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**LAND REFORM ON MULTINATIONAL CORPORATE
PLANTATIONS IN THE PHILIPPINES:**

**CASE STUDIES OF THE APPLICATION OF THE
COMPREHENSIVE AGRARIAN REFORM
PROGRAMME (1988)**

A thesis presented in partial fulfilment of the requirements
for the degree of

Master of Philosophy
in Development Studies
Massey University

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1993

ABSTRACT

This thesis examines the implications of a recent agrarian reform programme in the Philippines for multinational corporate (MNC) plantations. Its central purpose is to assess and explain the land tenure consequences of the Comprehensive Agrarian Reform Programme as it applied to MNC plantations. This entails an examination of the economic and political factors underlying both the passing of the Comprehensive Agrarian Reform Programme in 1988 and its subsequent implementation on plantations.

Though there is no coherent theory of land reform as it applies to MNC plantations two bodies of literature are very relevant: the political economy of land reform and the political economy of MNC expropriation in developing countries. These were drawn upon to provide general hypotheses that are tested in this study. These are that the relationship between the political and landowning elites of developing countries and the relationship between the political elites and the transnational economy are critical determinants of the political economy of land reform on MNC plantations.

More specifically, in the context of the Philippine political economy, it is hypothesized that the close ties between the political and landowning elites, and their shared interests with, and ties to, MNCs, coupled with the economy's dependence on the corporations, has resulted in the agrarian reform programme bringing about no substantial change in MNC land tenure relations.

In order to test these hypotheses, four multinational plantations in the Philippines that had been subject to land transfer under the agrarian reform programme were used as case studies. These were two pineapple plantations operated by subsidiaries of American-owned MNCs, Del Monte International and Castle and Cook International, and two oil palm plantations, one owned by an Indonesian corporation, Raja Garuda Mas, and the other by a Singaporean company, Keck Seng Private Ltd.

It is found that the agrarian reform programme has not brought about any substantial change in MNC land tenure or production relations. This is in part attributed to the predominance of landed and agribusiness interests in the Philippines political economy, coupled with their shared interests with, and ties to, the MNCs. But it is also found that the MNCs, through their indirect lobby efforts, were able to influence decisively the consequences of the programme for their plantations. Finally, the MNCs' control over technology and markets, coupled with the substantial contribution of their plantations to employment and export earnings, ultimately constrained the degree of government intervention in their land tenure arrangements.

ACKNOWLEDGEMENTS

I am indebted to the many people who assisted and supported me during the course of this thesis project. First and foremost, I would like to thank my supervisor, Dr. Brian Ponter, for his careful and considered advice and personal encouragement. I am also grateful for the support given by Associate Professor Croz Walsh.

Without the invitation of the Julich family, I may not have studied nor visited the Philippines. I thank them for this invitation and their friendship during my initial stay in Manila. I am personally indebted to my Filipino friends, notably Lina Ninoy, Joey Daut, Carlos Libosada and Zetho 'Carabao' Ante, for their warm companionship and hospitality. Various officials of the Department of Agrarian Reform assisted me with accommodation and transportation, and for this I am grateful. With respect to my case study corporate plantations, I thank the management and staff of API for their unparalleled cooperation and hospitality.

I am grateful also for the support of staff and students at Massey, particularly Anneke Visser and Dennis Bautista, which got me through the final stages of the preparation of this project. Finally, I would like to thank my parents for being there all the way.

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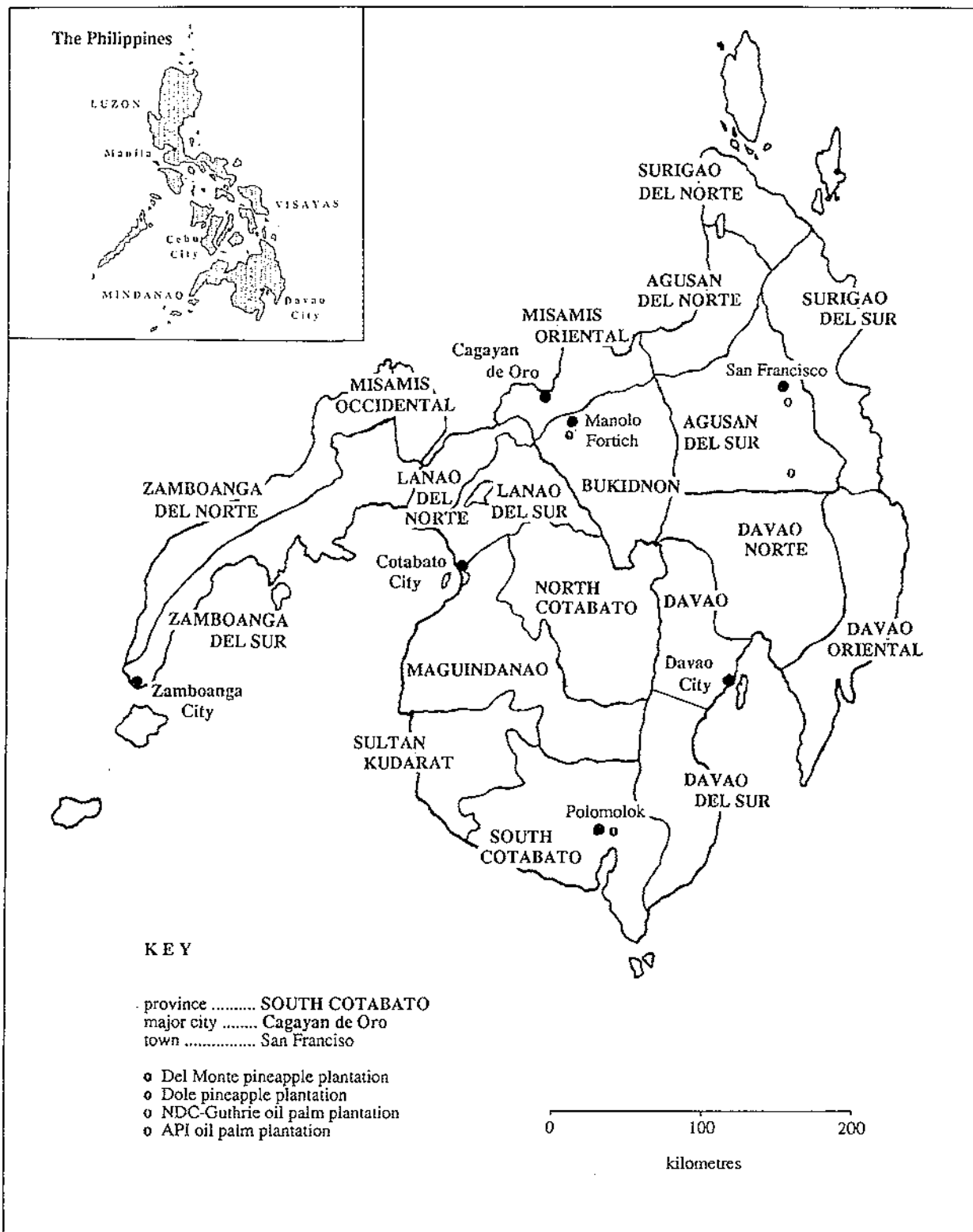
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LIST OF ABBREVIATIONS

