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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)**

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## 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.



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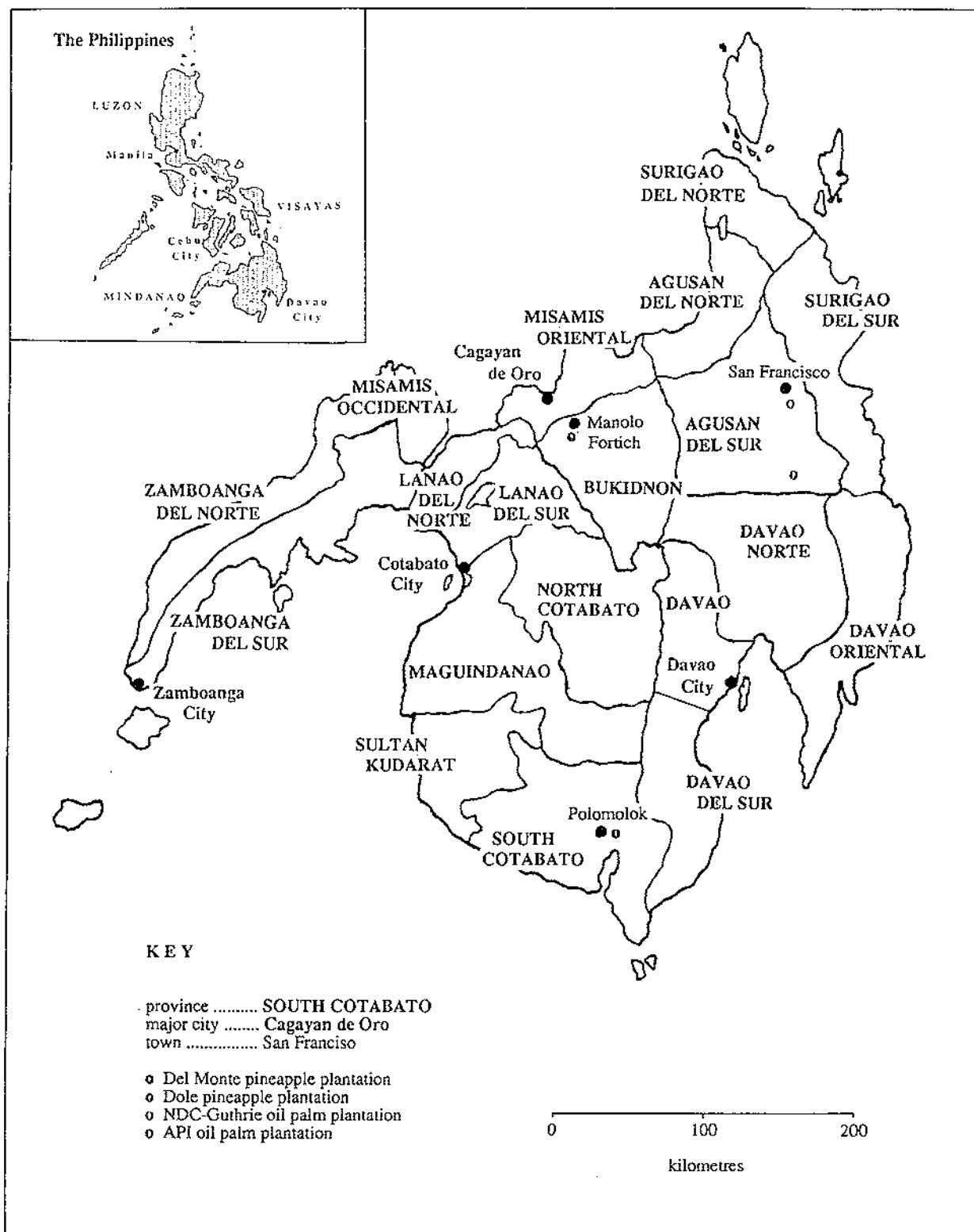
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## LIST OF ABBREVIATIONS

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 summaries 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'état; 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 investors<sup>1</sup>. 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)<sup>2</sup>. 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 running<sup>3</sup>.

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 fields<sup>4</sup>. KGB's decision to invest in the financially-troubled NDC-Guthrie project appears to have been made largely on political rather than financial grounds<sup>5</sup>.

#### **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 company<sup>6</sup>. 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 Singaporean<sup>7</sup>. 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 partners<sup>8</sup>.

### **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)).

## CHAPTER TWO

### THE HISTORICAL EVOLUTION OF THE PHILIPPINE MULTINATIONAL CORPORATE PLANTATION SECTOR

#### The Spanish legacy

Before the first arrival of the Spanish in 1521, the Malay population of the Philippine archipelago lived in small communities (*barangays*) presided over by chiefs (*datu*). Most of these existed as independent political entities, albeit sometimes loosely confederated, the exceptions being in Mindanao and Sulu, where many *barangays* were under Sultanate rule (Abueva, 1988:24-25). Land was held collectively by the community, and usufruct rights over it were allocated on the basis of a social hierarchy comprised of *datu*, freemen, serfs and slaves (Pelzer, 1948:88).

The Spanish Crown proclaimed all land of the archipelago as its own but recognized the right of the existing communities to the land that they cultivated. Large Crown land grants (*encomiendas*) were given as rewards for service and loyalty to Spaniards, who then extracted tribute from local people (Douglas, 1970:66-67). No commodities were developed for export, in part because of the profitability of the re-export trade of Chinese commodities to Mexico (Hayami et al, 1990:37). From the seventeenth century, the *Encomienda* system was phased out in favour of a more systematic form of colonial government. During

this process, the *datu* were transformed into a colonial intermediary class, or *datu-cacique*, with the designated tasks of tax collection, labour conscription and the administration of local justice (Douglas, 1970:67).

In the late 18th century and early 19th century, the Spanish opened its colony to commercial interests. Chinese artisans and traders became more numerous and their roles expanded. Land became a source of wealth and prestige as the demand for agricultural commodities rapidly increased. The *principalia*, comprised of the leading *datu-cacique*, and the *mestizos*, of mixed Filipino and Spanish or Chinese descent, emerged as an elite landowning group during the 19th century (Hayami et al., 1990:34-42). Landlordism increased as members of the *principalia* acquired title over large tracts of already cultivated land and frontier regions. In the latter half of the century, they formed rice haciendas in Central Luzon and large sugar holdings on the island of Negros. The Church, originally receiving land through royal land grants, also enlarged its landholdings during this period. The friar estates were concentrated in the Central Luzon region and became a focal point of agrarian unrest. The development of large foreign-owned estates was prevented by colonial and residency restrictions (Hayami et al., 1990:39-40).

The failure of the Spanish to grant equal opportunity to the *principalia* in the colonial government and Church, coupled with their increasing education and economic status, caused resentment against the Spanish Crown (Hawes, 1986:23). However, the political demands of the *principalia* were tempered by their desire to avoid any radical transformation of society that would threaten their privileged economic positions. The Philippine revolution of 1896-1899 was sparked off by people of lesser wealth, urban artisans and workers, who were later joined by smallholders and tenants (Grossholtz, 1964:21). But the *principalia* were eventually to assume control over the revolution, abandon its original socio-economic goals and acquiesce, after a costly war, in the 1898 American annexation of the Philippines in return for the promise of early self-government (Abueva, 1988:30-34).

### **The American colonial and Commonwealth periods (1898-1941)**

The American government, spurred on by anti-retentionists in its House of Representatives, gradually relinquished governmental control to a Philippine legislature. Then, under the Tydings-McDuffie Act of 1934, provision was made for full independence after a ten-year interim 'Commonwealth Government', which was inaugurated in 1935 (Catilo and Proserpina, 1988:39-40). The Philippine Constitution, drafted by Filipinos in 1935, was based on the American model and the existing legal framework (Wurfel, 1988:75-76). It established a government very similiar in form to the American one. Pre-war Philippine politics was consistently dominated by the landowning elite. The Nacionalista Party, the dominant political party, consisted of a vertical hierarchy of elites at the local, provincial and national levels, linked together through patron-client relations (Tancangco, 1988:89).

The trade relations of the colony were governed by a series of acts (1909, 1913 and 1934) that established and extended free trade with the United States (Owen, 1971:51-52). Retentionists within the American government, largely Republicans, and the colonial administration in the Philippines were strong proponents of free trade, as was the emerging Philippine political elite because of its close ties with the agricultural export sector. A consequence of free trade was the rapid expansion of the sugar industry, which accounted for 65% of total exports and 30% of national income by 1934 (Owen, 1971:54), and a considerable growth in the importation of American manufactures, in both absolute and relative terms. However, free trade had the effect of undermining the potential for the development of a domestic manufacturing base (Owen, 1971:52).

Philippine land policy during the American colonial period constituted an obstacle to large-scale American or foreign investment in plantation agriculture. The Philippine Bill of 1902 empowered the Philippine government to administer the public domain, constituting the bulk of lands of the archipelago, for the benefit of the inhabitants of the islands (Pelzer, 1948:104). This was followed by the Public Land Act (Act No.926) of 1903 which set an areal limit of 1,024

hectares on the purchase or lease of public lands by corporations (Phin-keong, 1977:15). Leases were restricted to a period of 25 years, renewable for a similar length of time. Individuals were only allowed to purchase 16 hectares of public lands and the restrictions on corporate leases also applied in the case of individuals. The new Public Land Act (Act No.2874) of 1919 reiterated the same areal limits on corporate land and leaseholdings. Furthermore, corporations with less than 61% American and/or Filipino equity could only lease land with the express authority of the legislature (Phin-keong, 1977:15).

During the Commonwealth period, by virtue of the 1935 Constitution, Philippine natural resources were reserved for the use of Filipino corporations and individuals:

All agricultural and timber and mineral lands of the public domain, water, mineral, coal, petroleum, and other mineral oils, all forces of potential energy, and other natural resources of the Philippines belong to the state, and their disposition, development or utilization shall be limited to citizens of the Philippines, or to corporations or associations at least sixty per centum of the capital of which is owned by such citizens, subject to any existing right, grant, lease or concession at the time of the inauguration of the Government established under this Constitution (1935 Constitution, Article 13, Section 1).

However, in an ordinance appended to the Constitution was the additional stipulation that 'Citizens and corporations of the United States shall enjoy in the Commonwealth of the Philippine Islands all the civil rights of the citizens and corporations thereof' (Colayco, 1987:26-27).

The 1935 Constitution reiterated the 1,024 hectare limit on corporate public land and leaseholdings and the once renewable, 25 year limit on leaseholdings (Article 13, Section 2). Congress was authorised to establish size limitations on the amount of private land that corporations could acquire or hold, subject again to existing rights (Article 13, Section 3), and subsequently it adopted, under Philippine corporate law, the same limitations for private land acquisition and use as those for public land. To prevent the alienation of private lands to foreigners, no private land could be transferred or assigned to individuals, corporations or associations that were not qualified to acquire land

of the public domain, except in the case of hereditary succession (Article 13, Section 4). The new Public Land Act (Commonwealth Act No.141 or CA.141)) of 1939, restricted corporations' use of public lands originally granted to smallholders to religious, educational or charitable purposes (David et al., 1983:4-5).

The restrictive land laws during the American colonial period were the result of pressure from the anti-retentionist American legislators, mostly Democrats, and domestic American agricultural interests, especially the sugar and tobacco industries (Pelzer, 1948:104-105; Douglas, 1970:70). The American colonial administration had been in favour of allowing the development of large-scale American plantations as part of its plan to create a sizeable American constituency in the colony which would favour indefinite retention (Golay, 1983:4-7). Initially the position of the emerging Filipino political elite was somewhat ambiguous on the land question, with many even being 'annexationists' at heart because of their interest in the continuation of preferential access to the American market, granted to them by virtue of free trade agreements in 1909, 1914 and 1934 (Golay, 1983:18).

However in 1910, when several American sugar companies purchased large tracts of former friar lands in excess of the 1,024 hectare limit, the opposition of Filipino political leaders was aroused. They were concerned that granting foreigners large tracts of land would prejudice their chances of gaining eventual independence, and further sales were consequently stopped (Mahajani, 1971:317). Their reluctance to allow foreign investment in plantation agriculture was strengthened by the concerted efforts of American corporations in the 1920's to circumvent or amend Philippine public land laws. The most extreme of these was a bill introduced in the American Congress in 1926 which proposed the political separation of the potential rubber growing areas in the archipelago - Mindanao and Sulu - from the rest of the colony (Phin-keong, 1977:29-30). The natural resource provision of the 1935 Constitution reflected the nationalist concerns of the Filipino political leaders as well as the essential legalistic continuity during the American colonial and Commonwealth periods.

During the American colonial period, restrictive public land policies, legal restrictions on the importation of plantation labour, and uncertainty over the timing and implications of Philippine independence, undermined foreign investment in plantation agriculture (Phin-keong, 1977:29-30). American rubber corporations established plantations in localities with more favourable policy climates, notably Brazil and Liberia, although Goodyear did develop a relatively small 1,024 hectare rubber plantation on Mindanao in 1928 (Kunio, 1985:57). American involvement in the Philippine sugar industry was largely confined to the construction of sugar centrals, with Hawaii and Cuba instead becoming the focus of American sugar plantation investment (Kunio, 1985:58).

However, the aforementioned nationalist provisions and laws adopted by the Philippine government on natural resources were frequently circumvented, often with the knowledge, if not assistance of the political elite that passed the measures. The use of Filipino 'dummies' by American and Japanese companies in the fisheries and forestry industries was a common phenomenon during the Commonwealth period (Goodman, 1983:44-45). Foreigners were able to persuade Filipino leaders to condone, on a particularistic basis, their use of Philippine national resources, laws notwithstanding.

The establishment of a pineapple plantation by Del Monte in 1928 (then the Californian Packing Corporation) via its wholly-owned subsidiary, Del Monte Philippines, Inc. (hereafter abbreviated to Del Monte), constituted the only major American circumvention of Philippine public land laws during the American colonial and Commonwealth periods. Unlike the case of the rubber corporations, Del Monte avoided political controversy by first beginning to develop its plantation in Bukidnon Province, Mindanao, and then discreetly trying to resolve the legality of its land tenure position. By working with and through the Department of Agriculture and Natural Resources, five leasors of public lands were initially persuaded to turn over their leases to people connected to the company (Colayco, 1987:14). In 1929 Governor Gilmore, on the recommendation of the same department, proclaimed the 'Bukidnon Pineapple Reservation', thus setting aside 14,502 hectares of land for the cultivation of pineapple by smallholders on behalf of the corporation (Colayco, 1987:15). However, Del Monte retained a plantation mode of production based on the land it leased from the five dummies.



Given the dubious legality of its multiple lease agreements, the due expiration of the same in 1942, and its plan to expand its plantation, Del Monte sought to resolve and solidify the legality of its leaseholdings after the inauguration of the Commonwealth. By this time the issue of granting foreigners use of public lands was not so sensitive because the independence issue had already been resolved. Del Monte worked through the National Development Company, a quasi-private corporation formed in 1919 but which was subsequently transformed, by Commonwealth Act No.182 (CA.182) of 1936, into a wholly state-owned corporation (Golay, 1961:346-347). Its principal function was to act as a holding company for state-owned enterprises. However, its charter also empowered it to:

engage in commercial, industrial, agricultural, and other enterprises which may be necessary or contributory to the economic development of the country, or important to the public interest, and for this purpose, it may hold public agricultural lands in excess of the areas permitted to private corporations, associations, and persons by the Constitution and the laws of the Philippines, for a period not exceeding twenty five years, renewable by the President of the Philippines for another period not exceeding twenty five years (CA.182, Section 3).

It is difficult to find evidence of Del Monte's involvement in the shaping of the NDC's charter but the corporation's influence does seem likely, given that it availed itself of the above provision in 1938, the same year that the reconstituted NDC became operative, and was the only corporation that did so for the next 25 years. In a speech to the National Assembly in August 1938, President Quezon justified allowing Del Monte access to extra-constitutional tracts of land via the NDC on the basis of the prior land guarantees of the American colonial government to the corporation and the economic benefits that its pineapple plantation was generating for the nation (Colayco, 1987:29-30). Under three lease agreements signed with the NDC over 1938-39, Del Monte was able to secure control of 8,195 hectares of land<sup>1</sup>.



**Photograph 1:** The Del Monte pineapple plantation



**Photograph 2:** The Del Monte cannery and port complex

### **The Japanese Occupation (1942-1945)**

During their occupation of the Philippines over 1942-1945, the Japanese sought and achieved some success in eliciting elite Filipino cooperation. Collaboration with the Japanese offered the elite the opportunity to preserve their wealth (Grossholtz, 1964:29-31). Among the armed groups resisting Japanese occupation, the most significant was the Army of Resistance Against Japan (Hukbo ng Bayan Laban sa Hapan, or Hukbalahap). Based in the highly-tenanted provinces of Central Luzon, the 'Huks' enjoyed mass support because of their uncompromising nationalism and advocacy of populist measures such as land reform (Grossholtz, 1964:30-31). For this reason, they constituted a challenge not only to the Japanese occupation but also to elite Filipino interests.

### **The Constitutional period (1946-1971)**

During the American liberation , 1944-45, the United States backed the restoration of the pre-war Philippine political order. The Constitution and laws of the Commonwealth period were reactivated and moves were taken to disarm the Hukbalahaps. Although the latter tried to participate in the elections of 1946 through the Democratic Party, they were barred from taking up their seats (Wurfel, 1988:101). Instead the ideologically indistinct and landowner-based National and Liberal parties were to dominate post-war electoral and legislative processes (Tancangco, 1988:87). Several commentators have called the resulting electoral politics a 'one party system'. The restored political order proved to be amenable to American interests: free trade was re-established, with the exception of some quotas on Philippine agricultural exports, under the Bell Trade Act of 1947. This was backed by the Filipino political leaders because of their close ties with the agricultural export sector. Furthermore, under the Military Bases Agreement of 1947, the United States was granted the right to establish military bases in the Philippines. It is unlikely that the more nationalist and socialist inclined Democratic Party would have been so amenable to either the trade or military base agreements.

Perhaps the greatest concession of the new Philippine government was their agreement to the 'parity rights' provision of the Bell Trade Act of 1947. This granted American corporations and citizens equal rights with their Filipino counterparts to exploit and utilize Philippine natural resources and to operate public utilities (Grossholtz, 1964:37). The passing of this provision required a complementary change to Article Thirteen of the 1935 Constitution. Filipino political leaders were not enthusiastic about the parity provision of the Bell Trade Act, but their overriding concern to secure access to the American market for agricultural goods coupled with the tying of the passing of the act to the release of war rehabilitation aid ensured their eventual support for the provision (Golay, 1961:63-66).

Despite the establishment of free trade under the Bell Trade Act, import and foreign exchange rate controls were imposed by the government in 1949, with the United States' consent, in order to manage a foreign exchange crisis. During the 1950's these controls spurred the growth of import-substitution industries which in turn brought about a diversification in the Filipino elite's economic base. Import substitution reached its peak under President Garcia's 'Filipino First' policy (1957-1960). During this time, tyre manufacturers were required to establish a domestic supply of latex which gave the impetus to the establishment of more multinational rubber plantations (Kunio, 1985:64). In 1958 B.F. Goodrich purchased a 1,024 hectare estate on Basilian Island from the American Rubber Company, owned by a prominent Filipino logger, in 1958 (NFL, 1991:1-2). In the same year Firestone established a new, 1,024 hectare plantation on public land that it purchased in North Cotabato.

