings and presidential action. The court rulings ultimately assigned the contested property rights to the state. However, they never caused the closure of the possibility for a negotiated settlement. This was a situation that proved problematic for coconut producers as they negotiated their claims on coconut levy-funded assets in the post-Marcos years. In these negotiations, they were not only without a consolidated organisation to represent them, but various groups of coconut producers emerged each with their own position about the mobilisation of remaining funds. These negotiations, and the executive orders that they produced, mirrored a ‘division of spoils’ among the claimants and in regard to the coconut levy-funded assets with continuing value, but gave no clear indication of how the ‘spoils’ were to be used to incentivise production.

All these reveal patterns in distributive politics that withstood democratisation and deregulation in the Philippines: the enduring power of executive prerogative in the regulation of distributional contests, and the political weakness of productive sectors like coconut producers. In such a setting, coconut producers were reliant on political intermediaries – presidential associates during the time of Marcos; civil society leaders and other national politicians, after – as a link to presidents in power. This may have delimited the possibilities for the productive mobilisation of coconut levies: the distribution of benefits was always going to be partly exogenously determined by agents with no necessary interest in enhancing either value or welfare within the sector, and a product of balancing the tension between the particularistic goals of political brokers and leaders and those of the coconut sector. That the goals of these political agents seemed to override those of the sector, both in the distribution of privileges during the Marcos period and in the negotiations after, is revelatory of the relative weakness of the producer class in the distributional contest. In closing, this paper has shown that the benefits from levy mobilisation seeped out of the coconut sector – defying the avowed developmental goals of fostering agri-industrial upgrading and promoting the welfare of the producers – not just because of Marcos’ suggested rapacity and lack of accountability, but also because of a wider distribution of power in which coconut producers were left relatively weak in shaping the productive uses of the levies. In the case of coconut levies, it was their weak political power that explains the ways in which the prerogatives of executive authority and the particularistic interests of political intermediaries in the Philippines could supersede the imperatives of fostering productive expansion and transformation.