ASEC	Assistant Secretary
CA	Commonwealth Act
CARP	Comprehensive Agrarian Reform Programme (RA.6657)
CPGA	Crop Producer and Grower Agreement
Del Monte	Del Monte Philippines, Incorporated
Dole	Dole Philippines, Incorporated
FMC	Farm Mangement Contract
HB	House Bill
IMF	International Monetary Fund
KGB	Kumpulan Guthrie Berhad
MNC	Multinational Corporation or Multinational Corporate
NDF	National Democratic Front
NDC	National Development Corporation
NPA	New People's Army
NGEI	NDC-Guthrie Estates, Incorporated
NGPI	NDC-Guthrie Plantations, Incorporated
NLSA	National Land Settlement Administration
P	Pesos
PD	Presidential Decree
RA	Republican Act
SB	Senate Bill
UN	United Nations
US	United States
USEC	Undersecretary

FIGURE 1: MAP OF MINDANAO



CHAPTER ONE

INTRODUCTION

Purpose and approach

Over the last four decades there has been a global decline in the foreign ownership of plantation enterprises in developing countries (Graham, 1985:58; ILO, 1989:27; Christodoulou, 1990:168). This transfer of ownership and control has generally taken place within the context of land reform programmes or occurred in the form of separate acts of expropriation. The central purpose of this thesis is to explore the reasons for the application of land reform measures to multinational plantations and the consequences of this in terms of land tenure relations.

The subjection of MNC plantations to land reform is partly explained in terms of political factors but these are not in themselves sufficient to explain why actors in the political process took the positions they did or why some had more influence than others. Herein lies the necessity of considering economic factors, which are essentially inseparable from the political. Of key importance with respect to the topic under investigation are the political economy of land reform and expropriation in developing countries.

In this chapter the political economy of land reform and expropriation are introduced and applied to the specific topic of multinational corporate plantations under land reform. Towards the end of the chapter, my choice of the Philippines and case study plantations to examine further this topic is explained. The historical evolution of the Philippine MNC plantation sector is described in Chapter Two, with particular attention being paid to political economic aspects. Chapter Three introduces the political economy of past land reform programmes in the Philippines and explains why MNC plantations were not included within their scope. From the analysis in these first three chapters several hypotheses are derived, which are stipulated at the end of this chapter.

In Chapter Four, the land tenure consequences of the establishment of MNC plantations is explored, with the focus being on the case study plantations. Chapter Five introduces the broad political economic background to the Comprehensive Agrarian Reform Programme of 1988 and then examines the framing of the law, especially those provisions that pertain to MNC plantations. The implementation of CARP on the case study plantations, including the framing of implementation policy and the establishment of land cooperatives, is covered in Chapter Six. Chapter Seven then considers the process and outcome of lease negotiations between the MNCs and new land cooperatives, and the reasons for and implications of DAR intervention in these negotiations. In Chapter Eight, ongoing CARP issues on the MNC plantations are identified and their short and long term land tenure consequences are assessed. Chapter Nine summarizes this thesis and presents overall conclusions.

Land reform and multinational corporate plantation defined

According to Dorner (1972:17), systems of land tenure embody the:

legal and contractual or customary arrangements whereby people in farming gain access to productive opportunities on the land. It constitutes the rules and procedures governing the rights, duties, liberties and exposures of individuals and groups in the use and control over the basic resources of land and water.

Land reform is essentially direct, government-induced change to the above-mentioned rules and procedures that pertain to landownership and control. Land reform more broadly defined, and hereafter referred to as agrarian reform, also encompassess changes in support services pertaining to production on the land: agricultural credit, marketing, research and extension, input supply, and processing and storage (Dorner, 1972:19). Hereinafter land reform as used pertains to the more narrow definition, and agrarian reform to the broader definition. As this thesis is primarily concerned with changes in land tenure relations, its focus is on land reform per se.

For the purpose of this thesis, 'plantation' is used in the sense of a:

large farm estate producing a crop (or crops) for commercial purposes and employing a relatively large number of hired wage laborers organized under a central management (Hayami et al., 1990:9).

This production arrangement has two distinguishing characteristics: the centralization of usufruct and proprietary rights over plantation lands, and the predominant use of waged labour. Thus smallholder estates, which employ predominantly family labour, and haciendas and other estates that operate under tenancy or sharecropping arrangements are outside the scope of plantation, as defined. Other defining characteristics that have been attributed to plantations include: a high degree of specialization in the production of export and/or 'tropical' or 'subtropical' crops; relatively high capital-labour/land ratios; and a relatively highly-skilled labour force (Courtenay, 1980:10; Pryor, 1982:289-291). Such definitions are generally applicable to the case of the multinational corporate (MNC) plantation.