Given that the policy preferences of traditional agricultural exporters and the new import substitution industrialists differed, the potential for intra-elite conflict increased, albeit marginally since family empires frequently straddled both sectors. Substantial amounts of foreign capital flowed into the new industries during the 1950's and 1960's as foreign manufacturing firms sought to 'jump' tariff barriers to the Philippine market. By 1971, only one third of the top 250 manufacturing firms in the Philippines was wholly Filipino-owned (Broad, 1988:106).

Under the Macapagal administration (1962-1965) there was a shift in economic policy away from import substitution and towards export-orientated industrialization, a shift that continued during Marcos' first two terms as President (1966-72). As part of this shift, new incentives were offered to foreign investors under the 1967 Foreign Investment Act and the 1969 Bataan Export Processing Zone legislation, and greater emphasis was given to the promotion of agricultural exports, especially high value, non-traditional crops, to sustain the export-oriented industrialization strategy.

Several factors underpinned the change in development strategy. The mildly nationalistic policies of Garcia had created a less than ideal policy environment for American investors and Filipino agricultural exporters (Hawes, 1986:92). With the backing of the United States government and the Filipino sugar bloc, Macapagal won the 1961 Liberal Party candidacy presidential elections (Tancango, 1988:91). The government's economic planning role and apparatus, which had grown during the import substitution period, was increasingly staffed by 'technocrats'; economic, business and law graduates, frequently from United States universities (Bello et al., 1982:134). They sought to promote the same policy prescriptions as the IMF-World Bank: devaluation of the peso, abolition of import and exchange rate controls, and the promotion of foreign investment and export-orientated industrialization. Associated with this shift was the IMF's and World Bank's attempt to intensify and broaden their roles in LDC policy making during the 1960's (Broad, 1988:28-33).

The change in economic policy under Macapagal can account for the administration's granting in 1962 of extra-constitutional tracts of land via the NDC to a second MNC, American-based Castle and Cook International (Hawes, 1986:111). The lease arrangement between the NDC and Castle and Cook's wholly-owned local subsidiary, Dole Philippines Incorporated (hereafter referred to as Dole), incorporated an identical hectareage and period of time as the one concluded between Del Monte and the NDC some 25 years earlier. A key difference, however, was the displacement of hundreds of smallholders from their land during the course of Dole's plantation development. This was in contravention of CA.141 restriction's on corporate use of public lands that had already been alienated to farmers.

The irony of the government granting multinationals large tracts of the public domain and displacing smallholders in the process whilst at the same time proclaiming, under the 1963 Agricultural Reform Code, the goal of establishing family-sized farms as the basis of Philippine agriculture, was pointed out by a Senator Lorenzo Tanada in a 1964 privilege speech<sup>2</sup>. During the same speech, the Senator publicly revealed and questioned the constitutional legality of the NDC's land arrangements with Del Monte and Dole, and in 1969 he filed a case in the Supreme Court challenging the validity of the arrangement<sup>3</sup>. Furthermore, over 1963-64 Tanada led Senate opposition to a plan by the Philippine executive to allow an American-based multinational, the United Fruits Corporation, to establish a banana plantation of similar size on the lands of the government's Davao Penal Colony (David et al., 1983:17-19). The opposition Nacionalista Party, of which Senator Tanada was a member, used the issue for purposes of political gain. As a result of partisan political opposition and the public pressure that it aroused, the President announced the abandonment of the proposal but left open the possibility of further negotiation (Tanada, 1965:175).

The nationalism of some politicians was part of a more general trend of increasing nationalism during the constitutional period. Economic nationalism was founded on Filipino discontent with the large degree of control foreigners and ethnic Chinese had over much of the economy, which used to support the government's import substitution policies of the 1950's and the passing of the Retail Nationalization Act in 1954. During the 1960's nationalists focussed their criticism on multinational corporations, the World Bank and IMF's increasing influence over government economic policy, and on the American military bases (Hawes, 1986:36; Stauffer, 1986:13-14).

However, nationalist politicians such as Lorenzo Tanada were mostly conservative in their orientation and motivated primarily by national pride. What affronted these politicians was that the land arrangements of these foreign corporations were in apparent violation of the Philippine constitution. Senator Tanada did not really question the economic benefits to the nation supposedly generated by the MNC plantations, nor was he kindly disposed towards the concept of land reform, being the leader of the Senate opposition to the 1962

Agrarian Reform Code (Sanderatne, 1974:184). The nature of political elite nationalism helps to account for the ease with which the United Brands (then the United Fruits Corporation) was able to establish a banana plantation, albeit under modified arrangements, after the Nacionalista Party assumed power in 1965.

The new government, under President Marcos, agreed to United Brand's modified proposal. This was to engage a contract producer, the Tagum Development Corporation (TADECO), which owned a 1,024 hectare abacca plantation adjacent to the Davao Penal Colony. The owner of TADECO, Antonio Floirendo, was a prominent businessman and 'warlord' of south Mindanao. More significantly, he was a close associate of Marcos and through this connection TADECO was able to lease a further 4,000 hectares of land from the penal colony, thus enabling the development of a contiguous 5,000 hectare banana plantation (Hawes, 1986:114-115).

Del Monte and Castle and Cook international, the two other large international banana trading MNCs, also entered into the Philippine banana export industry via contract production arrangements with domestic producers. During the late 1960's and early 1970's, Del Monte entered, via a wholly-owned subsidiary, into marketing and technical assistance agreements with nearly a dozen domestic corporations. These included existing Davao-based agribusiness enterprises that leased additional and from neighbouring smallholders, and ventures newly created by Manila-based entrepreneurs who purchased or leased anew all the lands for their banana plantations (Krinks, 1981:2-4).

The Standard Fruit and Steamship Company, taken over by Castle and Cook International in the mid-1960's, established a local subsidiary (STANFILCO) in partnership with the Rizal Commercial and Banking Corporation, a locally registered but predominantly foreign-owned company (Balbin, 1986:49). Stanfilco obtained its bananas through a management contract with an existing abaca plantation owner, three new corporate plantations which it instigated the incorporation and development of, and a contract growing scheme with small to medium landowners (Krinks, 1981:6).



The banana MNCs had had previous experience with contract production arrangements in Latin America (United Nations, 1981:15; Read, 1986:327-330). These arrangements had the politically advantageous effect of distancing the corporations from the frontline of nationalist and land reformist criticism and bringing them into alliance with wealthy and politically influential people in the Philippines. By contracting multiple growers, the MNCs were able to obtain their bananas from an aggregate area far in excess of the 1,024 limit on individual corporate land or leaseholdings. However, the corporate growers were in contravention of CA.141's prohibition of corporate use of public lands originally granted to smallholders except for religious, charitable or educational purposes. To circumvent this restriction, the lease agreements that they effected with small growers were labelled 'farm management' or 'grower' contracts (United Nations, 1981:6-7). Dole's contract growing arrangements with small to medium landowners were without precedence and reflected an innovative corporate response to the prevailing political climate: it had the additional political advantage of neither contravening CA.141 nor displacing smallholders from their land.

Some developments in the early 1970's portended a change in government policy towards MNCs. Members of a constitutional commission convened in 1971 included those that spoke in favour of more restrictive controls on foreign investment. In 1972, in the landmark 'Quasha' decision, the Supreme Court invalidated private land titles that were obtained by American individuals and corporations by virtue of the parity clause of 1946 and unambiguously terminated their right to utilize lands of the public domain after the expiration of parity rights in 1974 (Shalom, 1981:169). If implemented, this could have deprived Dole and Del Monte of the bulk of their land and leaseholdings.

Changes to government land tenure policy were brought about by political and economic developments in the 1960's and early 1970's. Traditional patron-client relations, which had provided the base of the socio-political culture by linking elites at different levels and to the masses through bonds of reciprocity, became more fluid and expedient. Consequently, political loyalty was more expensive for the patron to secure, in terms of the delivery of government funds, jobs, and contracts to political supporters (Abueva, 1988:52; Valesco, 1989:13).



Partly because of this, the costs of elections spiralled and Congress became increasingly preoccupied with legislation of a local or particularistic nature (Valesco, 1989:18). Intra-elite competition became more intense and violent, especially at election time, in part because of the increase in the gains and largesse associated with representation in government, in part because of the diversification of the elites' economic base and thus policy preferences.

There was also an increase in political dissent, particularly after 1968, in the form of demonstrations and a resurgence of rural insurgency. A variety of interrelated factors contributed towards this: increasing literacy, a growing middle class, weakening traditional patron-client relations in the countryside, declining socio-economic conditions for the majority of Filipinos, growing nationalism, and increasing disillusionment with the perceived corruption and elite-domination of government (Valesco, 1989:13; Abueva, 1988:50-53). The crisis of political legitimacy was a major contributing factor to Marcos' calling of a constitutional convention in 1971 and the improvement of land reform legislation by Congress in the same year. The Quasha ruling and the electoral success of new parties in the 1971 local elections meant that neither the judiciary nor local politics were insulated from the effects of the broadening of political participation and the intensification of the ideological debate. The continuing political rule of the traditional political elite was under threat, as were the rights and privileges enjoyed by American investors. Between 1970 and 1972, political and economic policy uncertainties combined to cause a net foreign divestment from the Philippines (Bello et al., 1982:21).

### **The Martial Law period (1972-1985)**

In September 1972 President Marcos proclaimed the establishment of Martial Law. He had a personal motivation for doing so: under the 1935 Constitution, he was barred from running as President for a third term in the 1973 elections. On a more structural level, Martial Law was the result of the inconsistency of the broadening of political participation with the interests of the

Filipino economic elite and foreign investors. A large segment of the traditional Filipino economic elite, ranking the need for political stability and the protection of property rights above nationalist economic concerns, were initially supportive of Martial Law (Wurfel, 1988:21). The American government had signalled to Marcos their support for martial law prior to its declaration, and the Philippine-based American business community were quick to give their approval (Lindsey, 1983:479).

With the declaration of Martial Law in 1972, President Marcos abolished the legislature and ruled by Presidential Decrees. In 1973 he introduced a new constitution, which provided for the election of an interim national assembly (Interim Batasang Pambansa) that was duly elected in 1978. The end to Martial Law was officially proclaimed in 1981, and a presidential-parliamentary form of government adopted. However the President won the presidential elections of 1981, chiefly through the boycott of opposition parties, and never fully relinquished his powers. He kept control of the legislature through the New Society Movement (Kilusang Bagong Lipunan or KBL) party, which won elections in 1978 and 1984 as a result of fraud, bribery and the boycott of opposition parties (Lande, 1986:139-142).

Marcos developed a sophisticated defence for 'constitutional authoritarianism' in the form of his 'New Society' ideology: the old, oligarchial-controlled order perpetuated economic and social injustice and this in turn fuelled the revolutionary left. Only through the implementation of political, economic, and social reforms, a prerequisite of which was a strong, central state, could both oligarchial control and the revolutionary threat be ended and the basis created for a new, just society (Abueva, 1979:32-36).

The Marcos regime quickly undertook various measures to improve the foreign investment climate. It speeded up the implementation of the Export Incentives Act of 1970 and created, by Presidential Decree No.66 (PD.66), the first Export Processing Zone at Bataan which, though provided for under legislation enacted in 1969, had not yet been effected (Bello et al., 1982:14). The labour climate for prospective employers was considerably improved by

PD.823 (banning strikes), the introduction of a new Labor Code, and the non-legal recognition of trade unions not affiliated to the government-controlled Trade Union Congress of the Philippines (TUCP) (Bello et al., 1982:142-144).

The Marcos regime softened the impact of the Quasha case and the end of parity rights in 1974 through the introduction of constitutional amendments. The natural resource provision of the new 1973 Constitution reiterated many of the provisions of its 1935 predecessor: the right to develop, utilize or exploit natural resources was reserved to at least 60% Filipino-owned corporations; a 1,000 hectare limit on corporate or individual purchase or lease of public lands, and a 25-year duration limit on the lease of public lands, renewable for another 25 years (Article 13, Section 9). However, there were some crucial additions: the National Assembly was empowered to allow 'citizens, associations or corporations to enter into service contracts for financial, technical, management, or other forms of assistance with any foreign person or entity for the exploration, development, exploitation, or utilization of any of the natural resources' (Article 13, Section 9). Furthermore, 'with the exception of agricultural, industrial or commercial, residential, and resettlement lands of the public domain, natural resources shall not be alienated' (Article 13, Section 8).

Under a 1974 Presidential Decree (PD), foreign firms were given a grace period of one year to adjust to the end of parity rights. In the following year CA.141 was amended by PD.763 to allow corporations to acquire and use public lands that had already been granted to smallholders for commercial and industrial in addition to educational, charitable and religious, activities (United Nations, 1981:8). This solidified the legality of the MNC-affiliated banana plantations' use of such lands. It also paved the way for Del Monte and Dole to expand their pineapple plantations through leasing the lands of neighbouring smallholders. They respectively added another 11,000 and 3,000 hectares to the approximately 8,000 hectares that they each leased from the NDC.

The Martial Law regime sought to revive the NDC as a vehicle for the entry of foreign investment in plantation agriculture. The original charter of the NDC was revamped by PD.1648 of 1979. This reiterated the NDC's right to hold public lands in excess of constitutional and legal areal limits, and to make

contracts and enter into any arrangements for the development, exploitation and operation of its landholdings (Section 4). Furthermore, it placed the NDC directly under the authority of the President's Office. The bureaus of Land and Forestry were instructed to make available speedily land requested by the NDC for its projects, and the latter was to be given prior rights over logged-over areas, other laws notwithstanding (Section 5).

In addition, PD.1648 explicitly empowered the NDC to enter into joint ventures in a majority or minority position with foreign or Filipino investors (Section 2). To facilitate this, the company's authorised capital stock was increased to P10 billion (Section 7). Roberto Ongpin, President of the revamped NDC and the Minister of Industry, identified the constitutional limit on corporate leaseholdings as an impediment to large-scale plantation development and was reported as saying: 'That's why we have the NDC - to get around the constitutional limit' (*Asiaweek*, 2 May 1980:44).

Of the approximately five MNCs that investigated the possibility of establishing plantations, three reached the stage of signing joint venture contracts with the revamped NDC, but one of these latter withdrew (Cardona, 1984:38-39). The two MNCs that proceeded with plantation development were British-owned Guthrie (taken over by Kumpulan Guthrie Berhad of Malaysia in 1981), and the Singapore-registered Keck Seng corporation. Guthrie entered into a 40:60 joint venture arrangement with the NDC, appropriately named NDC-Guthrie. The second venture, Agusan Plantations, Incorporated (API), constituted a 50:40:10 shared venture between a prominent Filipino Chinese businessman, Keck Seng and the NDC.

Land for both projects was set aside by way of Presidential Proclamations (PPs), which demarcated large 'NDC reservations', subject to existing rights. Difficulties in land acquisition encountered by the NDC (see next chapter) resulted in the issuing of PD.1766 in January 1981, just five days before the formal lifting of Martial Law. This declared public lands held by the NDC, including the newly created reservations as well as the area under lease to the pineapple MNCs, as alienable and disposable, and transferred full and absolute ownership of such lands to the NDC, subject to existing rights (Section 1). This

solidified the legal hold of the state company over the lands it provided for MNC plantation projects. The decree also empowered the President to convey other areas of the public domain to the NDC, for purposes including plantation agriculture and industrial tree plantations (Section 2). From 1980, NDC-Guthrie began developing a 8,000 hectare plantation and from 1982 Keck Seng started the development of a 2,000 hectare plantation, in both cases on land acquired and leased by the NDC.

Several factors contributed towards the liberalization of the foreign investment climate in the Philippines. The World Bank and the IMF's influence over Philippine policy direction increased during the martial law period, and within the Philippine government technocrats increasingly were appointed to important positions (Hawes, 1986:122). They adhered to the EOI development model which prescribed, amongst other things, increasing the flow of foreign investment into the industrial and agro-industrial sectors. Associated with this model was a need to promote agriculture exports and agricultural diversification into high-value crops. To facilitate the latter, the National Economic Development Agency (NEDA), the state's economic planning apparatus, designated Mindanao the 'plantation island' of the archipelago (Adriano, 1986:8). The land arrangement offered by the NDC reflected one incentive put in place to contribute towards the realization of this plan.

However Philippine government policy practice was far from synonomous with technocratic policy recommendations and this gap was a reflection of the still diverse economic interests of the ruling oligarchy under Martial Law. This oligarchy included families that did not belong to the ranks of the traditional elite but the rise of which could be attributed to their connections with the First Couple, as well as traditional elite families that were favoured by the administration (Doherty, 1982:30). A third category was the pre-martial law elites that were not favoured by the Marcos regime, including most of the sugar bloc. Through their diverse interests in the industrial, agricultural and financial sectors, Doherty maintains that a total of 81 families virtually controlled the economy (Doherty, 1982:3)). Many of the enterprises of the families associated with the Marcoses had ties with foreign capital but not all of these were in

export-orientated industries (Broad, 1988:105-107). Consequently, there was high-level political opposition to tariff reform, one crucial component of technocratic policy prescriptions.

Another area of concern to technocrats was the increasing role of the state in key sectors of the economy. In the export agricultural sector, this was exemplified by the creation of monopoly state trading enterprises in the coconut and sugar industries (Hawes, 1986). They were headed by close relatives and associates of the Marcoses, who used their positions to enhance their considerable personal wealth. In response to pressures from the United States government and the World Bank-IMF, Marcos took some, albeit unsubstantial, measures to dismantle the state trading monopolies after 1983.

The trend towards greater state intervention perhaps explains why the new NDC land arrangements were joint ventures, albeit nominal, between the state and foreign investors. Hawes argues that the MNC pineapple and MNC-affiliated banana plantations were spared from this trend because the MNCs' monopoly control over production technology and marketing arrangements mitigated against the state assuming greater control over the fruit products industry (Hawes, 1986:122). On a more general level the Philippine economy was highly dependent on the export earnings and employment generated by the export banana and pineapple industries. Owens (1983:195) notes that despite the fruit MNCs' sizeable investment in physical infrastructure and improvements to the land, 'they came to the Philippines after abandoning other locations where business and labour conditions were insufficiently favourable, and presumably they could take flight again'. Creating conditions that gave rise to their flight would have countervailed against the government's policy objectives of promoting agricultural exports and diversification and capital formation. The Philippines accordingly ranked low compared with other developing countries in terms of the number of its expropriations (Kobrin, 1982:37).

With respect to political factors, neither the MNCs nor their local allies in the fruit products industry constituted a potential domestic political threat, unlike in the case of the sugar and coconut industries (Hawes, 1986:124). Some MNC partners, including 'banana king' Antonio Florendo, were actually important

Marcos cronies. Furthermore, the Marcos regime was economically and politically dependent on the United States in a multitude of ways: access to markets, multilateral and bilateral economic aid, military assistance, and ultimately for international political legitimacy. Any major measure of the regime that adversely affected American plantation interests, could have had repercussions for this wider relationship. The swift protest of the American ambassador to the outcome of the Quasha case of 1971 and the contribution of the latter to the eventual declaration of Martial Law - exemplifies the extent to which the United States government was prepared to protect the interests of the largely American-owned MNC plantation sector in the Philippines.