Notes

1. Following Khan (2000a, p. 5) 'rent-seeking' is defined here as pertaining to all activities that seek to 'create, maintain and change the rights and institutions on which rents are based'.
2. Following Erdmann and Engel (2007, pp. 98) 'neo-patrimonialism' is defined here as a form of rule characterized by the co-existence of patrimonial and legal-rational bureaucratic domination – that is, personalistic power relations between the ruler and the ruled occurring within the framework of, and with the claim to, legal-rational bureaucracy. Here, rulers utilize state resources to secure the support of clients in the general population – the basis of rule is therefore the ability of leaders to personalise their power (Khan 2005a, p. 714).
3. The approach to studying rents here derives from Khan (2000a, 2000b), who defines 'rents' as incomes above what an individual or firm would have accepted given alternative opportunities. These may include: monopoly profits, subsidies and transfers organised through political institutions, illegal transfers organised by criminal groups, and super-profits earned by innovators before competitors imitate their innovations.
4. Four distinct but inter-related levies were collected, each channelled to the following special funds: the Coconut Industry Fund (CIF), the Coconut Consumer Stabilisation Fund (CCSF), the Coconut Industry Development Fund (CIDF) and the Coconut Industry Stabilisation Fund (CISF).
5. Marcos, who was the president of the Philippines from 1965 to 1986, was democratically elected into office but declared Martial Law from 1972 to 1981, a period during which he ruled by decree, abolished Congress, closed down media establishments and arrested key opposition figures.
6. Of the personalities implicated in the case, the names of Edjuardo Cojuangco and Juan Ponce Enrile stand out. Enrile was the Defence Minister during the time of Marcos and was credited to have 'drafted the blueprint for the coconut monopoly' (Parreño 2003, p. 125). Cojuangco was the rumoured investment manager of Marcos, the regional chairman of Marcos' political party – the Kilusang Bagong Lipunan (KBL) – in Central Luzon, a vote-rich region in northern Philippines. As Cojuangco grew more powerful in the mobilisation of the levies, Enrile has been quoted as saying that that he could not understand why Cojuangco was left to control the coconut levy funds when he was the one who originally formulated it (Parreño 2003, p. 128).
7. Possibilities for productive upgrading relate to the extraction of the most valuable part of the coconut meat, the oil content extracted from dried coconut meat (*copra*), and its further refinement to produce oleo-chemicals used to produce soap, confectionary, cooking oils and margarines (Finance and Agro-Industry Unit, Agriculture and Rural Development Department 1985, p. 1). From 1940 to 1970, the Philippines was mostly exporting *copra*; from 1970 onwards, coconut oil.
8. The special court, called the *Sandiganbayan*, was established in 1987 and has jurisdiction over civil and criminal cases involving graft and corruption by government officials. The case related to the coconut levies was docketed as Case No 0033 and was one of twenty cases filed against Marcos and his cronies by the Philippine government in an attempt to recover 'ill-gotten wealth' allegedly amassed during his rule. The case was later further subdivided into eight distinct cases.
9. This notion is derived principally from neo-classical economic models of rent-seeking, found in the classic works of Krueger (1974) and Posner (1975).
10. For a summary and critique, see for example Khan (2005a) and Mkandawire (2015).
11. The empirical basis of the analysis is from Ramos (2014), which is the author's PhD thesis. It is based on field research in the Philippines, undertaken from April to July 2009. Here the author explored primary sources on the uses of the levies and who benefitted from them, including: a series of audit reports of the investments funds financed by the coconut levies undertaken between 1986 and 1997 by a government agency, the Commission on Audit (COA); presidential decrees promulgated to authorise the collection and uses of the coconut levies; and material from the legal cases – including court decisions by and legal pleadings filed in the Supreme Court and the *Sandiganbayan* from 1986 to 2011.
12. See for example Clarete and Roumasset (1983), Dohner and Intal (1989), Intal and Power (1990).
13. Dried coconut meat.
14. See for example Amsden (1989), Amsden and Hikino (1994), Chang (2002), Wade (1990).
15. This proposition is echoed by North et al. (2009), in their analysis of access to rents provided to actors with the wherewithal to mount violent resistance against ruling coalitions in limited access orders.
16. See for example Aquino (1999) and Manapat (1991). This also includes examinations by Parreño (2003), and David (1977) of how a presidential crony and leaders of COCOFED are said to have connived with Marcos to effect economic plunder through the institution of coconut levies.
17. Boyce (1993) argues that Marcos used state power to secure control of the coconut sector in the hands of presidential cronies and thereby redistribute income towards them. Hawes (1987) argues that providing chosen allies direct access to the coconut levies was used by Marcos as a means to weaken his opponents and pre-Martial Law traditional bases of power, which included provincial politicians tied to the coconut industry and old families engaged in the oil milling business.
18. Hutchcroft (1991) and McCoy (1994) separately arrive at the same conclusion that while Marcos may have exceptionally centralised state power and rent-creation under Martial Law, the state in the Philippines has long been

choked by particularistic interest, and that this forms part of a continuous narrative in which the creation and purposive allocation of rents have been a characteristic use of state power. More recently, in a volume empirically elaborating on North et al. (2009)'s conception of limited access orders in developing countries, Montinola (2013) lends support to this narrative of continuity, explaining how in distinct historical episodes, before, during and after Marcos' authoritarian period the Philippine state-fostered rents to obtain cooperation for the relevant ruling coalition from sections of the elite in these periods.