'Multinational corporate' plantation, as used in this thesis, refers to those plantation enterprises in which a foreign owned and registered corporation enjoys a substantial, if not predominant, shareholding position. 'Multinational corporate -affiliated' corporation refers to the case in which a foreign corporation has no substantial shareholding position in the plantation enterprise, but has effective control over it or a claim to its produce by virtue of, for example, management and marketing contracts.

The ideology of land reform

Contemporary land reform orthodoxy has its origins in classical political economy. Classical economists such as Adam Smith, Ricardo and John Stewart Mill addressed land tenure issues in their works. Whilst they perceived large-scale or absentee landownership and servile rentals as an impediment to economic progress, they did not favour undue political interference in the institution of private property in land (El-Ghonemy, 1990:44-46; King, 1977:33-34). Within American agrarian thought of the late 19th century, family-sized farms in particular were represented as being an essential prerequisite to a market economy and political democracy (El-Ghonemy, 1990:56). Associated with this was the 'agricultural ladder' concept, whereby agricultural labourers, through their hard work, could become solvent landowners (King, 1977:33; Tai, 1974:18).

As with some classical economists but for quite different reasons, Marx perceived the prevailing contemporary agrarian structure of large estates and the institution of tenancy as being a barrier to progress. He perceived the inevitability of agrarian reform in the context of the historical and essentially progressive transition from feudalism to capitalism (Lehmann, 1978:339). This progression was hastened by the inherent contradictions of feudalism, which manifested itself in rural areas in the form of peasant unrest.

During the late 1940's and 1950's, 'development economics' arose as a distinct academic discipline. The new discipline was created by economists and social scientists, including those associated with the United Nations Economic Commission for Latin America (Lehmann, 1978:339), who sought to identify and address the particular economic problems of less developed countries. In a significant departure from classical economics, the new discipline emphasized the need for development planning and assigned governments active roles in economic management. The intellectual underpinnings of development economics were in part based upon the works of John Keynes (1934) and Michal Kalecki (1954), which provided the intellectual rationale for greater public expenditures and an enhanced role for governments in economic management

(El-Ghonemy, 1990:48-50). To the extent that classical propositions were present in these works and ECLA's philosophy, they influenced the new discipline.

Within the emerging discipline of development economics, the highly skewed distribution of landownership that existed in many countries was viewed as being an impediment to both the alleviation of poverty and the achievement of higher agricultural productivity (Dorner, 1972:19). Land reform was prescribed as the solution. Lehmann (1978:339-340) identifies two major strands of contemporary land reform orthodoxy: 'structuralist' and 'neoclassical'. The 'structuralist' approach originated in Latin America and, although primarily concerned with social justice, its advocates couch their arguments in economic terms in order to attract the support of policymakers. In contrast, 'neoclassical' land reform is unabashedly economic, viewing the institution of tenancy and the highly skewed distribution of land and capital as a non-optimal allocation of resources. However, it should be noted that many neoclassical economists have been against agrarian reform, principally for the same reasons that their classical forebearers were: it entailed government interference in the market place and in private property rights (Lehmann, 1978:339-340).

The policy prescriptions that flow from both approaches to land reform are similar: the redistribution of land in ownership and control to tenants, sharecroppers and landless farmers. From early post-war experience with land reform, the need to complement changes in land tenure with changes in agricultural support services became apparent and thus a broader strategy, or agrarian reform, was conceived. In the context of general development theory, the 'neoclassical' strand of land reform is most clearly related to modernization theory because it implies the need to replace 'traditional' patterns of land tenure and associated socio-cultural attitudes with family owned and operated farms and 'modernizing' values of the west (Griffith-Jones, 1979:425-426). An invariable consequence of land reform theories' focus on the case of the small-farmer and 'traditional' forms of land tenure has been its lack of extension to the case of the multinational plantation.

The international political economy of land reform

In the post-war period there has been a rapid proliferation of land reform programmes in most of the developing world but especially in Asia and Latin America. One of the principal reasons for the widespread adoption of land reform programmes by developing countries has been its worldwide promotion by influential actors in the international political economy, including the United States, the United Nations, FAO and the World Bank. This international support has made it 'virtually unfashionable for a developing country to refrain from adopting some measure of reform' (Tai, 1974:53). Underpinning this support was the intellectual shift in favour of redistributive measures, a shift that came in the context of the emerging school of development economics, but drew heavily from neoclassical propositions and was congruent with American agrarian thought and ideology.

The United States

During its post-war occupation of Japan and South Korea, in South Vietnam during the 1950's and in Latin America under the aegis of the Alliance for Progress in the early 1960's, the United States government gave substantial political support for the implementation of land reform programmes (Montgomery, 1984:117-118). The pre-emption of rural unrest and revolutionary tendencies among the rural masses of the Third World coupled with American liberal ideology and the associated concept of the family owned and operated farm, have been prime reasons for this support (Montgomery, 1984:117-118). Land reform, or at least the rhetoric of land reform, was perceived to be a palliative for rural unrest because of its redistributive effects. Rural stability and non-revolutionary governments in turn created conditions conducive to American investors and exporters of manufactured goods.

Because of the use of land reform as an instrument of counterinsurgency by the United States, the degree of its land reform advocacy in particular cases and at particular times has varied according to its perception of political stability.

This is exemplified in the case of its substantial technical advice and assistance and material aid for land reform in South Korea (Handelman, 1981:51-53), Taiwan (King, 1977:221-222) and South Vietnam (Tai, 1974:54) when the threat of a revolutionary change of government was perceived to be high. It is also evident in US political support for land reform in Latin America, via the Alliance for Progress, in the immediate aftermath of the Cuban revolution (Griffith-Jones, 1979:424-425; King, 1977:84-85) and in El Salvador following the 1979 Sandinista revolution in neighbouring Nicaragua (Deere, 1982:5-6; Montgomery, 1984:116).