### **Summary**

There has been a remarkable continuity in the Philippine constitutional and legal framework pertaining to MNC investment in plantation agriculture. The 1,024 hectare limit on the ownership or lease of public lands by corporations, introduced in 1902 by the Insular government, was reiterated in the 1935 and 1973 Philippine Constitutions. The initial areal limits on the ownership and lease of public lands can be accounted for by the lobby activities of domestic American agricultural interests, the anti-retentionist lobby within the American government, and the growing nationalism of the emerging Filipino elite. Their continuation into the Commonwealth and Constitutional periods reflected the, at least, overt nationalism of the elite but also the essential continuity in the legal framework over all three periods.

American corporations enjoyed the same right to own and utilize public lands as their Filipino counterparts, first under the American colonial government then, according to an appendix to the 1935 Constitution, and from 1946 to 1974 by virtue of the 'parity rights' provisions of the Bell Trade Act and Laurel Langley Agreement respectively. Changes introduced in the 1973 Constitution softened the implications of the expiration of parity rights in 1974. The special rights granted to American corporations was in part the result of the

ongoing dependence of the Filipino elite, through their close ties to the agricultural export sector, on preferential access to the American market, and because of the explicit linking of the disbursement of rehabilitation aid with parity rights in 1946.

A concerted attempt by rubber corporations to circumvent the areal limits failed during the American colonial period because both the American government's and the emerging Filipino leadership's sensitivity to encouraging plantation investment in the lead-up to independence. During the Commonwealth period however, Del Monte was able to get access to extra-constitutional tracts of land via a special arrangement with a state agency, the National Development Company. The deal had the explicit support of the Philippine executive, which justified its support on economic grounds. Twenty five years later, in 1963, Dole obtained land under an identical arrangement for the same purpose. The Magsaysay administration consented to this arrangement because it coincided with its reorientation of economic policy towards export and foreign investment promotion.

During the 1960's American corporations were prevented from obtaining land for banana plantations under similar arrangements because of the rise in Philippine nationalism, even though the government's economic strategy remained consistent with their objectives. This contradiction was resolved through the MNC's adoption of contract production arrangements with domestic corporations, which created influential allies for them in the Philippines and at the same time distanced them from the frontline of nationalist and land reformist criticism. Under Martial Law conditions, the government was once again able to offer foreign corporations access to extra-legal tracts of land via the NDC. The British cum Malaysia-owned Guthrie and the Singapore-based Keck Seng entered into, albeit nominal, joint venture arrangements with the NDC and local investors respectively for the purpose of establishing oil palm plantations. This was consistent with the ongoing government strategy of promoting foreign investment and agricultural exports and diversification.

Although increasing state control of key economic sectors characterised the Martial Law period, the fruit products sector, in which MNC or MNC-affiliated plantations were dominant, remained unaffected by this trend. The



MNCs' monopoly over production technology and marketing and the dependence of the Philippine economy on the sector offer a partial explanation of this phenomenon. Furthermore, the MNCs and their domestic partners did not constitute a domestic political threat to the Marcos regime: actually several key MNC local partners were represented in the regime. More generally, the Marcos regime was politically, economically, and militarily dependent on the United States: this severely limited its aspirations and policy options with respect to the American-corporate dominated fruit products industry.

### Notes

- 1 Office of the President, Fifth Endorsement, 15 February 1956.
- 2 Congressional Record, Volume 3, Number 61, 29 April 1964:1365.
- 3 Senator Rene Saguisag, Position Paper on CARP, 29 March 1989.

### **CHAPTER THREE**

## **PHILIPPINE LAND REFORM AND THE MULTINATIONAL CORPORATE PLANTATION SECTOR**

### **The political system and landed interests**

A salient feature of the Philippine political economy was the emergence under Spanish then American colonial rule of a political elite with extensive landowning interests, including plantations devoted to the export production of sugar and coconut (see Chapter Two). Although the political elite became more complex because of its diversification of their economic interests and the ascendancy of non-landed politicians to their ranks, the linkage between landownership, wealth and political power remained (Caoli, 1989:22-23). Given that the House of Representatives was elected from single-member districts, a level at which landowners were particularly influential, landed interests had stronger representation in the House than the nationally-elected Senate (Tai, 1974:74). Martial Law resulted in the abolition of Congress, but the new political oligarchy remained tied directly and indirectly to landownership: directly through their private ownership of agricultural lands and interests in commercial agriculture (Kerkvliet, 1979:121), and indirectly through the revival of legislative politics after 1978.

### **Reasons for the introduction of land reform**

There have been six land reform programmes undertaken in the Philippines this century. The first was undertaken by American colonial administrators, beginning in 1905. This was followed by a programme administered by the Rural Progress Administration, established in 1938 under President Quezon during the Commonwealth period. The first land reform measure undertaken after independence was the Land Reform Act (RA.1400) of 1955 under the presidency of Magsaysay. In 1963 this was superseded by the Agricultural Land Reform Code (RA.3844) of the Macapagal administration. Finally, Presidential Decree No.27 (PD.27) of 1972 consitited the land reform law of the Martial Law period.

The introduction of land reform as a means to gain political legitimacy and counter rural unrest is a constant theme throughout the history of Philippine land reforms. When the Americans provided for the expropriation and distribution of 24 friar estates in 1905, they did so because they had been the focal point of agrarian unrest in Spanish times and they did not want to inherit the unpopularity of the Spanish (Richardson, 1972:143). The establishment of the Rural Progress Administration in 1938 was an integral part of President Quezon's 'social justice' programme, which was primarily a response to a series of revolts in the highly-tenanted rice provinces of Central Luzon (Richardson, 1972:143-149).

When the Huk rebellion rose to critical proportions during the late 1950's, the United States put pressure on the Philippines government to take action on land reform. An American government Economic Survey Mission (the 'Bell Mission') recommended in 1950 that reform measures be undertaken and under the Quirino-Foster agreement of the same year, the release of American aid was made contingent on Philippine government action on reform (Olson, 1974:81). This was followed up by the US-commissioned Hardie Report of 1952, which recommended a far-reaching land reform programme (Olson, 1974:82-83). Simultaneously, the CIA contributed considerably towards the elevation to defence secretary and then president of an ardent supporter of reform, Ramon

Magsaysay (Olson, 1974:79). However relations between the United States and Philippine governments deteriorated on the issue of agrarian policy. Furthermore, the Huk threat declined because of the promise of agrarian reform coupled with a more effective military counterinsurgency drive. As observed by one USAID official with reference to land reform in the Philippines: 'If the Huks had been perceived as more of a threat, we would have done what we did in Japan, Korea, and Taiwan' (Richter, 1982:40). Because the threat to US security interests was on the decline, United States support for land reform weakened at a critical stage of the sitting of the Magsaysay reform bill in Congress (Olson, 1974:83-87).

In the case of the 1963 Agricultural Land Reform Code, a major objective of the Macapagal Administration was to pre-empt rural insurgency, then a growing problem in South Vietnam (Hayami et al., 1990:56). As reflected in its provision of ancillary credit and technical services, the code also had another objective, based on neoclassical theorization and supported by economic technocrats: that of raising agricultural productivity (Hayami et al., 1990:56-57).

President Marcos introduced PD.27 a one month after the declaration of Martial Law as an integral part of his attempt to legitimize and consolidate his rule (Kerkvliet, 1979:119; Wurfel, 1977:5). He justified the need for 'constitutional authoritarianism' in terms of his 'New Society' ideology which emphasized the need to combat both the 'old oligarchy' and the revolutionary left through the execution of modernizing economic and social reform programmes, the 'cornerstone' of which was land reform. Marcos had a decisively political objective in his attacks on the old oligarchs: to undermine the political and economic base of some of his potential political rivals, including the Aquino family, through the prompt expropriation of their estates (Wurfel, 1988:166). The revolutionary left had become more influential during the late 1960's, with a rural rebellion resurfacing under the auspices of the New People's Army (NPA), the armed wing of the new Maoist-orientated Communist Party of the Philippines (Olson, 1974:88-89). However, it appears that Marcos, in order to justify the imposition of Martial Law, exaggerated the threat that the NPA represented to the established order.

### **The framing of land reform measures**

Except in the case of PD.27, the Philippine legislature has been responsible for the framing of land reform measures. Land reform has rarely been a competitive issue in electoral politics, because the two dominant parties, the Nacionalista and the Liberal, were equally representative of, and amenable to, landed interests. Their party machineries were based on a hierarchy of elites from the national to local levels, bonded together through patron-client relations. It was typically the President who took the initiative on land reform, often as a result of electoral promises or rural unrest. But that initiative was subsequently thwarted by Congress, which was well representative of landowner interests. Presidents Magsaysay and Macapagal both had difficulty securing congressional approval of the land reform measures that their advisors had promoted. It was only after the original measures had been considerably amended, and because of the apparent determination of the presidents to extend sessions indefinitely until laws had been passed, that a majority of House members finally voted in favour of the bills (Tai, 1974:162-164; Sanderatne, 1972:183-186). With the abolition of the legislature and the centralization of presidential power, President Marcos was able to declare and decree PD.27, then the most far-reaching of Philippine land reform measures, within one day.

Agricultural and landowner organisations, often led by large landowners, exerted strong influence during the process of land reform legislation. This influence was channelled both discreetly and openly: discreetly through members of the organisations actually sitting within the executive and legislative branches of government, and openly through press releases, public meetings and letter campaigns to government officials and politicians. These groups included the National Rice Producers Association, the National Sugarcane Planters Association, and the Philippine Federation of Palay and Sugar Cane Planters (Tai, 1974:164-65). Absentee landowners, often in professional occupations, did not form a cohesive group but nevertheless were influential through their individual lobbying efforts (Starnes, 1961:167).

In contrast, peasants constituted a poorly organized and weak lobby group, and were lacking political parties and legislators who supported their interests. During the Commonwealth period candidates of mass-based peasant organisations achieved success in local elections in some areas of Central Luzon but never constituted a threat to Nacionalista Party rule. The Democratic Party, a socialist-orientated coalition that advocated land reform, won seats in the legislature in the 1947 elections but were prevented from taking these up (see Chapter Two). Post-war politics was thereafter dominated by the landowner-based Nacionalista and Liberal parties. During the 1950's and 1960's, farmer organisations such as the Federation of Free Farmers (FFF) and Malayan Samahang Maksasaka (MASAKA) emerged and increased in size, and sugar workers on Negros unionised. However the relative level of rural organisation remained small (Wurfel, 1988:64-65). The new groups called for the improvement of existing land reform legislation or the enactment of more radical measures, but their lobbying efforts during the legislature debates remained sporadic and weak. Rice farmers, in closest proximity to Manila, had the greatest impact on elite consciousness (Wurfel, 1988:64-65).

In the late 1960's, and reflecting the increased level of political activism (see Chapter Two), students, clergy, and urban-based unions joined peasant organisations in demanding further government action on land reform. The most successful lobby was an 82-day camp outside Congress in 1971. Organised under the auspices of the FFF and backed by students, it sought and precipitated congressional amendments to the Agricultural Land Reform Code of 1963 (Sanderatne, 1972:223-224). Under Martial Law however, the scope for independent peasant organisation and legal protest was drastically reduced. Organisations that espoused land redistribution, including MASAKA, the Hukvets, and FFF, were often coopted by Marcos or suppressed (Kervliet, 1979:120; Richter, 1982:64).

Because successive Philippine legislatures have been more representative of and amenable to landed interests, the final land reform measures that they enacted have been 'soft' on landowners by, for example, prioritizing the distribution of public and idle as opposed to private and productive lands; restricting programme coverage to certain crop types or land tenure

arrangements; setting high retention limits on expropriable lands; providing for complex adjudication and expropriation procedures and containing valuation and compensation formulas that were favourable to landed interests (Tai, 1974:169-171; Sanderatne, 1972:191-193). In this respect, the Philippine legislature's output is similar to that of other democratic political systems that have remained intertwined with landed interests, such as those of Pakistan, Venezuela, and Colombia.

Under Martial Law, a measure unprecedented in comprehensiveness and scope was passed which in part reflected the absence of the legislature and, by implication, direct landowner influence over the policy making process. In other countries and in contrast to the democratic government norm, authoritarian regimes have been able rapidly to formulate and introduce comprehensive and, to varying degrees, confiscatory land reform programmes, as has been demonstrated in Taiwan, South Korea, China, Cuba, and Vietnam (El-Ghonemy, 1990:64-65). However, the Philippine Martial Law measure was still not as substantial as those introduced in the aforementioned countries. An explanation for this can be found in the next section.

### **The scope of Philippine land reform**

Philippine land reforms have been confined in scope. The 1955 Act was limited to tenanted rice and corn lands, and contained a retention limit of 300 and 600 contiguous hectares for individuals and corporations respectively. Its potential coverage was equivalent to less than 2% of the country's total cultivated area (Tai, 1974:170). The 1963 Code only applied to tenanted rice and corn lands and set a high retention limit of 75 hectares. Similarly, PD.27 only covered tenanted rice and corn lands. This limitation coupled with the allowance of a seven hectare retention limit and the exemption of land not under cultivation by 1972, meant that the total potential coverage of the programme was equivalent to only 24% of total rice and corn lands and 12% of the total farm land in the Philippines (Hayami et al., 1990:61). In terms of relative

coverage, PD.27 was considerably smaller than other programmes in East Asia but larger than many of the programmes of South and South East Asia (Hayami et al., 1990:67-68).

Coterminous with the limited scope of reform laws was the limited scope and number of potential beneficiaries. Even PD.27, by far the most encompassing measure, could have potentially benefitted only 34% of all tenants, or 8% of all peasants who owned no land (Kerkvliet, 1979:129). The largest group of peasants not included were agricultural labourers who, numbering some four million in 1979, constituted the most disadvantaged group in the Philippine countryside (Kerkvliet, 1979:129-130).

The reasons for the limited scope of Philippine land reforms were alluded to in the previous section. The counterinsurgency objective of the measures coupled with the concentration of rural unrest in the highly tenanted rice provinces of Central Luzon partly accounts for the limitation of the RPA and 1955 programmes to large estates and tenanted rice lands, and the 1963 and 1972 reforms to tenanted rice and corn lands. The setting of generous retention limits reflects the influence of landowners within and over the legislature. Furthermore, the economic rationale for reform, largely based on the Marshallien assumption that tenancy arrangements were impediments to economic growth, was a contributing factor to the priority given by the Macapagal administration and Marcos regime to reforming tenanted rice and corn lands, which together accounted for approximately 70% of all tenanted lands (Sanderatne, 1974:191).

The exclusion of sugar and coconut lands, the major export crops in terms area planted, from the domain of land reform can in part be accounted for by the influence of large export producers over the legislative and executive branches of government. Even if presidents and legislators were not directly representative of plantation interests, they were frequently amenable to them as a result of the workings of the political system and their effective lobbying efforts. Many presidents, including Macapagal and Marcos (prior to 1972) depended upon the support of the sugar bloc (Hawes, 1986:91-92). Although this dependency was reduced during Martial Law, Marcos did not extend reform to



the sugar lands because he did not want to 'antagonise all landed wealth at once' (Wurfel, 1988:167). Instead he used more selective and obtuse methods to neutralize the sugar bloc politically, including the dismantling of the empires of the more politically ambitious families and the creation of state commodity trading monopolies (Doherty, 1982:30; Hawes, 1986:95).

Another reason for the exclusion of export crop lands, especially after 1962, was the government's reorientation towards export promotion. The extension of land reform to the sugar and coconut industries, the two major export crops, would have had adverse implications for export crop production, at least in the short run. Reflecting this, as well as the adeptness of the export crop producers at defining the national interest in terms of their own, the 1963 Agrarian Reform Code excluded sugar lands 'in order not to jeopardize international commitments' (Section 4). Lands planted to permanent trees, including citrus, coconuts, cacao, coffee, and durian, were excluded on the implicit basis that the tenancy systems covering such crops were not properly understood (Section 4 and 35).

### **The exclusion of multinational corporate plantations**

Up until 1988, MNC plantations in the Philippines remained outside the scope of land reform. Actually, the government facilitated the increasing concentration of land under their, or their local partners', control (see Chapter Two). The reasons for this have been alluded to in the immediately preceeding section and in Chapter Two. To reiterate, land reform was confined to tenanted rice and corn lands because of its counterinsurgency and productivity biases, and the influence of large-scale agricultural exporters within and over the government. The exclusion of export crops, including those produced by MNC or MNC-affiliated plantations, from the scope of reform was also influenced by the government's broader economic objectives, especially from the early 1960's, of increasing foreign investment and agricultural exports. This shift was abetted

by the World Bank, IMF and technocrats within the Philippine government, and coincided with a substantial increase in the flow of transnational investment to developing countries.

Once the MNC and MNC-affiliated plantations were established, several factors mitigated against the state taking action unfavourable to their interests, including land reform. The industries in which they were dominant, particularly the export pineapple and banana industries, made a substantial contribution to national export earnings and employment in the localities in which they were based. Furthermore, they enjoyed virtual monopoly control over production technology and marketing. If, as a last resort, they transferred their operations to another country, there would have been a significant drop in export revenue and the creation of sizeable pockets of unemployment.

The policy options of successive Philippine governments with respect to the MNC plantations were limited by their economic, political and military dependence on the United States. Any measure taken that adversely affected American plantation interests could have resulted in the United States taking retaliatory action. Policy considerations were further narrowed by the political influence of some of the local partners of MNC plantations. Unlike in the case of other large agricultural operators, the MNCs and their domestic partners did not constitute a domestic political threat to Marcos during the Martial Law period, and thus there was no domestic political rationale for subjecting them to land reform or increasing state regulation.

### **The implementation of land reform**

The passing of legislation is only the first phase in the effecting of land reform: the next and equally crucial phase is implementation. One author writes with respect to the Philippine experience:

If and when a reform measure is developed and passes what constitutional hurdles exist, it is a battle only begun. The implementation process is where most reforms fail ... (Richter, 1982:35)

Consecutive Philippine land reform programmes failed to be fully implemented even within the narrow limits of what was prescribed by the various land reform laws. The programme administered under the auspices of the RPA expropriated 33 estates, totalling 4,643 hectares (Douglas, 1970:72). During the first six years of the 1955 Land Reform Act, only 20,000 hectares were redistributed (Hayami et al., 1990:56). Despite its wider scope, the implementation of the 1963 Agricultural Land Reform Code was even more disappointing. Only under a pilot project scheme in one province was it implemented to any significant degree (Hayami et al., 1990:57). The first phases of PD.27, involving the redistribution of lands over a 100 and then 24 hectare limit, were effected relatively speedily. However after the mid-1970's there was a loss of momentum in programme implementation, especially with respect to the land transfer component.