19. Chang (2003) and Khan (2005b), criticise the orthodoxy promoted by the 'good governance model' – that of promoting zero-rent societies featured by the unfettered operation of free markets and governed only by liberal democratic states, whose functions are limited to providing law and order and fostering conditions for market competition. This model is embodied in the World Bank's (1997) conception and espousal of the 'minimalist state', and by indicators in Kaufmann et al. (1999).
20. The explanatory power of neo-patrimonialism as determining economic development in Sub-Saharan Africa is also questioned by Mkandawire (2015).
21. A prime example of this is the theory of 'political settlements' developed by Khan (2010), which suggests that the distribution of power underpinning institutions determine their impact on growth. The distribution of power – or the political settlement – determines the costs of enforcing and contesting institutions: the greater the misalignment between distribution of benefits and of power across social forces subjected to Institutions, the higher these costs. The difference between developed and developing countries does not lie in the ubiquity of rents or the extent of rent-seeking; it is in the characteristics of the political settlement that contextualise these contests. The distribution of power in developing countries is embodied by 'clientelist political settlements', which unlike industrialised countries, is not defined by incomes generated from productive sectors, but significant exercises of informally organised political power exercised in pyramidal patron–client networks. Moreover, he suggests that not all clientelist political settlements are created equal, and that they vary according to the distribution of power: horizontally, across elite factions; and vertically, among pyramidal patron–client networks. The horizontal distribution of power determines whether the institutions that obtain foster long-term economic growth; the vertical distribution of power, the costs of enforcing the institutions.
22. The category 'others' pertains to portions of the coconut levies that were mobilised to finance 'vanity projects' of Imelda Marcos, the President's wife – which had nothing to do with enhancing productivity in the coconut sector or the welfare of coconut farmers. These include allocations for building the 'Coconut Palace', described as a building made of coconut materials and used by the First Lady to entertain friends (Manapat 1991, p. 184), the amount of which was equivalent to the disbursement for fertiliser distribution.
23. Evidence of a jump in marketing profits are also found in earlier studies by Boyce (1993) and Clarete and Roumasset (1983). Buschena and Perloff (1991) estimate the degree of market power exercised by the Philippines after the levies were imposed, and conclude that as a result of the interventions related to vertical integration, the mark-up of the Philippine coconut oil export industry more than doubled after 1973.
24. Manufacturers of essential coconut oil-based products like cooking oil and laundry soap, were compensated for losses incurred from selling these products at government-controlled prices. Price ceilings were set-up for these consumer goods supposedly as a temporary measure when the work market price for coconut oil increased in 1973, but continued on until 1979. From 1979 to 1982, the subsidies were channelled through UNICOM-controlled oil mills and refineries, from whom the manufacturers bought their raw materials.
25. The government reimbursed copra and coconut oil exporters for payments made for a premium duty levied on them from 1974 to 1980. Marcos imposed a tax rate of 30 per cent for copra exporters and 20 per cent for processed coconut products. This duty was imposed to enable the government to capture windfall gains made by exporters from any favourable market situation (Clarete and Roumasset 1983, p. 17).
26. COA (1986a) found that government bore all the risk of failure to meet contractual obligations from causes beyond reasonable control, including force majeure, changes in government regulations and statutes. All was given the exclusive right to terminate contract under said condition; but government was behooved to pay damages and all costs of developing the seednuts farm. Meanwhile, the corporation was not given performance obligations.
27. These included outlays for expenditures those that enhanced the value of the property like establishing road networks, housing units, a public market and other such amenities.
28. For elaborations on this, see Parreno (2003), Manapat (1991) and Royandoyan (2007).
29. Interviewed on 15 May 2009 in the Philippines. He requested anonymity.
30. Presidential Decrees Numbers 276, 414, 582, 755, 961, 1468, 1841 and 1842. For an overview and summary of these decrees, see Ramos (2014, pp. 84–6).
31. Producers' claim on the funds was dependent on receipts issued to them as proof of payment, which constituted their 'share' in the funds established. David (1992) outlines some of the problems with the issuance of receipts that rendered producers' claims on the funds operationally meaningless, including: coconut producers only receiving receipts for two of the four types of coconut levy payments (see note 4), and less than 40 per cent of the payments actually being issued receipts in the period 1973–1975.