The threat of radical political change has been a necessary but not sufficient condition for substantive American support for land reform. Under the Alliance for Progress, for example, the United States never made land reform a condition of major aid lending to Latin American countries but instead tacitly supported military takeovers as a means to ensure political stability (Montgomery, 1984:122-123). The new military regimes often did not prioritize land reform but were able to avail themselves of continuing US aid as long as they adhered to the economic strategy that was advocated by the IMF (Montgomery, 1984:122-123). Complementing this approach has been USAID's takeover since the 1960's by conservative economic planners, with a greater interest in macroeconomic theories than institutional considerations, and the State Department's ongoing concern for the promotion and protection of US commercial interests in developing countries (Montgomery, 1984:124-127). Thus there remained a large gap between United States advocacy of land reform and its relative level of funding of such activities (King, 1974:47).

Since the early 1980's, there has been a discernible shift in the US policy position on land reform, away from government intervention in private property rights and towards allowing the market mechanism to regulate land distribution (El-Ghonemy, 1990:58-59). This change reflected the new market-orientated economic strategies of conservative governments in major industrialized countries.

Despite its general policy pronouncements in favour of land reform, the United States government has exhibited a decisive reluctance to support the application of such to multinational plantations in any context. This arises out of

its conflicting interests to protect and promote private American capital within developing countries. The potential for conflict between land reform and American corporate interests is exemplified by the Guatemala government's expropriation of United Fruit Corporation (UFC) land in 1953. The expropriated lands, then unused by the corporation, were placed under the newly declared land reform programme of the moderate Arbenz government (Melville, 1971:61). In response, and with pressure from transnational corporate interests, the US government took overt and covert actions that resulted in the eventual ousting of Arbenz and the return of the lands expropriated from the UFC (Melville, 1971:73-78).

Several legislative measures passed by the US Congress in the 1960s and early 1970s, which reflected the influence of MNCs, have threatened the curtailment of US bilateral assistance, support for multilateral assistance, trade preferences and export credits in the event that a nationalizing country has not taken what is deemed to be appropriate action on compensation (Sigmund, 1980:7-10). These measures have been rarely invoked, in part because the legal threat of US sanctions has either deterred nationalization or persuaded the national governments to settle, swiftly and fairly, the compensation issue (Sigmund, 1980:331). An example of the deterrent effects of the sanctions is the threatened application of legislative sanctions against a moderate government in Nicaragua in 1962 when it proposed a land reform programme that could have included UFC plantation lands (Bergsten et al., 1978:389).

Another factor accounting for the limited application of the legislative measures has been the State Department's overriding concern with broader political, security and economic relations rather than protecting the property of particular MNCs (Sigmund, 1980:331; Poynter, 1985:62). The implementation of legislative sanctions could have endangered these broader interests, as well as thwarting a favourable settlement, from the corporation's perspective, of the specific dispute at hand. Even MNCs have become less inclined to lobby for the implementation of sanctions, in part because of the realization that public confrontation could be counterproductive to their interests (Sigmund, 1980:332; Moran, 1985:15).

International agencies

From the 1950's major international organisations have advocated their support for, and given assistance to, land reform programmes although, unlike the United States, they have not played a catalytic role. The United Nations published its first major report on the issue in 1951 (King, 1977:46). Subsequent policy pronouncements of it and its allied organisations, in particular the FAO, have consistently been in support of land and agrarian reform. The World Bank gave more attention to land reform during McNamara's presidency (1968-1981), publishing its first major policy paper on land reform in 1975. However there has been a gap between the level of importance that the United Nations, FAO and the World Bank have assigned to land reform in terms of policy pronouncements and their relative level of funding of such activities (King, 1977:47). World Bank funding of land reform programmes and associated projects was never substantial, even during the 1970's (Powelson, 1984:94-95), and has recently declined in line with the reorientation of the economic strategies of the major industrialized countries (El-Ghonemy, 1990:60-63).

As with the United States government, the international agencies have maintained somewhat contradictory policies with respect to land reform and MNC plantations. In the case of the World Bank, the contradiction arises from its promotion of land reform on the one hand, but its underlying support of a development model that prescribes unfettered and especially transnational capital flows into the agricultural sector on the other (Jacoby, 1978). The 'modern plantation' is perceived to be an efficient production arrangement that is able to stimulate capital formation, diffuse technologies and promote commercial crop production in the rural sector. Furthermore, through its dominant position in the World Bank, the US government has the potential to curtail bank lending to countries that have not paid adequate compensation for expropriated property (Sigmund, 1980:10).

The World Bank and other institutions continue to finance the development of new large plantations in 'open resource' areas but now, in deference to nationalist pressure, joint venture arrangements are common or at least nominal provisions are made for the gradual indigenisation of plantations

over time (Graham, 1984:49). In both areas of new settlement and more 'closed resource' areas, the bank has increasingly promoted contract production arrangements between corporations and smallholders. These arrangements are perceived to have the same 'modernizing' advantages of the plantation mode but do not cause the displacement of small farmers or the institution of the dualistic agricultural structure that is usually associated with plantation development.

The political economy of land reform

The closeness of the relationship between political elites and landed elites is a prime determinant of the political economy of land reform (Tai, 1974:90-91; Christodoulou, 1990:132-133). Across much of South Asia and Latin America, including in India, Pakistan, Sri Lanka, Colombia, Venezuela, and Chile (post-Allende), landownership has remained intertwined with political power at both the local and national levels. Furthermore, the landed elites have frequently ventured into commercial agriculture and manufacturing and service industries. Thus, despite economic diversification within developing countries, large landowners, or those who can trace their origins to them, have established a predominance in the economic, as well as political, spheres.