The reasons for the poor Philippine implementation record are manifold. The declared support of presidents for land reform was matched neither by the priority that they gave to its funding nor the attention they gave to resolving implementation difficulties. Reflecting ongoing landowner opposition, Congress failed to provide the funds and other resources necessary for the implementing agencies to achieve their designated tasks (Sanderatne, 1972:66-67; Wurfel, 1977:9-10). At the local level, landowner avoidance and evasion of programme implementation was widespread (Hayami et al., 1990:66-67; Sanderatne, 1972; Fegan, 1972). This was abetted by their political and economic power over tenants, greater awareness of the measure, and the durability of patron-client relations coupled with the landowners' ability to employ coercive sanctions, such as the denial of water, input supply and credit, against tenants who sought their rights under the land reform laws. All the measures, in part reflecting the compromised state of legislative output, contained procedures and formulas that were neither well defined nor easy to implement (Tai, 1974; 169-171; Sanderatne, 1972). External donors gave some funding for infrastructure and

service projects that were intended to support land reform beneficiaries but not for critical programme components, such as the administration of land redistribution and landowner compensation (Richter, 1982:70).

Another salient feature affecting the implementation of Philippine land reform programmes was the political and class bias of the government departments and agencies that have been given the task of implementing them. These government bodies were part of, rather than insulated from, the prevailing political economy and socio-political culture (see Sanderatne, 1974:254-55). Top state bureaucrats generally tended to gain their position through political intervention and were drawn from, or had ascended to, the urban upper class. Those in charge of the land reform implementation agencies exhibited a concern for bureaucratic security, a bias towards planning versus implementation, and a desire to keep their departments non-controversial (Richter, 1982:74). They were typically ideologically conservative, held an undynamic orientation towards programme implementation and managed their departments in the traditional patron-clientalist manner (Richter, 1982:43-44).

At both a national and local level, staff of the implementing agencies have prioritized caution over urgency, method over maximum means, and internal harmony over effectiveness (Richter, 1982:74). Because of class links, local staff and juridical officials often empathised with, and were partial towards the interests of, landowners (Richter, 1982:77; Kerkvliet, 1979:126-127). Thus the class interests, values and attitudes of bureaucrats at all levels mitigated against the implementation of land reform, especially measures that contained many ambiguities and potential loopholes.

To some extent the above-mentioned characteristics of the implementing agencies pertain to Philippine government agencies in general, given that they lie within the same political economy and socio-political culture. However land reform by definition is an atypical government programme, because of its stated objective of altering land tenure structures and implicitly the political, economic and cultural systems that they embody. The most rapid implementors of land reform have been foreign occupation powers or revolutionary governments, whose transformation of the general political economy and socio-political system have been reflected within the implementing government agencies.

The Philippines implementation experience mirrors that of other countries with 'democratic' political systems and ties to landed interests. Reform measures introduced in Pakistan, India, Chile, Colombia, and Venezuela have to varying degrees been slowly and only partially implemented. This contrasts with the case of authoritarian regimes that have had a strong political commitment to land reform and only tenuous links to the landed class. In Taiwan, South Korea, Cuba, China and Vietnam, land reform was swiftly and comprehensively implemented. The Martial Law reform is only partially similar to the latter cases. Marcos' commitment to land reform waned in the mid-1970's, in part because of his lack of a political rationale to pursue the reform to completion on medium to small holdings (Wurfel, 1988:170).

### Summary

A legacy of colonial rule in the Philippines was the creation of a political system dominated by landed interests, including large-scale agricultural exporters. Presidents sought to introduce land reform in order to gain political legitimacy in response to the challenge posed by rural unrest and, from the 1960's, as an economic modernization measure. However, the dominant influence of landowners within and over the Philippine government resulted in legislated reforms that were 'soft' on landowners. Reflecting the objectives of reform, the scope of reform was limited to tenanted rice and corn lands. Large-scale export plantations were excluded, in part because of the influence of large agricultural producers over the policy formation process and in part because of the coincidence of their interests with the government's commitment to agricultural export expansion. This coincidence continued under Marcos, who chose state regulation as opposed to land reform to limit the power of the sugar bloc.

Multinational plantations remained outside of the scope of land reform for similar reasons. There was no counterinsurgency rationale for the inclusion of MNC plantations under reform, as workers agitated not for land but improved

wages and working conditions. Land reform theory did not specifically apply to the case of MNC plantations, and thus did not guide economic planners to intervene. The domestic partners of MNCs in the plantation industries did not represent a political threat to Marcos and in some cases were loyal supporters. Thus there was no domestic political rationale for the inclusion of the plantations.

Furthermore, the government's policy priorities from the mid-1960's, shaped by foreign and local technocrats, emphasized export and foreign investment promotion, and agricultural diversification. Including MNC or MNC-affiliated plantations with the scope of land reform would have run counter to this basic policy direction. As part of this policy direction, the government actually facilitated additional foreign investment in plantation agriculture, albeit in contract production or joint venture form. Finally, the government's capacity to intervene especially in the banana, pineapple and oil palm industries was ultimately constrained by the MNC's monopoly power over production technology and distribution arrangements. Because of this, it is unlikely that it could have taken over the plantation enterprises without creating, at least in the short-run, a drop in production and export revenues and sizeable pockets of unemployment.

## **CHAPTER FOUR**

### **THE CONSEQUENCES FOR LAND TENURE OF THE ESTABLISHMENT OF MULTINATIONAL CORPORATE PLANTATIONS**

Mindanao, the second largest island in the Philippine archipelago, has been the focal point of MNC investment in plantation agriculture. The consequences for land tenure of plantation agriculture are examined in the context of the historical evolution of the land tenure situation on Mindanao. More specifically, the effect of plantation agriculture on the land tenure security of two general groups - those inhabiting the islands prior to the 20th century and the farmer-settlers that migrated from other Philippine islands this century - are explored with special reference to the case study plantations.

#### **The land tenure situation prior to the twentieth century**

In the pre-Spanish period Mindanao was inhabited by aboriginal tribes. Living as hunter-gatherers and shifting cultivators, these people did not have a concept of private land ownership (Douglas, 1970:66). They lived in lowland and fertile areas of the islands, but retreated towards the interior upon the arrival of the Malays who settled in communities (*barangays*) along coastal areas and

inland rivers throughout the Philippines. The social structure of these communities was closely intertwined with land tenure (Douglas, 1970:66). The chief (*datu*) of the village presided over the communities which were typically stratified into three social groups: freeman (*maharlika*), serfs (*timawa*), and slaves (*alipin*). The territory of the barangay was communally held but its component social groups had differentiated access and right to the land and its produce, predominantly rice (Pelzer, 1948:88). Freeman enjoyed usufruct rights over the land that they cultivated and shared little, if any, of their harvest with the *datu*. The serfs also cultivated land but had to share one half of their produce with the *datu*. Finally the slaves, although providing much of the labour input, did not enjoy any rights to hold land or to a portion of the harvest. Towards the end of the 14th century, Islam entered the Philippines from the south west via Muslim traders, and gave rise to the Moros: people of Malay or aboriginal ancestry who had been converted to Islam.

Spanish colonial rule had a very minimal impact on the land tenure pattern of Mindanao. Islam, well entrenched in the western and central part of the island at the time of the Spanish arrival, facilitated both a resistance to colonization and the emergence of relatively sophisticated political and social orders, presided over by sultans (Wurfel, 1988:28-29). Up until the late nineteenth century, the direct influence of the Spanish was restricted to enclaves on the northern coast of the island, although they conducted missionary work elsewhere. Thereafter caciques and Chinese mestizos (see Chapter Two) slowly began to accumulate ownership or control over large tracts of land as they had done in other parts of the archipelago (*Mindanao Focus* 18:9-10).

### **Land settlement**

People from the central Philippines, or Visayas, began settling in the northern areas of Mindanao before the end of the Spanish era in 1898, albeit in limited numbers. At the turn of the century, the population of the island was some 670,000, most of whom were Moros<sup>1</sup>. Being one of the least densely



populated islands of the archipelago and given the apparent availability of large tracts of 'virgin' land, American colonial administrators perceived Mindanao, and other less populated regions, as frontier areas able to absorb a large influx of pioneer settlers. American colonial land policy was thus based on the notion of the 'frontier west' and modelled on American public land and natural resource legislation (Hayami et al., 1990:42). The Land Registration Act of 1902 established the Torrens System of land registration. Under the Public Land Act of 1903, the homestead system was introduced and the granting of 16 hectare plots of public land to pioneer families was provided for (Crystal, 1982:93).

Migration to Mindanao was initially constrained by the lack of cadastral surveys and titling procedures and basic infrastructure and government services. The American colonial government sought to promote land settlement via a partially subsidized programme between 1913 and 1917 (Huke, 1963:162). These agricultural colonies, located in Cotabato and Lanao, had the objective of facilitating the integration of Moro and Christian Filipinos in addition to redistributing population. But only 1,500 permanent settlers were settled under this programme. After 1917, the government adopted the policy of encouraging but not subsidizing land settlement, except the transport costs to frontier areas. By 1935, a total of 35,000 settlers had duly registered with government agencies and migrated to Mindanao, but it is probable that the number of non-registered settlers was considerably greater than this (Huke, 1963:164).

In 1939 the Commonwealth government created the National Land Settlement Administration (NLSA) to facilitate and promote the migration of families to pioneer areas. It was motivated by series of agrarian uprisings in the highly populated Central Luzon rice provinces. Whilst the government, well-representative of landowner interests, enacted several tenancy and land reform measures in response to the uprisings, public land settlement was a more attractive policy option, as it represented a potential means of mitigating unrest without infringing on private property rights (Richardson, 1972:143-149). Two large sites in Cotabato Province, including the Koronadal Valley, were chosen and developed by the NLSA as resettlement sites. The Koronadal Valley project, hosting 2,500 new families prior to the outbreak of World War Two (Huke, 1963:165), is of particular significance because in 1963 Dole began to

establish its pineapple plantation on the same area. The land tenure implications of the corporation's transformation of a former NLSA resettlement site into a pineapple plantation will be explored shortly.

In the post-war period, land settlement was resumed, with a total of 10,000 families being settled prior to 1954, the bulk of them on Mindanao (Huke, 1963:166). The 1950's was a period of relatively intense official settlement, accounting for some 41% of the number of settlement projects proclaimed and 57% of the area covered by resettlement projects over the period 1950 to 1985 (Hayami et al., 1990:59). This reflected the renewed emphasis the Magsaysay administration gave to land resettlement in the wake of the Huk rebellion. Resettlement sites of the 1950's included Sto. Tomas in Davao province (Huke, 1963:169) which several corporations choose as a location for their banana plantations in the 1960's and 1970's. Most settlers originated from Central Luzon and the Visayas. There was a limited revival in the number of government resettlement projects in the 1970's under the Marcos regime, but these were mainly undertaken with the objective of alleviating congestion in Manila and resettling families displaced by government projects in watershed areas (Hayami et al., 1990:58).

The number of beneficiaries under the government's resettlement programmes on Mindanao was considerably less than the flow of unofficial settlers to the island in the post-war period. Population figures for Mindanao are indicative of the size of informal migration. From 1913 to 1939 the island's population grew from 933,000 to 1,857,000, with much of this growth being accounted for by natural increase (Huke, 1963:148-149). By 1948 Mindanao's population had reached 2,416,348, and then it more than doubled to 5,090,000 in the 12 years to 1960, during which period informal migration can be assumed to account for a significant proportion of the island's overall population growth during this period (Huke, 1963:149). The Agusan Valley, in which the development of multinational oil palm plantations was latter to be focussed, was settled predominantly by people from the Visayas. The largest wave of these people arrived in the 1950's and they tended to follow in the wake of the lumber companies, settling on logged-over areas (Hontiveros et al., 1988:8).

Coterminus with the increasing population on Mindanao was increasing population density. The per capita population density declined from over ten hectares in 1903 to less than two hectares by 1960. Taking into account Huke's (1963:151-152) estimate that only 4.4 million of Mindanao's total 9.5 million hectares are potentially cultivable, in 1960 there was less than one hectare of cultivable land to each person on the island. By 1963, only 1.65 million hectares of potential farm land remained to be opened, enough to absorb less than one year's increase in the country's total population on 12-hectare plots (Huke, 1963:152). Even though land availability was rapidly diminishing, Mindanao continued to be extolled as the 'land of promise' by the government and media. Informal migration levelled off by the 1970's as the limits of the land frontier on Mindanao were reached.

Rapid migration, both official and unofficial, coupled with increasing land scarcity, had the affect of undermining the security of land tenure of tribal minority groups and the Moros. Especially in the post-war period, new areas of settlement encroached on the ancestral domains of these people (May, 1985:112). Unfamiliar with the concept of private ownership in land, unaware of land titling procedures and sometimes practicing shifting cultivation, the Moros and tribal minorities were often unable to consolidate their legal rights to the land that they occupied, losing them instead to unscrupulous landgrabbers.

### **Plantation development**

The legal restriction on the size of public lands that corporations could use and equity-ownership restrictions on these corporations (see Chapter Two) has historically frustrated the development of large plantations on Mindanao. To the extent that they prevented plantation development, these restrictions fostered and protected the pattern of small holdings that emerged in the pioneer frontier of Mindanao. Multinational corporations did, however, succeed in establishing large plantations on Mindanao, often in collusion with the government and despite the legal restrictions on their use and operation of public lands (see

Chapter 2). Filipino-owned corporations, especially in the post-war period, also established plantations through the acquisition of private and public lands. Ranging in sizes from under 100 hectares up to the allowable limit of 1,024 hectares, these plantations were initially devoted to traditional crops such as coconut and abaca. However, many have since diversified into non-traditional crops such as rubber, oil palm and export bananas, often forming associations with MNCs in the process. MNC and MNC-affiliated plantations are especially predominant in the banana, pineapple and oil palm plantation sectors<sup>2</sup>.

The major land tenure implication of the development of the MNC plantations on Mindanao has been the passing into foreign corporate control of large contiguous tracts of public and private lands. Multinational rubber, pineapple, banana, and oil palm plantations covered a total area of 75,000 hectares on Mindanao by the mid-1980's (see Table 4.1), and these accounted for the bulk of lands under foreign control at the national as well as island level. Though accounting for only 1.7% of the island's potentially cultivable land of 4.4 million hectares, these plantations have usually been concentrated on prime agricultural lands with no or only gentle gradients. In Davao del Norte province, for example, MNC-affiliated banana plantations accounted for 10% of the land under crops, or almost the same area as that devoted to rice production (Adriano, 1986:15). Because corporations tended to try to locate plantations on fertile lands and near major transport routes, the areas preferred also by pioneer settlers, conflict over land ownership and control was inevitable. This conflict became most acute from the 1960's, when a new phase of MNC plantation development coincided with the closing of the land frontier on Mindanao<sup>3</sup>.

The development of MNC plantations also contributed, along with pioneer settlement, towards the displacement of Mindanao's traditional occupants from their lands. The land grievances of the Moros against the new entrants, both settlers and corporations, grew and from 1969 gave rise to a separatist struggle led by the Moro National Liberation Front (George, 1980:107). The degree to which the founding of the multinational plantations aggravated conflict over land varied across different cases.

Table 4.1: Area cultivated by major industries of the multinational corporate and multinational corporate-affiliated plantation sector (hectares)

Plantation industry	Corporation	Plantation location (province)	Public land	Private land	Total area
Export pineapple <sup>1</sup>	Del Monte Dole	Bukidnon South Cotabato	8,700	10,465	19,165
			9,124	3,195	12,319
					<u>31,484</u>
Oil palm <sup>2</sup>	NDC-Guthrie Kenram API	Agusan del Sur Sultan Kudarat Agusan del Sur	8,330		8,330
			1,913	6,100 <sup>5</sup> 409	6,100 2,322
					<u>16,752</u>
Export banana <sup>3</sup>	24 Filipino corporate growers  2 contract grower schemes	Davao del Norte Davao del Sur South Cotabato  Davao del Norte South Cotabato	4,000 <sup>6</sup>	14,185	18,185
				2,164	2,164
					<u>20,349</u>
Rubber <sup>4</sup>	Firestone Sime Darby Goodyear	North Cotabato Basilan Zamboanga del Sur		1,000	1,000
				2,823 1,000	2,823 1,000
					<u>4,823</u>
TOTAL					<u>73,408</u>

Sources:

1. Department of Agrarian Reform records, 1990.
2. Department of Agrarian Reform records, 1990.
3. Filipino Banana Growers and Exporters Association records, 1988.
4. Supplied by the National Federation of Labour, November 1991.

Notes:

5. Includes 4,600 hectares under a contract growers scheme.
6. Davao Penal Colony lands.

## **The Del Monte pineapple plantation**

### **Public land**

Before the incorporation of the Philippine Packing Company (PPC - now Del Monte Philippines, Incorporated) in 1926, the Bukidnon plateau was sparsely populated by peoples predominantly from the Bukidnon tribe. Traditionally practicing shifting cultivation in the hills, Spanish and then American colonial policy had encouraged many Bukidnons to settle permanently and farm on the plateau (Edgerton, 1982:366,370). The Americans did not encourage the settlement of people from other islands on the plateau, preferring to reserve it for the Bukidnon's and their own agricultural ventures. Chief among the latter was cattle ranching, which a former Secretary of the Interior and his close associates (all Americans) pioneered on lands leased from the government from 1913-14 (Edgerton, 1982:375).

In 1928 the PPC established its plantation on 4,314 hectares of public land that had originally been leased to individuals, probably cattle ranchers (Colayco, 1987:14). In 1938 the PPC expanded its pineapple plantation area to 8,195 hectares through three lease agreements with the NDC<sup>4</sup>. This area consisted of twelve major contiguous parcels of land. In accordance with constitutional restrictions, the lands were leased for a period of 25 years, renewable upon the consent of the President for another twenty five years. The corporation was granted exclusive occupation and use of the lands in return for the payment of a fixed annual fee of P1.00 per hectare and a variable profit share. However, the corporation did not pay any profit share because under the formula for calculating profit that was stipulated in the lease agreement it always registered a 'loss'<sup>5</sup>.

Del Monte's new expansion area encroached on land that had been occupied and cultivated by Bukidnons and Higa-onons since the early 1930's. Bukidnon elders recount a story of how the Philippine Constabulary forced them to vacate their lands and of the corporation demolishing their houses with bulldozers and deliberately allowing cattle to graze on their food crops<sup>6</sup>.

Although Del Monte has consistently maintained that the lands were all covered in 'virgin forest' prior to its takeover, the scattered nature of population settlements at the time coupled with the corporation's desire for large contiguous tracts of land, adds plausibility to the notion that at least some farmers were displaced by the corporation. The Manolo Fortich-Libona Farmers Association, composed primarily of tribal Bukidnons and Higa-onons, holds evidence of prior occupation in the form of tax declarations<sup>7</sup>.

Negotiations on the renewal of the 1938 lease agreement began eight years before its due expiration, at the corporation's instigation, in 1955. Although the corporation claimed that it needed to be sure in its tenure to assist long-term planning (Colayco, 1987:53-54), it is likely that it was also motivated by a desire to pre-empt land petitions which some native Bukidnons were planning for the scheduled end of the lease agreement in 1963<sup>8</sup>. On 22 February 1956, a new agreement was signed between Del Monte and the NDC<sup>9</sup>. This increased the rental from P1 to P5 per hectare for the remaining term of the original agreement, due to expire in August 1963, and set a rental of P10 per hectare thereafter. The corporation still owed nothing under the variable profit share provision, despite the upward revision of the valuation of raw pineapple. Perhaps in anticipation of this, the agreement provided for Del Monte's paying of a new 'minimum guaranteed profit' of P0.25 per tonne. The remaining provisions of the 1938 agreement were incorporated into the new contract.