32. There were no official consolidated reports on the coconut levy funds – neither their collection nor their disbursements – until 1986, soon after Marcos was booted of power.
33. See Supreme Court of the Philippines (1995, p. 16).
34. These were effected through two sets of court decisions, which weighed in on the nature of the coconut levy funds as public funds (see Supreme Court of the Philippines 1989, 1995, 2001), and on the ownership of assets said to have been acquired by directly using said funds or assets acquired by companies set up through the funds (see Sandiganbayan 2003, 2004a, 2004b, 2007, Supreme Court of the Philippines 2011). For a detailed account of these court rulings, see Ramos (2014, pp. 204–8).
35. The administration of Corazon Aquino, who was president of the Philippines from 1986 to 1992, is excluded from the analysis. Court cases related to the coconut levies were filed during her term of office and the distributional contest was thus played out in the courts of law at this point. In particular, COCOFED and Cojuangco, were fighting the sequestration orders and for their right to continue participating in the boards of the UNICOM-affiliated oil companies, UCPB and SMC.
36. Accounts of presidential actions described here are chiefly from Royandoyan (2007) and Faustino (2003). The author interviewed both Royandoyan and Faustino in 2009. As with Royandoyan, Faustino was one of Arroyo's appointees to the UCPB Board, also a representative of the NGO sector.
37. Executive Orders No. 277 and 481.
38. These included the *Pambansang Koalisyon ng mga Samahang Magsasaka at Manggagawa sa Niyugan* (National Coalition of Coconut Producers and Labourers, PKSMMN), a coalition of organisations formed in 1994 to campaign for the recovery of the coconut levies. Also included is the Coconut Industry Reform Movement (COIR), a coalition of non-government organisations and coconut farmer's organisations.
39. The President and Vice President are voted separately in Philippine elections and thus the winner in each office can come from a different political party.
40. Executive Orders No 212 and 213.
41. The four included PKSMMN and COIR, the National Federation of Small Coconut Producers Organisations (NFSCO) and the *Nagkaisang Ugnayan ng Maliliit ng Magsasaka at Manggagawa sa Niyugan* (United Front of Small Coconut Producers and Labourers).
42. 'P100-B coco levy deal in the work', *Philippine Daily Inquirer*, 2 July 1999 in Royandoyan (2007, p. 50).
43. Multi-sectoral Task Force for Coconut Levy Recovery (MSTF).
44. Including: Oscar Santos, chairperson of COIR; Jose Romero Jr, representing the coconut industrial sector; and Efren Villaseñor, leader of PKSMMN.
45. Including: former Senator Alberto Romulo, and, Congressman Wigberto Tañada.
46. Including: Bishop Fernando Capalla, of Mindanao Interfaith (a Catholic bishop working with Muslim *ulamas* in the Philippines); and Bishon Roman Tipples, secretary general of the National Council of Churches in the Philippines.
47. Including: Jose Concepcion Jr, chairperson of the Catholic-Bishops-Businessmen's Conference; Ting Jayme, representing the Philippine Rural Reconstruction Movement; and Romeo Royandoyan, representing the Philippine Peasants Institute.
48. These included a Quezon and Bicol-based coconut producers group called the *Nagkaisang Ugnayan ng Maliliit ng Magsasaka at Manggagawa sa Niyugan* (United Front of Small Coconut Producers and Labourers), the National Confederation of Small Coconut Producers and the *Kalipunan ng Maliliit ng Magniniyog sa Pilipinas* (Federation of Small Coconut Producers and Farm Workers in the Philippines).
49. In 2011, they were declared unconstitutional by the Supreme Court.
50. Estrada was ousted as President in 16 January 2001, following 'EDSA Dos', a series of protests in Manila that culminated in members of his Cabinet and, crucially, the military and defence department leadership announcing their 'withdrawal of support'. The protests were led by the opposition, key leaders of the Catholic Church, former Aquino, and leftist groups. Estrada's Vice-President, Gloria Macapagal-Arroyo, replaced him to serve out the remainder of his term through 2004. Arroyo would later be elected by a narrow margin as President in 2004 in elections marred by allegations of cheating against her made by her main rival who was a close friend of Estrada. After he was deposed from power, Estrada faced plunder and perjury charges before the country's anti-graft court in a trial that lasted from 2001 to 2007. He was convicted of plunder and sentenced to 'reclusion perpetua' (a penalty of up to 40 years imprisonment) but was immediately pardoned (or granted 'executive clemency') by Arroyo.
51. Nationalist People's Coalition.
52. Faustino (2003, p. 3) suggests that this was a result of presidential advisers organizing a meeting between COCOFED, Cojuangco, Bishop Capalla and the chairperson of PKSMMN, Efren Villaseñor. Following this meeting, they became signatories for 'freeing up the shares' of COCOFED in the San Miguel Corporation, published in three major newspapers in the Philippines.
53. President Gloria Macapagal-Arroyo was embroiled in the 'Hello Garci' scandal, in which a wire-tapped telephone conversation believed to be between her and Virgilio Garcillano, a high-ranking election official nicknamed 'Garci', was made public in 2005. The conversation was interpreted by the opposition and some independent observers to be about collusion to rig the 2004 presidential elections in her favour. Impeachment charges, based on possible

electoral fraud as allegedly exposed by the scandal, were repeatedly brought against Arroyo by opposition lawmakers but motions to take up the issue were each time defeated by Arroyo's allies who dominated the Philippine Congress.

54. Yorac died in 2005.
55. Camilo Sabio.

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