Despite their ongoing linkages to landownership, political elites in these countries have often been compelled to take land reform measures by the threat of the loss of political legitimacy or radical change (Tai, 1974:56). Government action on land reform has frequently been prompted by rural violence and organised rebellion, itself a manifestation of mass discontent with agrarian conditions. In the case of 'democratic governments', extra-legislature and radical opposition is symptomatic of the failure of elite-dominated electoral and party systems to translate popular demands into government policy. The relationship between rural unrest and land reform is exemplified in the case of Colombia's 1961 reform (Tai, 1974:69-75); Chile under Christian Democratic rule during the 1960's (Castillo and Lehmann, 1983:249-254); the pre-1969 Peruvian reforms (Kay, 1983:204-205) and the introduction of the 1972 land

reform law in Sri Lanka (Christodoulou, 1990:129). Land reform measures that have been introduced by political systems still intertwined with landownership and with the purpose of pre-empting or quelling rural unrest have usually been weak. Limited scope, high private land retention limits, generous landowner compensation and multiple loopholes characterise such reform measures.

In other developing countries however, the ties between landownership and political and economic power have been considerably weakened or even severed: in Japan and South Korea during the American occupation; in Taiwan by the assumption of the mainland Kuomintang forces to power (1949); in India and Chile (1969-71) through the electoral success of mass-based parties; in Egypt (1952) and Peru (1969) by military coup d'etat; and in Cuba (1959), Vietnam (1954), China (1949) and Nicaragua (1979) by a revolutionary change of government. As in the case of those governments with collaborative ties with the landowning elite, these regimes have introduced land reform primarily to elicit political support (Tai, 1974:56). In contrast to them, however, such measures they have introduced have been of more substance, primarily because of their tenuous links with, or even antagonistic attitudes towards landowners.

The political economy of expropriation

The extension of land reform to foreign-owned plantations constitutes an act of expropriation. This issue has been extensively treated in the literature within several different contexts. Members of the Marxist *dependencia* school perceive MNCs to have asymmetrical power over host countries, and the ability to mould the internal political economy of such in a way that promotes their own interests and preserves their own dominance indefinitely (Moran, 1974:7). In this analysis, MNCs exert strong influence over host country policies via alliances with local political elites. More recently, the bargaining power approach has dominated the literature on multinationals. This perceives the power relations between host countries and multinationals in dynamic terms and predicts their evolution in favour of host countries over time (Bergsten et al., 1978:369-381; Moran, 1985:6).

In the post-war period many developing countries have taken measures to nationalize foreign-owned corporations, especially those engaged in the use or exploitation of natural resources. The peak period of nationalizations occurred from the 1960's to mid-1970's, and coincided with the gaining of independence (Kolbrin, 1982:36). The phenomenon of nationalization has been most visible and complete in countries in which revolutionary or anti-colonial elites have assumed power, such as in Cuba, Vietnam, Tanzania and Peru (Kobrin, 1982:36). In these countries nationalizations have been effected by governments in order to gain popularity and as part of broadly-based programmes aimed at asserting national sovereignty over natural resources and the economy.

Nationalization has also been a significant phenomenon in countries in which there has not been a drastic break with external powers or revolutionary change of government, as in the case of Venezuela and Chile (Frei period). Political elites have used nationalization as a means of earning nationalist credentials and thus gaining political legitimacy and popular support (Moran, 1985:15; Poynter, 1985:27). But governments have also expropriated foreign-owned assets for decisively economic reasons: to establish control over and capture the surplus generated by key economic activities (Fortin, 1978:22-23; Sigmund, 1980:260). Such nationalization both reflected and reinforced the increasingly direct economic role of developing states during the 1960's and 1970's.

However, the total number of nationalizations relative to the total number of operations of multinationals within developing countries has remained small, at about 5% (Kobrin, 1982:13). Particularly after the mid-1970's there has been a marked drop in the number of expropriations. Several arguments related to the bargaining-power school have been used to explain this: the nationalization of many large-scale mining and petroleum production operations and the increased technical and managerial capabilities of host nations, which have allowed them to capture the benefits of direct foreign investment via increasing state regulation as opposed to nationalization (Kolbrin, 1982:38; Kennedy, 1992:79-81). Furthermore, the increasing adoption of joint venture, contractual and other indirect production arrangements by MNCs (Sigmund, 1980:332) have minimized

the risk of nationalization through lowering the visibility of the foreign corporation and creating a domestic lobby in favour of non-intervention (Moran, 1985:15).

Other potential explanations for the decline in expropriation imply a limitation in host government bargaining power and lean more towards the *dependencia* school. On a general level, changes in the international political economy over the last decade have accentuated the need of developing countries to generate export earnings and employment. This, coupled with the MNCs' continuing importance as suppliers of production technology, capital and markets, have caused developing countries to adopt policies that encourage foreign investment, not divestment, and privatization, not increasing state control (Kolbrin, 1982:38; Minor, 1988:54-55). MNC bargaining power has been particularly strong in the case of those industries or corporations that are characterised by a high degree of operational and managerial complexity, the vertical integration of production and marketing processes and a large proportion of export sales (Poynter, 1985:45-50).

The political economy of land reform on multinational corporate plantations

There are generally two ways in which MNC plantations have been subjected to land reform: through inclusion within the scope of an explicit land reform programme or as a specific act of expropriation. These are not mutually exclusive. Thus a political elite's relationship with both domestic landowning and foreign corporate interests are crucial to an understanding of land reform on MNC plantations. Where both of these have been weakened by a drastic change in government, as in the assumption of power by anti-colonial revolutionary elites in Mozambique, Angola and Cuba, foreign owned plantations and estates have usually been expropriated without compensation (Christodoulou, 1990:173; ILO, 1989:16). Broad land reform and nationalization measures enacted in Peru in 1969, which included within their scope American-owned sugar plantations,

followed the ascendancy to power of nationalist middle-ranking military officers who had little association with the landed elite. These measures were part of the new regime's attempt to secure political legitimacy, as well as a comprehensive restructuring of the economy (Kay, 1982:206). The compensation issue was only resolved after a lengthy confrontation.