The terms of the 1956 agreement were revised prematurely by a new agreement reached on 30 June 1975. The renegotiation of the agreement was probably given impetus by the extension of the NDC's corporate life by Presidential Decree in June 1975. This agreement still covered the original 8,195 hectares and provided for a new term of 25 years, renewable for yet another 25 years. The new agreement established a 'guaranteed minimum profit' in lieu of the fixed rental and profit sharing provisions of the previous agreements (Colayco, 1987:74-75). The next revision of the agreement was prompted by the NDC following the conveyance to it, under PD.1766 of 1981, in full ownership of the lands that it had previously just held (see Chapter Two). Under a revised grower agreement concluded on 20 July 1982, a rental of P350 per hectare replaced the guaranteed minimum annual profit of the previous

agreement<sup>10</sup>. This was to be automatically increased each year by 7% or one half of the percentage change in the consumer price index of the previous year, whichever was greater.

Whilst in nominal and peso terms, the 1955, 1963, 1975, 1982-1988 adjustments to the rental paid by the corporation were significant, Table 4.2 puts these increases in perspective by allowing for exchange rate movements and inflation. It is apparent that both in dollar and real terms, the increase in the rental payments paid by the corporation have not been substantial, especially considering their low initial base. There was virtually no amendment of the non-rental related provisions of the original 1938 agreement. The new grower agreements remained lease agreements in substance though not in name.

Table 4.2: Rental paid by Del Monte for NDC land (per hectare)

Date of contract	Rental payable		Inflation adjusted (Pesos)
	Pesos	US Dollars	
August 1938 <sup>1</sup>	1.00	0.50	
February 1956 <sup>2</sup>			
(1956-62)	10.20	5.10	
(1963)	15.90	4.08	
June 1975 <sup>3</sup>	111.00	15.00	132.23
July 1982 <sup>4</sup>	350.00	40.70	202.08
(1987)	550.10	28.78	149.20
(1988) <sup>5</sup>	760.00	35.68	189.53

Sources:

1. Congressional Record, Volume 3, Number 61, 29 April 1964:1361-1362.
2. Congressional Record, Volume 3, Number 61, 29 April 1964:1362.
3. Colayco, 1987:74-75.
4. NDC-Del Monte Grower Contract, 20 July 1982, Article 3.
5. DAR, Memorandum: Re. Rentals on Dole and Del Monte Plantations, from Arsenio Balisacan and Elsa Tuiza to Assistant Secretary Bruce Tolentino, 15 December 1987.



## Private land

When in 1974 Del Monte undertook to expand its plantation area beyond the original hectarage provided by the NDC over 1938-39, the north east Bukidnon plateau was considerably more densely settled than it had been during the pre-war period. This was the result of two population movements that had gained momentum in the post-war period: the further flow of tribal minorities such as the Bukidnons and Higaonons from the hills and the increasing migration of settlers from coastal areas of Mindanao and other Philippine islands. Potential areas of plantation expansion were thus already occupied and titled in favour of farmers. To expand its hectarage, Del Monte entered into Crop Producer and Grower Agreements (CPGAs) with farmers who owned suitable land in the vicinity of the original plantation (Atienza, 1992:18). The CPGAs were in effect lease agreements, under which farmers surrendered all control and use of their land, and claim to its produce, in return for the payment of a fixed rental in the form of a 'guaranteed minimum profit'. The agreements were typically of ten years' duration, renewable at the corporation's option for another ten years.

The corporation's first major area of expansion onto private land was in the municipality of Sumilao. The villages affected were predominantly inhabited by Higa-onons, most of whom had secured rights to their land through either occupation or inheritance (Narciso and Estudillo, 1984:5). The landowners were persuaded to sign the CPGAs by Del Monte's promise to them of the immediate payment of rental for several years in advance and employment on the plantation, or by outright harassment<sup>11</sup>. Access, erosion, spray and other potential problems left individual farmers little choice but to sign up after neighbouring plots had been contracted to the corporation<sup>12</sup>. The result was that whole communities lost access to their agricultural land, even marginal land in gullies that the corporation leased but did not utilize.

Neither the relatively low fixed rentals (see Table 4.3) nor the occasional seasonal plantation employment gained by farmers fully compensated them for their loss of income from farming, river fishing and other sideline activities caused by the corporation's takeover of community lands (Narciso and Estudillo,

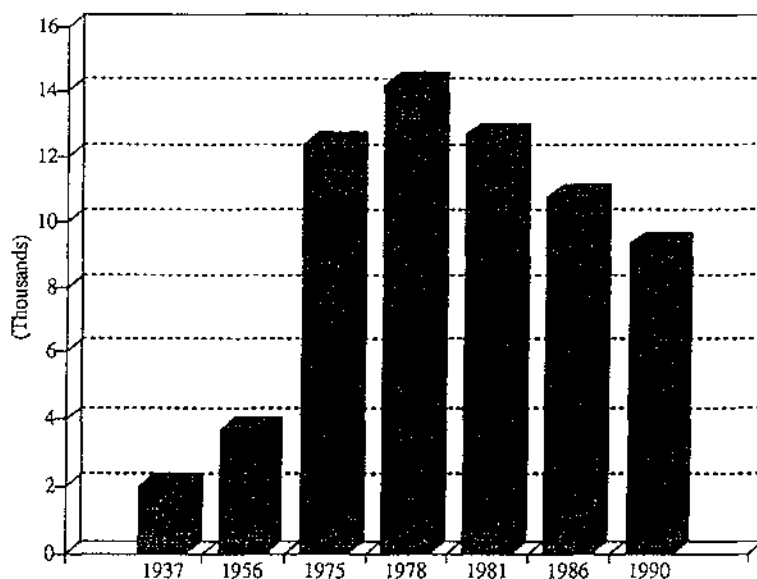
1984:15). The national poverty threshold for a family of six in 1988 was some P39,728 per annum (Ravanera, 1990:9), which meant that only the few families with more than 25 hectares could meet their basic needs on rental income alone. Furthermore, the corporation's increasing mechanization of its operations prejudiced its ability to honor its verbal guarantee of providing employment, even seasonal, to the displaced farmers. Del Monte's regular workforce dropped in numbers from 14,215 in 1978 to 10,613 by 1988 (see Figure 4.1). By causing members to seek jobs elsewhere, the entry of the corporation also had an adverse impact on the social integrity of the communities (Atienza, 1990:6-7).

Table 4.3: Rental paid by Del Monte for private land (per hectare)

Year	Pesos	US Dollars	Inflation adjusted (Pesos)
1974	200.00	27.03	275.86
1982	350.00	40.70	202.08
1984	500.00	25.25	174.58
1987	1,000.00	48.08	271.22
1988	1,500.00	70.42	374.07

Source: Interview with members of the DMPI-Sumilao Pineapple Plantation Growers Cooperative, San Roque, Bukidnon, 22 June 1991.

Figure 4.1: Del Monte regular work force (1937 - 1990)



Sources: Colayco, 1975; Securities and Exchange Commission, General Information Sheets (Del Monte Philippines, Incorporated).

The terms and conditions of the producer agreements, the farmers' debt peonage to the corporation, and the physical difficulties of re-farming plots in the middle of pineapple fields prevented the farmer-lessors from terminating or avoiding the renewal of the producer agreements<sup>13</sup>. In 1984 the PPC expanded its plantation into a new municipality, Impasugong, and further enlarged its area in Sumilao through effecting more CPGAs (KAANIB, 1988). Farmer resistance, however, limited the corporation's expansion, and most of the newly contracted lands belonged to absentee landowners. In mid-1988, a further expansion drive by Del Monte was successfully thwarted by a combined farmer-student-church protest (Atienza, 1992:32). By then Del Monte had some 11,000 hectares of land under CPGA's, giving it a total plantation area of over 19,000 hectares. This represented some 7% of the arable land in Bukidnon province

## **The Dole pineapple plantation**

### **Public land**

In 1963 Dole began to develop its pineapple plantation in the municipality of Polomolok, within South Cotabato province and part of the Koronadal Valley. Prior to the 20th Century, the area had been sparsely inhabited by tribal groups including B'laarns, Manobos, Tagabilis and Moros (Zaragoza, 1988:3). In 1939 the National Land Settlement Administration (NLSA) began to develop the Koronadal Valley as a resettlement site (Huke, 1963:164) and in November 1940 the Polomolok Settlement District was officially created (Zaragoza, 1988:4). The migration of Visayan settlers to the area began just prior to the Second World War and rapidly accelerated in the post-war period.

The first grower agreement between the NDC and Dole, signed in April 1965, but retroactive to January 1964, was similar to the original Del Monte agreement<sup>14</sup>. Dole was granted exclusive use and occupation of 7,532 hectares of land and the NDC undertook to 'buy, acquire and obtain title to such additional parcels of land as may be required by the Planter [Dole]' so as to complete the maximum 8,000 hectares contemplated under the agreement (Article 1, 2). The lease was for 25 years and renewable for a similar period on mutually agreed terms and conditions (Article 1, 11). For the use of the lands, the corporation was to pay an annual sum equal to the NDC's cost of acquiring the land divided by 50, and a production share of P0.25 vper tonne of raw pineapple (Article 3). However, because the corporation had forwarded money to the NDC for its purchase of the land, the total rental owed was initially deducted on an annual basis from Dole's 'credit balance' with the state corporation (Article 3). This arrangement was tantamount to the NDC acting as a dummy buyer for Dole.

The bulk of the land that Dole acquired via the NDC for its plantation was occupied by settlers. The NDC purchased a total of 7,889 hectares of private lands from 636 settler-landowners at an average price, according to Dole, of P700 per hectare<sup>15</sup>. The settlers parted with their lands on a voluntary basis,

and the refusal of some to sell accounts for the small farms that still intersperse the plantation's pineapple fields. Although the former landowners subsequently claimed that Dole promised their dependents regular employment, Dole has denied ever making such a commitment (Dole Press Statement, 2 April 1986). In both 1986 and 1988 some of those who had sold their lands to the NDC in the 1960's staged protests, asserting that they had been insufficiently compensated and that their dependents had been promised but not given employment. It is difficult to assess the welfare implications of the former landowner's alienation from their land, given the absence of even a qualitative survey on this topic.

A tribal minority group also lost land as a result of Dole's plantation development<sup>16</sup>. Presidential Proclamation No.762 of 1961 had established a 2,507 'Native Land Reservation' for the exclusive occupation and use of a tribal group, the B'laarn. It was to be administered by the Commission on National Integration (CNI). But between 1963 and 1966 some 341 hectares of this land was titled in favour of Visayan and other settlers and then sold to the NDC without the knowledge or consent of the B'laarn. On 23 July 1974, the CNI sanctioned these land transactions by formally awarding the 35 lots involved to the NDC under a memorandum-agreement with the latter. Once again B'laarn leaders only belatedly became aware of this transaction. They first filed a complaint in 1985 in response to which the Department of Agrarian Reform (DAR) conducted an investigation and confirmed that former reservation land was now owned by the NDC and cultivated by Dole<sup>17</sup>. But the petition was not further acted upon.

The two B'laarn communities on the perimeter of the Dole plantation, Landan and Maligo, cultivate crops on the floor and sides of gullies, and on the surrounding hillsides. Given existing crops and production methods, most of these lands are not suitable for either productive or sustainable agricultural activity, but land scarcity brought on in part by population growth has caused them to be cultivated. The communities' access to larger, more fertile and gently sloping tracts of land has been denied because of Dole's monopoly of such lands in the Koronadal valley. Very few B'laarn from these communities have been employed on the pineapple plantation<sup>18</sup>.



**Photograph 3:** The Dole pineapple plantation, with subsistence hillside farming in the foreground.



**Photograph 4:** Housing division on the Dole pineapple plantation.

Under an 'Amended Grower Agreement', signed on 14 February 1978, a 'guaranteed minimum production royalty' was introduced in lieu of the fixed rental and production share<sup>19</sup>. This was akin to the 1975 amendment to the Del Monte contract. The NDC and Dole signed a new grower contract on 4 March 1983, less than one year after the NDC and Del Monte had concluded a similar agreement. Many of the terms and conditions were essentially the same as those of the 1965 and 1978 agreements, but the production royalty was increased and an escalation clause identical to the one in the new Del Monte contract was included<sup>20</sup>. Provision was also made for the adjustment of rentals every five years, in line with the lower end of rates for the lease of land for comparable purposes (Paragraph 3). The aggregate area covered by the agreement had reached 7,818 hectares, but provision was made for the NDC's acquisition of more hectarage on Dole's behalf (Paragraph 1). As in the case of Del Monte, Dole's rental payments in dollar and real terms have not substantially increased over time and nor was the escalation provision of the 1983 agreement sufficient to prevent the inflationary erosion of rental income (see Table 4.4).

Table 4.4: Rental paid by Dole for NDC land (per hectare)

Date of contract	Rental payable		Inflation adjusted (Pesos)
	Pesos	US Dollars	
April 1965 (1964) <sup>1</sup>	63.00	16.15	
February 1978 <sup>2</sup>	117.40	15.66	117.40
March 1983 <sup>3</sup>	303.00	25.17	159.06
(1987)	445.10	21.40	120.72
(1988) <sup>4</sup>	800.00	37.56	199.50

Sources:

1. Congressional Records, Volume 3, Number 61, 29 April 1964: 1362; NDC-Dole Grower Agreement, 28 April 1965, Article 3.
2. NDC-Dole Amended Agreement, 14 February 1978, Section 2.
3. NDC-Dole Amended Grower Agreement, 4 March 1983, Section 3.
4. DAR, Memorandum: Re. Land Rentals on Dole and DM Plantations, from Arsenio Balisacan and Elsa Tuiza to Bruce Tolentino, 15 December 1988.



### **Private land**

Dole expanded the area of its pineapple plantation in the early 1970's through effecting Farm Management Contracts (FMCs) with individual farmers. These were equivalent to Del Monte's CPGA's. According to landowners who signed the contracts, they were promised that dependents would be employed on the plantation<sup>21</sup>. Dole, however, has admitted to only making such guarantees on a selective basis and in cases where they were subsequently provided for in individual FMCs (Dole Press Statement, 2 April 1986). Unlike the Del Monte case, no exploratory research has been done on the economic implications of land displacement on the settlers-landowners that entered into FMCs. As of 1988, some 372 landowners from two municipalities leased an aggregate of 3,156 hectares to Dole under FMCs (DAR Records, Koronadal, South Cotabato). This added onto the NDC land gave a total plantation area of 12,000 hectares.

### **The NDC-Guthrie oil palm plantation**

In 1980 NDC-Guthrie began developing its oil palm plantation site in two municipalities of Agusan del Sur province, Rosairo and San Francisco. The original inhabitants in the two municipalities were a tribal minority group, the Manobos. Their shifting cultivation practice and their unfamiliarity with the concept and system of land titling prejudiced their ability to protect their traditional tribal domain from both settler and then corporate plantation intrusion. In the 1950's and 1960's, Visayan settlers had followed in the wake of the lumber companies, further clearing and then cultivating logged-over areas. The slowness of the process by which forest land was declared alienable and disposable and then titled in favour of the occupants meant that few of the occupant farmers had obtained legal title to their land (Hontiveros et al., 1988:13-14). Even though the law recognised their prior rights to it, their lack of land titles was to undermine their security of land tenure upon the entry of NDC-Guthrie in 1980. Only one third of the area taken over by NDC-Guthrie Plantation, Inc., (NGPI) was formally titled (Balmocena and Ato, 1989:118).



The land obtained by NDC-Guthrie was within the 28,700 hectare NDC reservation established by Presidential Proclamation No.1939 of 1980. It was declared alienable and disposable, and conveyed in full ownership to the NDC, subject to prior rights, by virtue of Presidential Decree No.1766 of 1981 (see Chapter Two). Whilst even now Agusan del Sur is one of the most densely forested and least densely populated provinces in the Philippines, land conflict was created by the reservation's location and corporation's efforts to obtain land alongside the Davao-Butuan highway, where both old and pioneer settlements were also concentrated.

Initially NDC-Guthrie adopted the attitude that occupants who did not have title to the land could simply be removed without compensation<sup>22</sup>. About 200 landholders vacated their land after being promised regular employment and free housing on the plantation project. Another incentive was an employee nominee practice, through which the former landholder reserved the right to recommend several people for employment on the plantation and then to deduct a commission from the wages of such persons<sup>23</sup>. This had the effect of 'transferring the burden of land compensation from NGPI to the nominees' (Cardona, 1984:43). From 1982 the displaced farmers sought redress through a class suit and the bulk of them have since been at least partially compensated by the venture (AFRIM, 1990:14). Nearly 800 landholders were displaced from their lands as a result of plantation development<sup>24</sup>. Many of these, or their dependents, have subsequently gained employment on the plantation.

No analysis of NDC-Guthrie's land acquisition is complete without mention of the Lost Command, a notorious group led by ex-army Colonel Lademora. The first plantation manager, Bruce Clew, acknowledged that 'Without Lademora's help, the land purchases and recruitment of labour for the plantation would have been impossible' (AFRIM, 1990:14). The Lost Command's intimidation, harassment and selective killing swayed many landowners who would otherwise have been unwilling to sell their land. Dissatisfaction with the entry of NDC-Guthrie was sometimes dramatically expressed: large numbers of newly planted oil palm trees were slashed on four occasions over 1982-1983 (Cardona, 1984:49). The effectiveness of the corporation's use of coercion can be seen in the virtual absence of private farm plots remaining within the NDC-Guthrie plantation area.

The plantation's establishment, coupled with both natural population growth and further migration, has accentuated the shortage of agricultural land in the municipalities of Rosairo and San Francisco. This adverse consequence could have been avoided if NDC-Guthrie had undertaken its own clearing work and sited its plantation in a previously unsettled part of the province.

The lands acquired by the NDC were leased back to NDC-Guthrie under two separate but identical lease agreements, each providing for an eventual 4,000 hectares, that were signed in December 1982 and January 1983<sup>25</sup>. The duration of the leases was for 25 years, renewable on mutually agreed terms and conditions for another 25 years (Section 11). For the exclusive occupation and use of the land, the NDC-Guthrie venture was to pay a fixed rental of \$US 28.125 per hectare and a variable rental of 1.5% of the venture's net sales (Section 5). The setting of the fixed rental in US dollars proved advantageous to the NDC, with the rental in peso terms also doubling from P318 to P599 between 1983 and 1988 as a result of peso devaluation against the US dollar.

### **The API oil palm plantation.**

The API oil palm plantation was developed in the Trento and Bunawan municipalities of Agusan del Sur province, the same province as the NDC-Guthrie venture. It was sited on several parcels of land that were within the NDC reservation that had been established by Presidential Proclamation No.2041 of 1980, and later declared alienable and disposable and conveyed in ownership to the NDC, subject to prior rights, by way of Presidential Decree 1766 of 1981 (see Chapter Two). The NDC intended to allow API to utilize up to 4,000 hectares of this land, with a 12,000 hectare concession eventually being envisaged (Hontiveros et al., 1988:23). However, as in the NDC-Guthrie case, much of the land within the proclamation areas was already occupied and cultivated by Manabos or Visayan families. The proclamation area even included rice lands cultivated by beneficiaries of a National Irrigation Authority project (Hontiveros et al., 1988:23)

In contrast to the case of NDC-Guthrie, the government's policy was clear on the matter of compensation at the stage when API was acquiring land: the landholders were entitled to full compensation for their lands and this was payable by the corporation. However, many of the Manobos lacked official titles to the lands they occupied and cultivated and this paved the way for the abuse of their legal rights. For example, land speculators presented tax declarations, a proof of land occupancy, that had been doctored so as to pertain to lands within the plantation area. They then sold these lands, which the Manabos were in actual possession of, to the corporation (Hontiveros et al., 1988:24)

API did not resort to coercive methods during its acquisition of lands but sometimes 'farmers in the affected area were left with no choice but to sell as their neighbouring farms were gradually bought by API and that left them hemmed in with no easy outlet' (Hontiveros et al., 1988:24). The corporation eventually settled for only half of the original 4,000 hectares that the NDC had allocated for its purchase and use. The API plantation in effect covered the lands of three villages. Although API relied heavily on these communities for labour, the extent to which displaced farmers were compensated with employment is not known.

### Summary

Before the twentieth century, Mindanao was sparsely populated by tribal groups following a hunter-gatherer or shifting cultivator land tenure practice and by Malay migrants that permanently settled in small communities known as *barangays* near coastal areas and along rivers. The concept of private ownership of land was foreign to both of these groups. Mindanao largely escaped direct Spanish colonial rule and consequently, the affect of this on land tenure patterns. Under American rule, the concept of private land ownership and its corollary, a land registration system, were introduced. In part to relieve population pressure and agrarian unrest in other parts of the Philippines, and in part to integrate the

predominantly Muslim south with the Christian north, the American colonial and Commonwealth government sought to encourage the migration of families from the Visayas and Luzon to Mindanao. The flow of official and unofficial settlers gained momentum in the post-war period, giving rise to a pattern of smallholder settlement throughout much of Mindanao.

However the establishment and expansion of corporate plantations on Mindanao paralleled and in some cases even supplanted the growth of the smallholder sector. Foreign corporations developed or instigated the development of exceptionally large plantations and came to dominate the production of many 'non-traditional' crops. Given the propensity of both foreign corporations and settlers to cultivate fertile and gently-sloping lands, the development of multinational plantations often led to the displacement of smallholder settlers from their lands. Intimidation or the prospect of being hemmed in by plantations compelled settlers who weren't otherwise enticed by offers of compensation payment or employment on the plantations to part with their lands. In cases in which plantation expansion was not coupled with the absorption of affected landowners into the plantation labour force, as in the case of Del Monte in the 1970's, the welfare implications of farmer and community displacement from land were especially adverse.

Another land tenure consequence of MNC plantation development was the displacement of the indigeneous people of Mindanao from their land and their alienation from large parts of their ancestral domains. MNC plantation development made a substantial contribution to this process, although pioneer settlers and local plantation developers were also major culprits.

Aside from its immediate displacement effect on tribal minorities and pioneer settlers, multinational plantation development had more indirect and long term implications for the land tenure situation. By 1988, nearly 70,000 hectares of plantation lands on Mindanao was under the direct control of multinationals and their corporate or individual growers in the four largest plantation industries that they dominated: pineapple, rubber, banana and oil palm. Together these multinational corporate plantations accounted for only 1.7% of Mindanao's cultivable area, but this constituted some of the most fertile

agricultural lands on the island. Thus multinational plantation development, in conjunction with rural population growth, contributed towards the closure of the land frontier on Mindanao and exacerbated rural landlessness.

### Notes

- 1 1903 Population Census, as quoted in *Mindanao Focus*, Number 18:8.
- 2 Although there were several independent Filipino export banana producers during the 1970's, increasing competition during the latter part of that decade brought about the demise of this group. Subsequently all Filipino corporate banana growers have had marketing, if not management, contracts with one of four MNCs. These are the US-based Del Monte, Castle and Cook and United Brands, and the Japanese Sumitomo/Dahitri trading group (Hayami et al., 1988:135-137). A high level of direct MNC concentration exists in the export pineapple industry, with the two Filipino corporate participants, Crown Fruits and Cannery Corporation and Davao Agricultural Ventures maintaining pineapple plantations less than one tenth the size of the Del Monte or Dole pineapple plantations (Tadem et al., 1984:176-177). The local owners of both, the Floirendo and Soriano families respectively, are also corporate growers of export bananas for the MNCs. Finally, in the oil palm industry, the Menzi Agricultural Corporation is the only participant. Its plantation of about 272 hectares is incomparable in size to the plantations maintained by the three MNC participants in the same industry (Balmocena and Ato, 1989:115).
- 3 According to a USAID report, by 1983 4.61 million of the Philippines' 4.66 million potentially cultivatable land was already under cultivation (Ravanera, 1990:11).
- 4 Senator Lorenzo Tanada, Congressional Record, Volume 3, Number 61, 29 April 1964:1361-1362.
- 5 The profit share was determined by calculating the value of the raw pineapple crop and then subtracting from this the costs of the corporation's agricultural operations. The resultant 'profit' would then be shared 50:50 by Del Monte and the NDC. However because of the absurdly low valuation of the pineapple (P10 per tonne) and Del Monte's making of its profit on canned as opposed to raw pineapple, the corporation never registered a profit and thus incurred no cost under this scheme (Senator Lorenzo Tanada, Congressional Record, Volume 3, Number 61, 19 April 1964:1361-1362).
- 6 Joint Affidavit of the Manolo Fortich-Libona Farmers Association,

Bukidnon, 14 November 1988.

- 7 Tax declarations were commonly used as proof of occupation in lieu of land titles. Because of the virtual absence of cadastral surveys and the slow titling process, in 1918 only one of the 4,337 registered farms in Bukidnon province was officially titled, and the number of titled farms had merely increased to 816 two decades later (Edgerton, 1982:374).
- 8 See for example the Affidavit of Datu Gumaling, Bukidnon, 3 November 1988.
- 9 Senator Lorenzo Tanada, Congressional Record, Volume 3, Number 61, 29 April 1964:1362-1363.
- 10 Amended Growers Contract between the National Development Company and Del Monte Philippines, Incorporated, 20 July 1982, Article 3.
- 11 Personal interview with members of DMPI-Sumilao Pineapple Plantation Growers Cooperative, San Roque, Bukidnon, 22 June 1991.
- 12 Personal interview with members of the DMPI-Sumilao Pineapple Plantation Growers Cooperative, San Roque, Bukidnon, 22 June 1991.
- 13 Personal interview with members of the DMPI-Sumilao Pineapple Plantation Growers Cooperative members, San Roque, Bukidnon, 22 June 1991.
- 14 Grower Agreement between the National Development Company and Dole Philippines, Incorporated, 28 April 1965.
- 15 Dole News Release: 'Purchase of Land From the NDC', 1988.
- 16 Personal interview with the Barangay Captain of Landan, Rudy Ante, Landan, South Cotabato, 28 September 1991.
- 17 Personal interview with the Municipal Agrarian Reform Officer of Polomolok, Geminiano Lagustan, Polomolok, South Cotabato, 29 September 1991.
- 18 Personal interview with the Barangay Captain of Landan, Rudy Ante, Landan, South Cotabato, 28 September 1991.
- 19 Amended Agreement between the National Development Company and Dole Philippines, Incorporated, 14 February 1978, Paragraph 3.
- 20 Amended Grower Agreement between the National Development Company and Dole Philippines, Incorporated, 4 March 1983, Paragraph 3.
- 21 Personal interview with the Vice-President of the Farm Management Contract Association, Polomolok, South Cotabato, 15 July 1991.
- 22 *Far Eastern Economic Review*, 19 November 1982:59.
- 23 One Manobo tribal leader, through selling several tracts of land to the NDC, was entitled to 50 nominees under this system (Hontiveros et al., 1988:17).

- 24 DAR Records, San Francisco, Agusan del Sur.
- 25 Lease Agreement between the National Development Company and NDC-Guthrie Plantations, Incorporated, 29 December 1982; and NDC-Guthrie Estates, Incorporated, 10 January 1983.

## **CHAPTER FIVE**

### **THE ORIGINS AND FRAMING OF THE COMPREHENSIVE AGRARIAN REFORM PROGRAMME**

In this chapter, the origins and framing of the latest agrarian reform law in the Philippines are traced, from its placement on the political agenda by the change of government in 1986 to its final enactment by the Philippine Congress in June 1988. The framing of the Comprehensive Agrarian Reform Programme (CARP) is analysed in the context of conflict between landed and agribusiness interests on the one hand, and peasants and peasant advocacy groups on the other. The evolution of CARP into a conservative reform is linked to landed and agribusiness peoples' consolidation of control over the government, after a brief period of political fluidity in the wake of the 1986 change of government. Particular attention is given to the interest groups and political dynamics that influenced the framing of CARP's provisions on MNC plantations.

#### **Agrarian reform and the Aquino government**

The latest Philippine agrarian reform programme has its origins in the presidential election campaign of 1986. The candidacy of Corazon Aquino was supported by a broad coalition of political groups that sought to oust Marcos.



Agrarian reform featured in the electoral platform of Aquino as a result of the demands of the Social Democrats and Christian leftists who were represented in the coalition (Putzel, 1992:185-186). More generally, the promise of agrarian reform was part of a wider campaign platform to effect economic and social reforms and institute social justice. Powerful business personalities and groups, including the Makati Business Club, were also associated with the Aquino coalition, and were not in favour of redistributive land reform. Aware however of the need to attract a broad spectrum of support to challenge Marcos, they concealed their opposition until after the electoral success of Aquino in February 1986 (Putzel, 1992:185-186).

The president's quick release of all political prisoners and her endorsement of limited land reform measures on Negros Island were encouraging signs for advocates of agrarian reform. However, as early as mid-1986 her commitment to agrarian reform appeared to be becoming more ambiguous<sup>1</sup>. Skeptics attributed this to her family's ownership of a 6,000 hectare sugar estate, Hacienda Luisita. Reflecting the broad coalition of people who backed Aquino, her first cabinet was politically diverse and divided on the question of reform (Putzel, 1988:54-55). Liberal and social democrats sought negotiations with the NDF, took a mildly nationalistic stance against US economic and military presence in the Philippines and favoured social reforms including agrarian reform. Conservative reformers, in the majority, were divided on the question of negotiations with the NDF but favoured collaboration with foreign financial institutions and TNCs and did not prioritise redistributive reforms. The military were strongly against negotiations with the NDF and sought an all-out offensive against the rural insurgency.

### **Agrarian reform and the framing of the 1986 Constitution**

The occasion of the framing of the new constitution was the first forum for the advocates and opponents of agrarian reform to determine the parameters of the prospective agrarian reform programme. A 48 member constitutional

commission, appointed by President Aquino's advisors on 25 May 1986, was given the task of drafting the new constitution. This included former Senators, Congressmen and Supreme Court judges, as well as close friends of the Aquino family (Putzel, 1992:205). Although dominated by members of the conservative political and economic elite, the Commission also included several advocates of redistributive land reform, such as Jaime Tadeo, President of the Kilusang Magbubukid ng Pilipinas (KMP). The constitutional provision on agrarian reform was drafted by a 17-person Committee on Social Justice. Nine of the members on this committee were generally supportive of redistributive land reform, but Tadeo's original proposal had to go through consecutive amendments before its acceptance by the full Constitutional Commission on 7 August 1986 (Lara, 1986:31-37).

The final draft of the agrarian and natural resources reform provision reflected the diverse interests within the Constitutional Commission. An agrarian reform programme that covered all agricultural land regardless of crop type or tenurial arrangement was mandated, thus extending land reform beyond tenanted rice and corn lands for the first time in Philippine history (1986 Constitution, Article 13, Section 4). However, the broad scope of the programme was subject to several conditions, including priorities and retention limits as determined by Congress, 'ecological, development and equity considerations', and voluntary modes of landsharing (Section 4). The beneficiaries of land reform were to be 'farmers and regular farmworkers who are landless' but seasonal farmworkers, constituting the most disadvantaged group in the countryside, were only entitled to receive 'a just share of the fruits of the land' (Section 4).

'Just' or implicitly market-value compensation was to be given to landowners in contrast to the 'fair and progressive' compensation proposed by Tadeo (Lara, 1986:36-37). This stipulation had the potential to make the prospective agrarian reform programme exorbitantly expensive and to deprive it of a redistributive element. The 'equal rights of farmers, farmworkers and landowners in the planning and management of agrarian reform' was asserted (Section 5), but this constituted a considerable compromise of Tadeo's original draft, which had accorded peasants a paramount role (Lara, 1986:36).

The new Constitution was overwhelmingly approved in a national plebiscite held in January 1987, although this was more of an expression of support for President Aquino than any of the Constitution's specific provisions (Wurfel, 1988:310). The Constitution's provision on agrarian reform set the parameters for a conservative reform and it took peasant rebellion and agitation to prompt further Presidential action on the provision.

### **The leftist challenge and the government's response**

A rural insurgency movement, led by the New Peoples' Army (NPA), presented the new Aquino government with a potential crisis of legitimacy. The NPA had undergone considerable expansion in the latter years of the Marcos regime and by the mid-1980's it posed a serious military threat to the government (Wurfel, 1988:292). Having moved beyond Central Luzon, the traditional focus of rural unrest, the NPA had by 1986 a 'meaningful presence' in some two thirds of the nation's 73 provinces (Mediansky, 1986:2).

The National Democratic Front (NDF), the political front of the NPA, was comprised of a broad coalition of leftist and reform-orientated groups that had likewise experienced rapid expansion during the Martial Law period. The rural-based National Association of Peasants (KMP), with a membership of 500,000, was the largest and most significant of the component groups of the NDF (Lara and Morales, 1990:154). In areas under NPA control, the KMP was active in implementing its own agrarian reform measures<sup>2</sup>. The KPM presented a detailed agrarian reform proposal to the government in June 1986 but no response was forthcoming. From September 1986 it took direct action, launching a nationwide land occupation of idle and abandoned lands (Putzel, 1988:57).

Initially the new government was divided on how to respond to the NDF-NPA challenge. However, in late 1986 the President made several concessions to the military in order to strengthen her position against the attempted coup

d'état attempts of Defence Minister Juan Ponce Enrile. These concessions represented a stronger presidential endorsement of a repressive rather than reformist approach to the NPA-NDF threat and coincided with the opening of negotiations between the government and NDF coalition in November 1986<sup>3</sup>. Not surprisingly, little progress was made during the course of negotiations. The KMP in the meantime continued its campaign for agrarian reform. Having failed to obtain an audience with Aquino, it established a camp outside the Ministry of Agrarian Reform over 15-22 of January, 1987. On 23 January a group of 5,000 then decided to march upon Malacanang Palace to press for presidential action on agrarian reform (Putzel, 1988:56). They were met by marines and police on Mendiola Bridge and fired upon. Nineteen protestors were killed and over one hundred injured.

The 'Mendiola Massacre', as it became known, was the first killing of unarmed demonstrators in Manila to take place under Aquino (Wurfel, 1988:315). The NDF reposed to the massacre by immediately withdrawing from negotiations with the government, thus ending the prospect of reconciliation. The Aquino government's commitment to democracy and 'social justice' was severely questioned, both within and outside the Philippines, as a result of the incident. In an attempt to gain both political legitimacy and respond to the renewed NDF-NPA challenge, the President took immediate action on the constitutional mandate for an agrarian reform programme.

### **Presidential action on agrarian reform**

President Aquino's response to the Mendiola incident was to establish a Cabinet Action Committee (CAC) on land reform. On 27 April 1987 the committee issued a draft reform called the Accelerated Land Reform Programme (ALRP). This became the basis for public debate and was redrafted a total of fifteen times before being adopted by the President as Executive Order No.229 of 22 July 1987 (IBON, 1988:63). Within the Aquino cabinet there was significant opposition to the original proposal with, for example, the Secretary of

Finance, Jaime Ongpin, voicing his concern over its projected cost and impact on foreign investment, the Secretary of Trade and Industry, Jose Concepcion worrying about its implications for agribusiness operations and the Defence Minister, Rafael Ilteto, directly criticizing the proposal (Putzel, 1988:61; 1992:226-227).

Outside government, there was considerable reaction to the proposed ALRP from businessmen, landowners and peasants. Leading businessman Raul Concepcion warned that agricultural growth would decline further if 'lands devoted to agro- and agri-based processing industries such as aquaculture, orchard, sugar, coconut and others' were included in the programme (*Manila Bulletin*, 6 July 1987). Private banks announced the freezing of all new loans to the agricultural sector. Landowners began to organise groups to oppose land reform<sup>4</sup> and exerted influence through the newly elected members of the House of Representatives. The peasant movement responded to the ALRP by establishing the Congress for a Peoples Agrarian Reform (CPAR), a coalition group of seventy farmer, fisherfolk and other NGOs including the KMP, in order to present a united position on the land reform issue (Wong, 1989:5). CPAR pressed for presidential action on land reform before the reconvening of Congress in late July.

There was no United States pressure on the Aquino government to undertake redistributive land reform either before or in the aftermath of the Mendiola Bridge massacre. A sceptical 'wait and see' attitude was adopted by USAID with respect to pledging support for the proposed programme (Putzel, 1990:16). Agrarian reform was not perceived to be a solution to the poverty problem by the State Department, nor the insurgency problem by the Department of Defense<sup>5</sup>. Within the State Department there was some concern for the consequences of the ALRP on the profitability and viability of large American MNCs in the Philippines (Putzel, 1990:16).

The World Bank responded to the ALRP proposal by submitting confidential reports to the Philippine government in March and May 1987. In these reports it recommended a more rapid schedule of programme implementation on private lands and the building of a confiscatory element into

the compensation formula (Putzel, 1988:60). The bank joined CPAR in urging the President to decree a reform before the convening of Congress (Wong, 1989:1). The reports, however, reflected a minority view within the World Bank and came under objection from the bank's own branch office in Manila (Putzel, 1990:23). They ultimately lacked substance because they were not linked to the disbursement of loans, having only the status of non-binding recommendations.

On 22 July, 1987, just five days before the reconvening of Congress, President Aquino bowed to pressure from the advocates and supporters of agrarian reform by signing Executive Order No.229. However, the influence of landowners, the business community and the military were manifest in the way that EO.229 elaborated on the constitutional mandate for agrarian reform. Not only did the order sanction the market value definition of just compensation, but it assigned considerable importance to the landowners' own declaration of fair market value in determining this and upheld the landowner's right to contest a decision on compensation in court (Section 1). The crucial issues of determining retention limits and priorities, as mandated in the Constitution, were left to Congress to legislate on. Congress was given 90 days to do so before the Executive promised to take up the issues itself (Wong, 1989:1).

Corporate landowners, including the President's own family, were given the option of distributing stock to their workers in lieu of actual land redistribution (Section 10). Domestic and foreign corporations operating lands under lease or farm management contracts were granted a five-year exemption from agrarian reform, after which such arrangements could be renewed upon the consent of the prospective beneficiaries (Section 11). Together sections 10 and 11 potentially excluded the bulk of lands used for commercial crop production from mandatory land redistribution under the programme. The exemption of penal lands (Section 3) may have been a political concession to the TADECO banana plantation, given that it leased 5,000 has. of land from the Davao Penal Colony.