Even those countries in which domestic political elites have continued to have close ties to both the landed elite and the dominant plantation-owning foreign power, nationalism and land reformism have generated pressures for change. This is especially so where the political elite used nationalism for political legitimacy purposes, and where large foreign-owned plantations existed amidst acute landlessness and rural poverty (Christodoulou, 1990:167). The usual government response in this situation has been to expropriate the plantations with compensation, as in the cases of the nationalization of sugar plantations in Guyana (Thomas, 1979:224) and Jamaica (ILO, 1989:16). In Sri Lanka, a broad land reform measure was enacted in 1972 by a moderate government in response to the rise of a rural insurgency group. Though implicitly encompassing the large, predominantly foreign-owned tea estate sector, it was not until 1975 that the government implemented the reform in this sector (ILO, 1989:14; Christodoulou, 1990:173).

In other countries economic nationalism has been the predominant factor accounting for the reform of multinational plantations. This represents an attempt by governments, or private nationals, to gain a greater share of the surplus generated by plantation enterprise. Examples include the government-decreed indigenisation of the majority shareholdings of foreign plantations in Nigeria and Ghana (Graham, 1984:50) and the Indonesian state's buyout of a majority shareholding of large plantations on Sumatra (ILO, 1989:13). In the case of Malaysia, the government's facilitation of the private indigenisation of foreign-owned rubber and oil palm plantations took place within the context of its New Economic Policy, a broad strategy to alleviate poverty and restructure the ownership of industry in response to ethnic riots in 1969 (Pletcher, 1991:630).

Recent plantation development in developing countries has typically taken the form of joint-ventures (Christodoulou, 1990:168). However, there has been a policy reversal by some governments, including Tanzania and Indonesia, which have relaxed restrictions on foreign plantation ownership and control in order to address balance of payments problems and increase agricultural productivity (ILO, 1989:10).

The land tenure consequences of land reform on multinational corporate plantations

When subjected to land reform, plantations have usually not been subdivided but instead transferred intact to state, cooperative or national corporate ownership (ILO, 1989:27). Governments' concern for maintaining economies of scale in production and, in the case of socialist states, the promotion of collective farming endeavours, appear to be factors that account for this. A related explanation is that multinational plantation workers, because of their relatively higher work reimbursements and socialization into waged labour, neither agitate nor opt for the parcellation of plantation lands. This seems to be a factor behind Peruvian sugar workers' support for the maintenance of a plantation system since the country's 1969 land reform programme (Horton, 1975:236-237). In contrast, other production cooperatives that were formed out of a non-proletarianised workforce that had a prior attachment to specific parcels of land, and in which economies of scale were not evident, had a poor performance record and have recently disintegrated (Melmed-Sanjak and Carter, 1988?:190-192) Cuban sugar estate workers were likewise in favour of the maintenance of the plantation arrangement and their worker status (Christodoulou, 1990:75).

With respect to the organisational aspect of collective farming, production cooperatives that were created through government intervention and a 'top-down' approach have often failed to elicit the members' enthusiasm and support, or promote autonomous initiative and development (Whyte, 1985:165). Furthermore:

Rarely if ever are successful cooperatives organised with members who previously have had nothing to do with each other. However, the problems of reshaping the former relations among members are especially difficult if the cooperatives are built out of pre-existing and strongly entrenched organisational structures (Whyte, 1985:161-162).

Whyte cites, among others, the case of the cooperatives set up on sugar plantations in Peru under the 1969 agrarian reform law. The plantation unions, noted for their militancy, assumed control over the cooperatives despite the government envisaging their 'fading away' under the reform programme. One consequence of this has been the exclusion of seasonal workers, never covered under union-bargained labour contracts, from becoming members of the plantation cooperatives (Whyte, 1985:162).

The transfer in ownership of foreign plantations to state agencies, cooperatives or national corporations, has had little impact on land tenure or employment patterns (ILO, 1989:27). In part this has been because of the continued maintenance of central management systems and large scale production methods. One author goes as far as to argue that:

No matter who the owners are ... the policies required for high productivity and maximum production will be the same in the long term. Indeed, the options for plantation owners are much more limited than is sometimes imagined (Graham, 1984:51).

However, the setting and attainment of other objectives within the plantation framework is possible. This is best exemplified by the case of nationalised sugar plantations in Cuba, which provided regular employment to former seasonal workers through diversification into food crop production and tackled consequential seasonal labour shortages through the mechanization of sugar harvesting operations (ILO, 1989:27). State ownership and the high political priority accorded to equity objectives appear to be the determining factors in this case.

Land reform has, on a more general level, made wholly foreign-owned plantations in developing countries an increasingly rare phenomenon (Graham, 1985:58; ILO, 1989:27; Christodoulou, 1990:168). However, the

high degree of local ownership of productive facilities has not significantly reduced the dependence of host countries on MNCs for access to technology, markets and distribution channels. In particular, the marketing of agricultural products remains, to a very significant degree, under MNC control (Zorn, 1985:45).

Three US-based MNCs continue to control the bulk of international trade in bananas (Zorn, 1985:45). Traditionally sourcing their fruits from their own plantations, from the 1960's the MNCs increasingly utilised associate producer arrangements (Read, 1986:329). Under such arrangements, they offered managerial and technical expertise to local growers in return for an exclusive claim to their output. Whilst host government policies in part induced this change, the new arrangements suited MNCs because they shifted production risks and labour management responsibilities onto the local producer and at the same time minimised the possibility of nationalization. Furthermore, under the new arrangements they were still able to enjoy the advantages of the vertical integration of production, processing and marketing.

A similar level of MNC control is evident in the pineapple industry, with just two US-based firms producing and marketing some 40% of world pineapple production (Harman, 1984:35). A high degree of raw pineapple is sourced from corporate-owned plantations, although there has been a limited adoption of associate producer schemes by the dominant MNCs. Whilst coffee, tobacco, cotton and sugar plantations have largely passed into the control of nationals or national corporations, the MNCs still have significant, if not predominant, control over the international marketing of these commodities (Zorn, 1985:45).

The continuing domination of downstream activities by MNCs has limited the potential implications of land reform on MNC plantations. In Guyana, the government expropriated two enormous sugar plantations at a negotiated price, but then entered back into management and marketing contracts with one of the original foreign corporations. With respect to this 'reform', one author asserts that:

If nationalisation remains unaccompanied by equally fundamental changes in other areas of state policy, it will degenerate into a simple juridical modification of the existing plantation structure (Thomas, 1979:226-227).

Even in the case of the sugar plantations of Cuba, which severed even their marketing ties with MNCs, some dependency theorists perceive an essential continuity in the form of Cuba's dependency on a new metropolitan country, the Soviet Union (Beckford, 1972:218-220). This view has been criticised on the grounds that there has been no realistic alternative to revolutionary Cuba's reliance on the sugar industry and that it has had a positive developmental impact (Pollitt, 1986:195-230). It is evident that the success, however defined, of reformed plantations, is affected by prices determined by the international price movements and marketing arrangements that may, through MNC monopoly power, be beyond the scope of national government intervention.

Choice of the Philippines and case studies

The Philippines was chosen as a country in which to study land reform on multinational plantations because of the passing by it of a major agrarian reform measure, the Comprehensive Agrarian Reform Programme (CARP) of 1988 and its hosting of MNC-owned and operated plantations. The MNC plantations were implicitly included within the scope of the new Philippine land reform law by virtue of its coverage of all agricultural lands regardless of land tenure arrangement or commodity produced.

MNC plantations in the Philippines were located within four major export industries: pineapple, banana, oil palm and rubber. However, CARP was discriminatory in its application to MNC plantations in terms of both land tenure arrangements and commodity produced. The MNC pineapple and oil palm plantations were to be immediately subject to land transfer by virtue of their lease of public lands. In contrast, both MNC and domestically-owned banana and rubber plantations were eligible to apply for a 10-year deferment from land reform on the basis of crop type. All the banana plantations subsequently applied for and were granted this deferment. Although land reform was undertaken on several of the MNC rubber plantations, these were located in a politically unstable area and this rendered them difficult to study. Thus, by a

process of elimination, the causes and consequences of land reform on the MNC pineapple and oil palm plantations became my specific thesis topic. There were two of each type in the Philippines. All of them were located on the southern island of Mindanao and all were adopted as case studies.

Del Monte Philippines, Incorporated pineapple plantation

This plantation, established in 1928, is located in Bukidnon province. The plantation enterprise is one of the largest of its kind in the world, covering a total of 19,000 hectares and maintaining a regular labour force of nearly 6,000 persons. Raw pineapple is trucked to DMPI's cannery and port complex at Bugo, in neighbouring Misamis Occidental province, for processing and then export to major markets in Europe, Japan, and the United States. The cannery employs over 3,000 regular workers.

Del Monte Philippines, Incorporated (DMPI) was, until very recently, a wholly-owned subsidiary of an American-based MNC, Del Monte International, formerly the California Packing Corporation (CALPAK). CALPAK was formed in 1916 as result of the merger of the four largest fruit companies in California (IDOC, 1973:36). Although establishing pineapple plantations and canneries in the Hawaiian Islands, the scarcity of suitable lands, high land rentals and an epidemic of plant diseases contributed toward the corporation's search abroad for a more ideal location (Colayco, 1987:10). Whilst technical factors endeared Bukidnon to the corporation, political factors including its ability to overcome restrictive land laws (see Chapter Two).

In the post-war period, Del Monte International emerged as a major MNC in the food processing business. By 1975 it owned and operated seven large plantations (including two pineapple plantations in Hawaii and one in Kenya) and 47 canneries and dried-fruit plants (Swainson, 1980:161). In 1984 it, along with Castle and Cook International (see below), produced some 40% of the world's canned pineapple (Harman, 1984:35). Del Monte International is also one of the 'big three' that dominate international banana trading (Zorn,

1985:45), maintaining plantations in Guatemala, Costa Rica and, via contract growing arrangements, the Philippines (Swainson, 1980:161). Del Monte products are marketed via its own global distribution network.

In 1979 Del Monte International was brought out by RJR Industries, Inc., which subsequently merged with Nabisco Brands in 1985 to form the 19th largest corporation in the United States (Atienza, 1992:11). Then in December 1988 RJR-Nabisco, Inc., was taken over by Kohlberg, Kravis Roberts, a New York-based partnership that specialized in debt-financed takeovers (Stafford and Purkis, 1989(1):1088). Kohlberg, Kravis Roberts subsequently sold most of Del Monte International's processed foods business, including the Del Monte Philippines, Inc. pineapple plantation, to a consortium of Japanese and American corporations (Merrill Lynch and Co., Citicorp Capital Investors, Kikkoman Corporation) and members of Del Monte management (Atienza, 1992:11-12).

Dole Philippines, Incorporated pineapple plantation

This plantation, established in 1963, is located in the province of South Cotabato. It presently covers some 12,000 hectares and, along with its associated cannery complex, employs over 6,000 regular workers. The plantation's produce is exported via the corporation's private port complex in General Santos city.

Dole Philippines, Inc., is a wholly-owned subsidiary of Castle and Cook International. Castle and Cook was originally founded as a partnership in Hawaii in 1851 and incorporated in 1894. Initially involved in the mercantile and shipping business, it diversified into sugar production in 1858 and then pineapple in 1902 (Mirabile, 1990:490-491). Castle and Cook International continued to expand and diversify in the post-war period, adding to its activities real estate development in 1958, seafood processing in 1961 and fresh bananas in 1964, via its takeover of the Standard Fruit and Steamship Company of New Orleans (Mirabile, 1990:491). Its decision to invest in pineapple in the Philippines in 1963 was part of its overall strategy of increasing its European market share coupled with its effort to surmount unfavourable labour and land costs in Hawaii (IDOC, 1973:40-42).