The order also failed to assign to the peasantry a leading role in the implementation of the programme. Farmer representation in the Presidential Agrarian Reform Council (PARC) was through presidential appointment only

whilst at the village level, farmer representatives in the Barangay Agrarian Reform Council (BARC) were outnumbered collectively by non-farmer including local government and landowner representatives (Sections 18 and 19). Finally, in what was a significant concession to landowners and the military, those peasants who had partaken in illegal land occupations were not eligible to become beneficiaries under the programme (Section 22). Directed principally against the KMP-led land occupation campaign, this provision implied a repressive versus reformist government response to the radical peasant movement (Putzel, 1988:58). CPAR immediately denounced EO.229 'for making a mockery of the farmers' proposals and completely disregarding their plight' (IBON, 1988:62)

### **The legislature and agrarian reform**

The May 1987 congressional elections heralded a return to the politics of the pre-Martial Law period. Although the media and the candidates of reform-orientated groups introduced a unique degree of issue orientation into the election campaign, lavish campaign spending and old and new patron-client networks largely influenced the course of voting (Wurfel, 1988:319). Members of the political and economic elite, frequently with ties to traditionally powerful families, dominated the new Senate and House of Representatives<sup>6</sup>. The Alliance for New Politics, a leftist party that included land reform in its election platform, won only three seats in the 200-seat House and none of the 24 Senate seats (Wurfel, 1988:320). Nevertheless, neither chamber could ignore the constitutional mandate for land reform, EO.229 and the President's 90-day deadline for the passing of an agrarian reform law. Although the leaders of both chambers promised the speedy resolution of the land reform issue (Monitor, 1987:10), the legislature's debate on land reform extended from July 1987 until June 1988.

### **Interest groups and the legislative debate**

Large landowners, frequently with interests in commercial agriculture, constituted an influential lobby during the course of the legislative debate on agrarian reform. Through national and local level organisations or as individuals, they lobbied via press releases, position papers, letters and private conversations. The lobbying effort of the less well-organised and resourced medium to small landowners was weaker but nevertheless substantial. Landowners typically phrased their opposition to land reform in terms of 'national interest' arguments. It was generally argued that the extension of land reform to private lands would destroy the middle class and agricultural productivity because the intended beneficiaries lacked the inclination and motivation to become productive new landowners. Many landowners asserted that the reform of private and productive lands was not necessary because there were ample public lands that could still be distributed to farmers.

In the case of plantation and commercial farms, owners phrased their opposition to land reform in terms of national economic arguments. The influential Council of Agricultural Producers presented a position paper in 1987 entitled 'An Alternative CARP' which contains the main arguments of large scale agricultural producers. They asserted that the extension of land reform to plantations and other agribusiness operations would adversely affect production, reduce export earnings and employment, and deter domestic and foreign investment in agriculture, including in the 'sunrise industries' such as prawns, aquaculture and cacao. Reasons given for such pessimistic predictions were the need to maintain economies of scale in production, and beneficiaries' inability to own and operate farms successfully, either on an individual or collective basis. Large landowners were well represented in the Congress, especially the House of Representatives (see below) and often repeated these landowner arguments during the Congressional debate<sup>7</sup>.

Foreign investors also lobbied during the course of the congressional debate on agrarian reform. The President of the American Chambers of Commerce in the Philippines, J. Marsh, warned that the threat of CARP was deterring American investment in agribusiness (Putzel, 1990:21). In a meeting of



the Asia-Pacific Council of the American Chambers of Commerce in March 1988, a resolution was passed that encouraged governments in the region to allow U.S firms to own land or 'if land lease is the only viable alternative to real property acquisition, host governments are urged to allow long-term occupancy ...at a predictable cost throughout the lease contract' (*Manila Chronicle*, 15 May 1988:1). This meeting took place in March 1988, at a time when nationalist senators in the Philippines were mounting a campaign to have foreign-controlled lands included in the agrarian reform programme.

Multinational corporations largely avoided direct and public lobbying as this was believed to be politically counterproductive. In the case of the MNC-affiliated banana export industry, local Philippine partners were entrusted with the protection of MNC interests. In its 1987 position paper, the Filipino Banana Growers and Exporters Association (FBGEA) emphasized the industry's contribution to export earnings and employment<sup>8</sup>. The paper asserted that alternative production arrangements were not feasible and cited as 'proof' the low competitiveness of the largely smallholder Taiwanese banana export industry and the poor experience of the Philippines with production cooperatives. The industry also argued that centralised management had to be maintained because the high perishability of bananas demanded the close coordination of production, shipping and marketing activities. It was implied that the extension of land reform to the industry would counter the government's stated policy of welcoming foreign investment in the country. In a personal appeal to the chairperson of the Senate Committee on Agrarian Reform, the president of the association stated that only 30% of its workforce were actual farmworkers and that their employees had 'neither the skill nor enthusiasm to till whatever parcels of land are given to them'<sup>9</sup>. The interests of the banana industry were directly represented in the House by Rodolfo del Rosairo, brother-in-law of banana entrepreneur and Marcos crony Antonio Floriendo.

The MNCs involved in the export pineapple industry likewise kept a low profile during much of the land reform debate. In their joint 1988 position paper on agrarian reform (Pineapple Export Industry: 1986 Data) Del Monte and Dole gave statistics related to their foreign exchange earnings and tax contributions, employment and dependents and wages and fringe benefits<sup>10</sup>. They noted the

considerable capital requirements of the industry and the long gestation period of investments. The corporations recommended that present lease agreements with the NDC, due to expire in 2007 and 2008, be allowed to run their full term as this was guaranteed by the constitution. Then:

NDC-owned lands should not be subdivided into small land parcels but rather shall be kept intact in plantation-sized lands and sold to corporations whose stock shall be owned by the present land workers and employees. The new corporate owners of the land then through their board of directors will negotiate with the present industry investors and managers new lease contracts ... This will prevent the disruption and the degeneration of the present productivity and efficiency of this industry<sup>11</sup>.

The apparent amenability of the pineapple TNACs to eventual land transfer was a political concession in response to nationalist senators who criticised, in early 1988, the proposed exemption of MNC plantations from the programme (see below). Probably realizing that a direct and public response to the nationalist challenge could be counterproductive, between February and May 1988 Del Monte directed its trade unions and employees into the lobbying effort. The cooperative nature of management-union relations at Del Monte and their shared interest in ensuring the ongoing viability of the plantation enterprise facilitated the co-option process. As Michael Clark, the Vice-President of Personnel and Industrial Relations, was to point out in the company's employee magazine, the unions and employees should be worried by CARP because 'anything that affects the company affects them' (*Tibbits*, February 1988:31). In the same article and on several other occasions Clark was to warn the Del Monte trade unions and employees that the company would relocate its operations if CARP worked against it<sup>12</sup>.

The Del Monte-initiated union lobby began to gain momentum when its trade unions held a joint press conference in Cayan de Oro city in the last week of March 1988 to appeal to legislators and lend their public support to the kind of CARP scheme that the company envisaged (*Philippine Star*, 29 March 1988). Of great assistance to the union campaign was Senator Ernesto Herrera, a leading national official of the conservative Trade Union Congress of the Philippines (TUCP) to which the Del Monte unions belonged and a member of the Senate Committee on Agrarian Reform (*Manila Times*, 7 April 1988:1,6).

The Dole corporation had an ally in the Senate in the person of Senator Juan Ponce Enrile, one of its original shareholders and a large landowner. The same corporation tried quietly to influence the debate through arranging informal meetings with legislators (Putzel, 1992:299).

The pineapple MNCs and MNC-affiliated corporate banana growers implied that the plantation system was essential for the continued viability of the export pineapple and banana industries. This is questionable, given that smallholder contract production systems for export banana and pineapple existed both within the Philippines and in other countries (see Chapter Two and Chapter Six). The corporations also implied that MNC participation in the industries was vital to their continuing economic success. This point seems valid because the production and processing technologies used by the export pineapple and banana industries were largely under the control of the MNCs and because the MNCs had considerable control over the international marketing of the commodities (see Chapter One). This two factors placed limits on the extent to which their activities could be replicated by Filipinos or the Philippines government.

The main farmer lobbying group was CPAR. Its methods included establishing contacts with sympathetic members of the legislature and monitoring and publicising developments in the agrarian reform debate. CPAR tried to promote a programme that would give equal priority to private and other lands, contain a confiscatory element in the compensation package and cover commercial and corporate farming operations including the lands operated by TNACs (IBON, 1988:111-125). However, because of its relatively few allies in the legislature and its small manpower and financial resources, CPAR's lobbying effort was insubstantial compared with that of the big landowner and agribusiness organisations. On several occasions multi-sectoral and issue-oriented groups took up the agrarian reform issue and Cardinal Sin, on the second anniversary of EDSA, somewhat belatedly lent church support to a pro-poor agrarian reform programme. However, none of these organisations mounted a sustained lobbying effort (Wong, 1989:6-9).

There was a notable absence of United States or multilateral participation as Congress deliberated on agrarian reform. In December 1987 Assistant Secretary of State David Lambertson failed even to discriminate between the

pro-poor and pro-landlord House Bills when he called both of them 'genuine agrarian reform bills' (Putzel, 1990:19). In the same month the US Congress appropriated \$100 million exclusively for the impending Philippine agrarian reform programme. However, American legislators who were against the measure added the proviso that the money could not be used for landowner compensation. The World Bank reports that had been issued prior to the declaration of EO.229 were not followed up by the Bank.

### **The House debate**

Because of the strong influence of landowners at the district, the level at which House of Representatives were elected, they were well represented in the 230-member House, both directly and indirectly. The sugar bloc re-emerged on the Philippine political scene, with all the seven seats from Negros Occidental being taken by sugar planters. Landowners associated with plantation agriculture dominated the House debate. These included Romeo Guanzon, President of the National Federation of Sugar Planters, Hortensia Starke, sugar planter and rubber plantation owner, and Rodolfo del Rosairo, brother-in-law of banana entrepreneur Antonio Floirendo. Of lower profile in the House debate, but nevertheless of key importance behind the scenes, was Jose 'Peping' Cojuangco, brother-in-law of sugar estate owner and President Corazon Aquino<sup>13</sup>. The peasant bloc was confined to some 14 representatives, with Bonifacio Gillego, Gregorio Andolana and Florencio Abad being among the most prominent advocates of redistributive land reform during the debate.

The filing of House Bill No.65 (HB.65), sponsored by Gregorio Andolana, in late July 1987 initiated the land reform debate in the House. This was unambiguously a pro-peasant bill. It contained a two hectare maximum retention limit (Section 2), five year implementation timetable (Section 3), no significant exemptions from land redistribution and a progressive landowner valuation and compensation scheme (Section 7). The landowner bloc responded with HB.139, sponsored by Hortensia Starke. This had a minimum retention limit of 20 hectares (Section 6), undefined implementation timetable, gave priority to public lands (Section 5), exempted lands devoted to export and/or

high-technology crops (Section 6), and contained valuation and compensation provisions that favoured landowners (Section 8). Following normal House procedures, the bills were referred to the Agrarian Reform Committee, a 31-member body that included some of the strongest advocates and critics of redistributive land reform. Through procedural manoeuvring Chairperson Gillego was able to introduce to the floor a new bill (HB.400), that was largely based on HB.65, with the support of only nine other committee members.

House Bill 400 set a maximum retention limit of 7 hectares (Section 5), a five-year implementation schedule (Section 4), gave priority to private land redistribution as opposed to public land settlement (Section 6), contained no significant exemptions, and required that all corporate plantations be acquired and transferred, preferably collectively, to their workers (Section 14). It was the intention of the bill's cosponsors to make 'the transfer of (land) ownership as the basic and vital component of land reform or agrarian reform'<sup>14</sup>. They were particularly in favour of reforming land arrangements that the MNCs had with the Philippine government and private landowners<sup>15</sup>:

All lands currently under the control of multinational corporations must revert back to Filipinos and their ownership and management collectively transferred to the direct producers (HB.400, Section 22(1)).

The cosponsors however acknowledged that the MNCs domination of international distribution and marketing arrangements in the banana and pineapple industries placed limits on the extent of reform possible. Accordingly, they restricted their aspirations to placing

the owners or agricultural tillers in a position where they would be elevated to a situation of not really parity, but in a position where they could deal on better terms with the multinational corporations<sup>16</sup>.

Although Gillego was in favour of the new landowners assuming more control over at least production-level operations, he implied on one occasion that they could opt for the status quo with respect to existing production arrangements<sup>17</sup>.

The committal of HB.400 to the floor was challenged by the large landowner bloc in the House. The bloc sought to have the bill recommitted to the Agrarian Reform Committee and to introduce HB.941 to the floor instead. The latter was drafted by Romeo Guanzon and cosponsored by some 116 members in the House, including Honiesta Starke, Rodolfo del Rosairo and Jose Cojuangco. House Bill No.941 was essentially the same as HB.139, the original landowner bill. Failing in their campaign to substitute HB.941 for HB.400, the landowner bloc then adopted a strategy of emasculating the pro-peasant bill through a process of amendment. The guaranteed support of a House majority assured this bloc of ultimate success, although the 22 cosponsors of HB.400 did mount a protracted defence of the principles underlying the original bill and its specific provisions.

During the course of the House debate of HB.400, the interests of MNC plantations were defended by the landowner bloc, especially by those representatives associated with plantation agriculture. The landowner bloc did not discriminate against the MNC and MNC-affiliated plantations when they argued in favour of the exemption of plantations from land redistribution. Many landowning and business people in the House specifically praised the MNCs' for their contribution to the economy<sup>18</sup>. Banana industry associate Rodolfo del Rosairo and other representatives spoke in defence of the MNC-affiliated banana industry on several occasions<sup>19</sup>.

Major amendments were made to HB.400 during March 1988. The retention limit was raised by an additional three hectares for each legal heir and the implementation timetable was doubled from five to ten years (Section 5 and 4). Priority was given to public as opposed to private lands (Section 7) and the valuation and compensation provisions of the original bill were made more favourable to landowners (Section 13). Lands devoted to vegetables, cut flowers, aquaculture, non-tenanted orchards (including banana plantations) and poultry, piggery and livestock projects were exempted from agrarian reform (Section 9). Corporate plantations could distribute their stock to workers in lieu of land (Section 17). In the case of multinational plantations, del Rosairo had proposed to substitute the original and discriminatory section on lands leased to multinationals (see above) with:

'All lands presently leased to or covered by farm management contracts with multinationals shall be subject to the pertinent provisions of this Act and other laws'<sup>20</sup>.

Although del Rosairo was probably attempting to solidify the exemption of banana plantations, this amendment would have also exempted the MNC pineapple plantations from land transfer as well<sup>21</sup>. However, the proposed amendment was deferred to the House Committee on Agrarian Reform for consideration when it met with its Senate counterpart to reconcile the House and Senate bills.

The final version of HB.400 was voted on and passed by a majority of 112:47 on 21 April 1988. The significance of the degree of change it had undergone was demonstrated by the fact that all of the original sponsors of the bill voted against it and many landowners, including Honeista Starke, voted in its favour.

### **The Senate debate**

Given that the 23 members of the Senate were chosen by the national electorate, it had proportionally fewer landowning members than the House and it was less amenable to landowner pressure. Yet a conservative group was identifiable. Senator Heherson Alvarez, the chairman of the 15-member Senate Committee on Agrarian Reform, led this group. He displayed a constant bias in favour of protecting the interests of agribusiness, purportedly on national economic grounds. Other members of this group included senators Vicente Paterno and Juan Ponce Enrile. The Senate lacked radical proponents of land reform but it nevertheless contained several individuals who supported a more redistributive programme than the one proposed by Heherson Alvarez. These included senators Agapito 'Butz' Aquino and Ernesto Maceda. There was also a third group, the nationalist bloc, comprised of senators 'Butz' Aquino, Teofisto Guingona, Rene Saguisag, Aquilino Pimentel and Wigberto Tanada. Unlike in the House, membership of the nationalist bloc was not necessarily coterminous with membership of the peasant bloc.

Two Senate Bills (SBs) filed with the Committee on Agrarian Reform in October 1987 provided the basis for committee discussion on agrarian reform. A bill sponsored by 'Butz' Aquino, SB.123, was tagged the 'progressive' bill. Among other things, it contained a 3 hectare retention limit (Section 5), 10-year implementation timetable (Section 5), full compensation (though based on tax-declared values - Section 11) and no significant exemptions from land transfer. Heherson Alvarez, representing the conservative group, filed SB.133. Although the Alvarez bill was similar in many respects to SB.123, it contained a retention limit of 7-15 hectares (Section 6) and was more lenient to corporate plantations and agribusiness interests. Lands devoted to high technology and capital-intensive crops were exempted (Section 28) and all corporate plantations could avail themselves of production sharing in lieu of land transfer (Section 29 and 30).

The two Senate Bills were amalgamated into SB.249 by Heherson Alvarez and, by a majority vote of the Senate Committee on Agrarian Reform on 17 December 1988, this bill became the basis for floor debate. The new bill, as with Alvarez's earlier bill, SB.133, exempted banana and pineapple plantations and other high-technology and capital-intensive agribusiness operations from land redistribution. In lieu of land transfer they had to distribute a share of their profits or stocks to workers. Alvarez justified these provisions on the basis of economies of scale and national economic arguments, including the need to attract foreign investment (*Manila Standard*, 22 February 1988:8). It did not escape the attention of the nationalist bloc however that the plantations being exempted under SB.249 were MNC-owned or affiliated<sup>22</sup>. The nationalist senators focussed their attention on the pineapple plantations<sup>23</sup>, probably because of their large and constitutionally questionable size and their high level of direct MNC participation (see Chapter Two). The transfer of ownership of land was a key demand of the senators, but some including 'Butz' Aquino and Teofisto Guingona spoke in favour of transferring the entire plantations, including the canneries, to Filipino ownership and control<sup>24</sup>.

In response to pressure from the nationalist group and media, but after a similar change in position by Del Monte, Heherson Alvarez conceded that pineapple plantation lands would be transferred to the workers upon the due



expiration of the existing lease agreements<sup>25</sup>. However, the conservative group remained hostile to the notion that more than land should be transferred to the farmworkers on the plantations. Vicente Paterno, who had paid a personal visit to the Del Monte plantation, asked '...if the cannery factory is not part of the land, why should it be subject to agrarian reform?'<sup>26</sup>. Alvarez predicted the total failure of the enterprises if plantation management was also transferred, and Juan Ponce Enrile indirectly defended the plantation system and MNCs<sup>27</sup>. The Del Monte-initiated union lobby used Senator Ernesto Herrera, a national official of the Trade Union Congress of the Philippines (TUCP) to which the Del Monte unions were affiliated. Herrera declared that employees 'will not demand the ejection of the owners ... since they are essential for the continued development of the property and for the thousands of jobs that they provide' (*Manila Times*, 7 April 1988:6).

When finally passed on its third reading on 25 April 1988, with 18 votes in favour and 3 abstentions, SB.249 was less protective of landed and agribusiness interests than the unamended bill. It contained a 5 hectare retention limit (Section 5) and 10-year implementation schedule (Section 37). Banana and rubber plantations were only exempted from land redistribution for ten years (Section 6). The final bill's provision pertaining to the pineapple plantations satisfied the major demand of the nationalist bloc by restricting lease agreements to 1,000 hectares and providing for the immediate transfer of all lands in excess of this to plantation workers (Section 30). This provision also applied to the MNC oil palm plantations.