Castle and Cook now ranks as the world's largest producer and marketer of fresh fruits and vegetables (Stafford and Purkis, 1989(1):256), largest marketer of pineapple and second to largest distributor of bananas (Mirable, 1990:492). In addition to the Philippines, it has a pineapple plantation in each of Hawaii, Honduras and Thailand and sources its bananas, under various contract production and marketing arrangements, from Ecuador, Costa Rica, Honduras, and Colombia (Stafford and Purkis, 1989:256).

NDC-Guthrie oil palm plantation

This plantation, developed from 1980, encompasses 8,000 hectares in Agusan del Sur province. The enterprise, including the oil palm mill, has a regular workforce of some 1,400. Because of the different sources of finance raised during the project's development, it has been incorporated as two 4,000 hectare plantations: NDC-Guthrie Plantations, Incorporated (NGPI) and NDC-Guthrie Estates, Incorporated (NGEI) (Hontiveros et al., 1988:12-13). NGPI, incorporated in 1980, obtained a loan from the Commonwealth Development Corporation, the British government's concessional development finance institution. NGEI, incorporated in 1982, availed itself of a loan from the International Finance Corporation, the private lending arm of the World Bank. Separated from each other only by a national highway, they are both owned and managed by the same venture.

NDC-Guthrie is a nominal 60:40 joint venture between the National Development Company (NDC), a Philippine state holding company, and foreign investors¹. The original foreign investor in the project was Guthrie Overseas Holdings, Incorporated, a wholly-owned subsidiary of the British-based Guthrie Corporation. Guthrie Corporation had large oil palm and rubber plantations in Malaysia and other countries. But in 1981 NDC-Guthrie's foreign shareholding changed as an offshoot of the Malaysian state's takeover of a majority shareholding in Guthrie Corporation via its government's holding company, the Permodalan Nasional Berhad (PNB)². The foreign shareholdings in NDC-Guthrie were consequently transferred to a wholly-owned subsidiary of PNB, Kumpulan Guthrie Berhad (KGB). By the mid-1980's, the PNB controlled all

the major plantation companies in Malaysia (Pletcher, 1991:630), but simply functioned as a holding company for private Malay capital and played no active role in their running³.

Over 1989-91, Raja Garuda Mas., a private Indonesian corporation, purchased KGB's share in the project. RGM is controlled by an Indonesian Chinese family and has widely diversified interests in timber and paper mills, construction, plantations and in other fields⁴. KGB's decision to invest in the financially-troubled NDC-Guthrie project appears to have been made largely on political rather than financial grounds⁵.

Agusan Plantations, Incorporated oil palm plantation

This plantation, established in 1982, is also in Agusan del Sur province. It is approximately 2,300 hectares in size and employs over 200 regular workers. It is owned by Agusan Plantations, Incorporated (API) is a 50:10:40 joint venture between private Filipino Chinese investors, the previously-mentioned National Development Corporation (NDC), and Keck Seng Private, Limited, a Singapore-registered private company⁶. The Filipino Chinese investors are led by Leonardo Ty, who also owns the large Manila Paper Mills, located in the same region (Hawes, 1986:119). The Singaporean partner, Keck Seng Private, Limited, has as its registered shareholders two family companies and four individuals, all Singaporean⁷. Its principle activities are described as 'holding companies' and 'general importers and exporters'. The companies paid-up capital in the API venture far exceeds that of the venture's other partners⁸.

Hypotheses

On the basis of the review of land reform on MNC plantations above, and the review of the Philippine political economy in Chapters Two and Three, the following hypotheses are developed.

1. That land reform was introduced by the Aquino government and extended to the MNC plantations because of land reformist and nationalist pressures. It represented an attempt by the Philippine government to gain political legitimacy.
2. That the agrarian reform law as it applies to and has been implemented on the MNC plantations is not a true land reform measure.
3. That this is the result of:
 - 3.1 the predominance of local landowning and agribusiness interests within the Philippine political economy, and their shared interests with and ties to MNCs;
 - 3.2 the dependency of the Philippine economy on the export earnings and employment generated by the MNC plantations, and
 - 3.3 the dependency of the Philippine economy on MNC capital, technology and distribution channels, both generally and in the specific case of the MNC plantations.

Notes

- 1 Securities and Exchange Commission, Metro Manila, 1991. General Information Sheets (NDC-Guthrie Plantations, Incorporated and NDC-Guthrie Estates, Incorporated).
- 2 *Far Eastern Economic Review* 19 November, 1982:60.
- 3 *Far Eastern Economic Review* 19 November, 1982:60.
- 4 Personal correspondence with Amit Guha, Agricultural Research and Advisory Bureau, Kajang, Selangor, Malaysia, 5 January 1993. It has been rumoured that RGM recently was forced to 'cross-link' its shareholdings with Indonesia's largest business conglomerate, the Salim

Group. This is controlled by Liem Sioe Liong, a leading Indonesian Chinese businessman and close associate of President Suharto.

- 5 Personal interview with NDC-Guthrie plantation manager, Mr David Das, NDC-Guthrie plantation, 29 July 1991. Mr Das would not elaborate on the political reasons behind RGM's decision to invest but opined that RGM had chosen the 'wrong football', given the serious financial problems of the venture.
- 6 Securities and Exchange Commission, Metro Manila, 1986. General Information Sheet (Agusan Plantations, Incorporated).
- 7 Registry of Companies and Businesses, Singapore, 1992. Computer Information/Business Profile (Keck Seng (Singapore) Private Limited).
- 8 Whereas Keck Seng has paid up all of its subscribed capital, the other shareholders have only paid half of their subscriptions (Securities and Exchange Commission, Metro Manila, 1986. General Information Sheet (Agusan Plantations, Incorporated)).