However, the type of land transfer provided for in the bill allowed corporate plantations to retain control over land. If it were not 'economically feasible' to subdivide the lands, collective ownership was prescribed (Section 27). Lease, grower, service and management contracts covering private lands were allowed to continue under their original terms and conditions, even after land transfer had been effected (Section 30). Existing contracts covering both public and private lands were made binding until such time as the corporation and agrarian reform beneficiaries negotiated another agreement (Section 27). Although one provision implied that the new owners of public and private lands would assume greater control over farm operations (Section 30) this was neither

binding nor compatible with the other provisions pertaining to land transfer. Thus the form of land redistribution provided for was quite consistent with the scheme supported by Del Monte (see Page ?).

### **The Joint Congressional Committee**

In accordance with normal legislative procedures, the House and Senate Agrarian Reform Committees met as the Joint Congressional Committee (JCC) on Agrarian Reform to reconcile the House and Senate bills on agrarian reform. They first met in May 1988 and on 6 June, they reported out a consolidated bill. This was subsequently enacted by both Houses as Republican Act 6657, the Comprehensive Agrarian Reform Programme (CARP), on 11 June 1988. Whilst some provisions in the final bill represented compromises between the Senate and House versions, on many points the two bills had already been in fundamental agreement and nothing new was to emerge.

Republican Act 6657's provisions on commercial and corporate farms were in part a compromise and in part a consolidation of the two congressional bills. The level of production sharing and profit sharing, 3% of gross sales and 10% of net profit, represented a compromise of the 2.5% and 5.0% production sharing of the House and Senate Bills respectively (Section 9). The commercial farm provision of SB.249 was adopted, and thus commercial farm operations including banana and rubber plantations were only exempted from reform for 10 years and not indefinitely, as provided for in HB.400 (Section 11). CARP was to incorporate HB.400's stock distribution clause which differed from the Senate bill's provision by offering stock distribution as a substitute for, rather than just a supplement to, actual land transfer (Section 31). All plantations that existed as corporate entities and owned the land that they operated on, including the majority of sugar and coconut plantations, were able to avail themselves of this option.

The Joint Congressional Committee spent considerable time on the controversial case of the pineapple and, by implication, oil palm MNCs that were leasing lands from the NDC. Senator Heherson Alvarez, chairman of the

Senate panel, continued to oppose the abrogation of the existing lease agreements, lest this be interpreted as a 'sweeping nationalization measure' and thus conflict with the need to continue to offer 'hospitable field for capitalist participation in our economy'<sup>28</sup>. Senator Juan Ponce Enrile continued to indirectly defend MNC interests<sup>29</sup> and Representative Zamora, chairman of the House panel, spoke in favour of forcing the renegotiation of the existing lease agreements but allowing existing production arrangements to continue if the plantation workers so chose (*Business Star*, 20 May 1988). Several of the conservative nationalist bloc members spoke against the transfer of more than land. Senator Saguisag urged:

If the farmers would not want to disturb the arrangement except [by] getting more benefits in the way of getting rentals which the NDC is now getting, I hope that we can all unite behind that intent'<sup>30</sup>.

The Del Monte union and employee lobby also was having an influence over the course of the debate. As one committee member acknowledged, through telegrams, letters and private conversations 'so many' of the Del Monte employees had expressed their desire for a collective transfer of the land but otherwise a continuation of the status quo (*Business Star*, 20 May 1988).

In May 1988, at a time when the joint committee were still deliberating on land reform, the president of Del Monte Philippines, Incorporated made a personal call upon President Aquino and pledged the corporation's full cooperation with the forthcoming programme<sup>31</sup>. This and Senator Herrera's call for the transfer of NDC land within three years<sup>32</sup>, probably reflected the confidence of Del Monte and the unions representing its workforce that the committee's output was going to be consistent with their proposed scheme of land transfer.

The final provision on the MNCs that emerged from the joint committee (see Appendix 2) provided for the transfer, within a three year implementation timetable, of all NDC agricultural lands to regular farmworkers on the plantations. This satisfied the moderate demands of the nationalist legislators. However, in accordance with the conservative legislators' position, there was no provision regarding the transfer of other assets or operational control over

plantation lands. Actually, the conditions associated with land transfer supported the continuation of existing production relations. As in SB.249, collective ownership was prescribed if subdivision was not feasible, and the new owners had to re-enter into a new contract with the former operator, pending which the existing contract remained in force. The type of land transfer provided for thus allowed continuing and uninterrupted corporate control over the plantation lands and was quite consistent with Del Monte's original land transfer proposal.

Private lands under lease to the pineapple MNCs, and above the allowable retention limits, were to be transferred in accordance with the programme's schedule of implementation on private lands, although it was not specifically stated who the beneficiaries would be (Section 8). Lease contracts were allowed to continue until their expiry or for 10 years, whichever came sooner, and could be renewed upon the consent of the new or prospective beneficiaries.

### **Summary**

Agrarian reform was a part of the 1985-86 Aquino coalition's election platform because of their need to broaden their base of electoral support coupled with the lobbying efforts of left-leaning groups within the coalition. Reflecting the broadening of political space, the 1987 Constitution mandated an agrarian reform programme that covered all agricultural lands regardless of tenurial arrangement or commodity produced. At the same time however, the dominance of conservatives in the Constitutional Commission meant that the type of land reform mandated had the potential to be limited in terms of scope, degree of confiscation and, ultimately, effectiveness. Presidential action on the constitutional mandate represented a response to the left's agitation for land reform and an attempt to regain political legitimacy in the aftermath of the Mendiola Bridge massacre of January 1987.

Executive Order No.229 was drafted over a period in which the Aquino cabinet was adopting a more repressive as opposed to reformist approach to rural insurgency, and becoming more representative of, and amenable to, the interests of technocrats, agribusinessmen, bankers and landowners. These people shared a common interest in an agrarian reform programme that did not threaten commercial crop production. Thus EO.229 elaborated on the constitutional mandate for agrarian reform in a conservative manner that did not discriminate against the MNC plantations.

The May 1987 election resulted in the restoration of a Congress that was dominated by agribusiness and landowner interests. The influence of large commercial landowners in and over the Congress, especially the House of Representatives, favoured the MNCs because these people indirectly, if not directly, defended MNC plantation interests. This lobby argued for the exemption of the plantations by forecasting economic catastrophe if the government intervened in land tenure arrangements. In the case of the plantation industries that were characterised by substantial local participation, such as sugar, coconut, banana, and rubber, CARP, as enacted on 10 June 1988, either deferred land distribution or provided for non-land transfer options. MNC or MNC-affiliated plantations in these industries were not discriminated against. However, even when land transfer was required on corporate plantations or commercial farms, the conditions attached virtually ensured the current owner or operator continued control over the land.

The export pineapple industry, because of the direct nature and predominance of MNC participation and the questionable constitutionality of their lease agreements with the NDC, became the target of a Senate-based nationalist bloc. This bloc succeeded in having the principle of land redistribution apply to the NDC lands leased by the pineapple plantations. The NDC lands used by the lower profile oil palm joint ventures were, virtually by accident, also subject to immediate land redistribution. However, conservative legislators coupled with a Del Monte-initiated union lobby, ensured that the conditions attached to land transfer were consistent with the continuation of existing production relations.

On a more general level, even those legislators who sought the extension of land redistribution to the MNC plantations recognised limits to government intervention. Redistributive land reform advocates in the House noted the MNC's control of banana distribution and marketing arrangements and nationalist senators were also convinced of the need for continuing MNC participation in the export pineapple industry if current levels of production, jobs and income were to be maintained. While these legislators sought to obtain more benefits from the MNC operations for the Philippines, they lacked confidence and a clear vision of how this could be achieved.

### Notes

- 1 In June 1986 President Aquino was reported as saying that 'only idle lands of the government will be included in the land reform program and lands that are productive will not be touched' (Hawes, 1987:160).
- 2 These included rent reduction, debt cancellation and the barricading of land utilized by MNCs (Lara and Morales, 1990:152).
- 3 For example, the only two left-of-centre high level cabinet members, Local Government Minister Aquilino Pimentel and Labour Minister Augusto Sanchez, were replaced by conservatives (Putzel, 1992:219-220).
- 4 The most notorious landowner group was the Movement for Independent Negros. Organised in June 1987 and financed by Negros sugar planters, MIN threatened armed resistance against any government attempt to deprive them of their lands (Putzel, 1988:61).
- 5 The State Department prescribed job creation (though obviously not via agrarian reform) and the Philippine government's adherence to IMF-World Bank policy prescriptions as the solution to the poverty problem. Within the Department of Defence, the land tenure system was not perceived to be a major cause of the insurgency problem. Instead the department supported an intensified and integrated counterinsurgency drive (Putzel, 1990:13-21). The visit of retired Major General Singlaub to the Philippines in October 1986 and the initiation of a \$10 million CIA counterinsurgency programme were manifestations of this policy approach (Wurfel, 1988:316).
- 6 One hundred and thirty or 65% of the new legislators were veterans of Philippine politics. Of these, 44 and 16 had been members of Marcos'

National Assembly (Batasang Pambansa) and Interim National Assembly (Interim Batasang Pambansa) respectively, whilst the rest belonged to the traditionally powerful families or clans of the pre-Martial Law period (Lallana, 1988:4).

- 7 For example, Representative Ty, a prominent businessman, warned that the 'economy will collapse for sure' and that the 'insurgency will escalate to uncontrollable proportions' if sugar, coconut, banana, pineapple and other agribusiness plantations were included in the programme (*Record of the House of Representatives*, First Regular Session, Volume 5, 8 March 1988:441).
- 8 In 1986 the industry earned \$165 million, thus placing it well within the top 10 agricultural export earners in the Philippines, and employed some 33,000 people (Filipino Banana Growers and Exporters Association, Position Paper on CARP, 1987).
- 9 Letter from the President of the Filipino Banana Growers and Exporters Association President, Roberto Sebastian, to the Chairperson of the Senate Committee on Agrarian Reform, Senator Heherson Alvarez, 10 February 1988.
- 10 Export earnings and taxes were cited as \$137 million and P460 million, full time employees and dependents at 19,046 and 120,000 and average annual salaries and benefits at P46,500 (Pineapple Export Industry, 1986 Data).
- 11 Del Monte and Dole, 1988. 'Pineapple Export Industry: 1986 Data.'
- 12 In the following issue of the employee magazine (*Tibbits*, March 1988:7), a newspaper article was reproduced (*Philippine Daily Inquirer*, 28 March 1989) which ended with the author rueing the day 'when the green, well-ordered, lush fields of Bukidnon turn to brown, scraggly patches of cogon and weeds, with the workers tilling what is left of the lands with primitive implements, possessing only sad memories of a rich and plentiful past'.
- 13 The 'behind the scenes' work of Jose 'Peping' Cojuangco was acknowledged by one of the House members (*Record of the House*, Volume 5, 24 February 1988:218).
- 14 Representative Bonifacio Gillego, *Record of the House*, Volume 2, 6 October 1987:527.
- 15 Representative Bonifacio Gillego considered that the contracts that the MNCs had with the Philippine government were 'very disadvantageous to the Filipino farmers' and 'deprived the Filipino people of what rightfully belonged to them' (*Record of the House*, Volume 2, 6 October 1987:518). Representative Gregorio Andolana specifically identified Dole, Del Monte, Guthrie and the American rubber TNACs as foreign corporations that contributed towards Filipino landlessness (*Record of the House*, Volume 4, 3 December 1987:51).
- 16 Representative Bonifacio Gillego, *Record of the House*, Volume 2, 6 October 1987:518.
- 17 Representative Bonifacio Gillego, *Record of the House*, Volume 3, 19 November 1987:662.

- 18 For example, Representative Honiesta Starke stated that 'After the so-called transnational corporations developed the different plantations - banana, pineapple, rubber, African oil palm - there was a very big splurge of development in Mindanao' and she acknowledged the pioneering effort of Firestone which had helped to make possible the development of her own rubber plantation (*Record of the House*, Volume 4, 3 December 1987:50). The case of the Del Monte plantation was specifically cited by Representative Dimaporo who perhaps not coincidentally liked to play golf there (*Record of the House*, Volume 5, 2 March 1988:319).
- 19 For example, see del Rosairo, *Record of the House*, Volume 2, 6 October 1987:519.
- 20 Representative Rodolfo del Rosairo, *Record of the House*, Volume 5, 5 March 1988:988.
- 21 Representative del Rosairo's own justification for the amendment was that he believed that the original provision was 'confiscatory as well as unfair for the multinationals; after all, they came here not by force. They came here with the permission of the government and they are operating their businesses under our existing laws. These companies are contributing to the economy of this country. The least that we can do for them is to allow them to continue under the proposed provisions of this bill' (*Record of the House*, Volume 5, 25 March, 1988:988).
- 22 Senator 'Butz' Aquino demanded that 'if Filipinos are subject to the agrarian reform programme, then foreigners should all the more be subjected to it' (*Journal of the Senate*, First Regular Session, Volume 3, 27 January 1988:1257).
- 23 Senator Rene Saguisag quoted from the 29 April 1964 privileged speech of then Senator Lorenzo Tanada, which had condemned the NDC's lease arrangements with Del Monte and Dole (*Journal of the Senate*, Volume 3, 10 February 1988:1366-67). On another occasion, the Senator demanded that the same corporations 'be told that they can not hold onto these lands forever' (*Manila Standard*, 22 February 1988:8).
- 24 Senator Teofisto Guingona complained that SB.249 'did not contain a mechanism that would compel MNCs to transfer to their farmworkers [matters] relating to farm management, exports and financing' (*Manila Standard*, 22 February 1988:8). He sought the transfer of the enterprise's 'technology, marketing and eventually the improvements including the plant and factories' over a 10-year period (Minutes of the Senate Caucus on Agrarian Reform, 20 March 1988). Senator 'Butz' Aquino advocated the reversion of entire farm system to Filipino ownership and control (*Journal of the Senate*, Volume 3, 27 January 1988:1257).
- 25 Senator Heherson Alvarez, News Release, 15 February 1988.
- 26 Senator Vicente Paterno, Minutes of the Senate Caucus on Agrarian Reform, 20 March 1988.
- 27 Senator Heherson Alvarez queried 'Are we going to take measures to improve the lot of farmworkers ... or are we going to take measures so that the [farmworkers] will take over entirely, which will fail? (Minutes of the Senate Caucus on Agrarian Reform, 20 March 1988). Senator Juan Ponce



Enrile questioned the financial viability of transferring the operation of plantations to smallholders (*Journal of the Senate*, Volume 3, 12 February 1988:1387) and attributing the rapid economic growth of South Cotabato province to the Dole corporation (*Journal of the Senate*, Volume 3, 2 February 1988:1305).

- 28 Senator Heherson Alvarez, Minutes of the Joint Congressional Committee on Agrarian Reform, 23 May 1988:10.
- 29 Senator Enrile even went so far as to assert that the pineapple corporations were the real tillers of the land, for it was their machines that did most of the farmwork, and that the 'actual workers there are merely weeders and applicators of fertilizer and insecticide' (Minutes of the Joint Congressional Committee on Agrarian Reform, 23 May 1988:21-22).
- 30 Senator Rene Saguisag, Minutes of the Joint Congressional Committee on Agrarian Reform, 23 May 1988:18.
- 31 Minutes of the Joint Congressional Committee on Agrarian Reform, 23 May 1988:16.
- 32 Senator Ernesto Herrera, Minutes of the Joint Conference Committee on Agrarian Reform, 23 May 1988:20.

## **CHAPTER SIX**

### **THE IMPLEMENTATION OF THE COMPREHENSIVE AGRARIAN REFORM PROGRAMME**

As a legislative measure, the Comprehensive Agrarian Reform Programme (CARP) lacked clarity with respect to how it was going to apply to the multinational pineapple and oil palm plantations: there was considerable room for diverse interpretation and elaboration of CARP during the implementation process. In this chapter I identify parties that took part in the implementation process and account for the particular way in which CARP was implemented according to the relative influence and underlying objectives of these participants.

#### **Parties to the implementation process**

##### **Department of Agrarian Reform**

The Department of Agrarian Reform (DAR) was the principal government agency in the implementation of the agrarian reform programme. Formerly the Ministry of Agrarian Reform during the Marcos period, DAR had a regular staff of some 11,000 persons. These were distributed through offices at the national,

regional, provincial and municipal levels. The department was presided over by Secretary Philip Juico, a person involved in the 1986 Aquino election campaign and from an agribusiness background (Putzel, 1992:310). The second in command was Assistant Secretary (ASEC) Jose Medina, a 'conservative reformer' of the Marcos years. As with other government departments, DAR was characterised by the centralization of decision-making authority at the central office level. This was evident in the case of the MNC plantations, with DAR central office personnel playing a prime role in the interpretation of the implications of CARP for the plantations. However, in the case of Del Monte, which acted as an implementation 'model' for the other plantations, the pertinent provincial DAR office had some influence in deciding upon the parameters and process of programme implementation.

The Department of Agrarian Reform was ultimately constrained to follow RA.6657 during the course of programme implementation. This meant that the department really lacked the prerogative to implement any type of land reform arrangement other than the leaseback arrangement that was stipulated in the law. Thus the department's official implementing rules and guidelines for the plantations, (DAR) Administrative Order No.11 (series of 1988) of 16 August 1988, only marginally elaborated on what was contained in RA.6657. But even allowing for the constraints of the law, DAR's approach to programme implementation was characterised by caution and conservatism. One of the contributing factors towards this was the department's lack of previous experience with land reform implementation outside of tenanted rice and corn lands, let alone in the case of large-scale, integrated and labour-administered plantations. The need for caution and conservatism was also dictated by the government's basic policy direction of encouraging foreign investment. On several occasions the MNCs threatened the government and DAR with divestment or the curtailment of new investment if the implementation of CARP was not in accordance with their interests<sup>1</sup>. Because of DAR's lack of a precedent and the threats of the MNCs, it did not take the initiative during the programme implementation process. Major implementation decisions were made in consultation with the corporations between June and November 1988.

## **Multinational corporations**

Del Monte was the leading corporate participant in the implementation process. This was acknowledged by DAR officials and Del Monte management, both of which labelled the cooperative scheme that they were working on a 'model' for the other three MNC plantations (*Business World*, 31 October 1988:31). A major reason for Del Monte's leading role was the amenability of the trade unions represented on the plantation and at the cannery, which DAR consulted with because of their status as official workers' representatives, to the corporation's proposed land reform scheme. Dole did not seek a similar role because it, in contrast, lacked a cooperative trade union to represent the views of workers in the manner that it desired. Yet it is highly probable that Dole had an indirect influence over the formation of the 'Del Monte' model via its collaborative relationship and private discussions with Del Monte. Programme implementation on the smaller oil palm plantations, NDC-Guthrie and API, was governed by policies and procedures that were largely conceptualised in the context of programme implementation at Del Monte.

## **Plantation unions**

As established worker representatives, unions represented on the MNC plantations were a potential party to the implementation process (see Table 6.1). The two unions on the Del Monte plantation were both affiliated to the conservative Trade Union Congress of the Philippines (TUCP), the government-backed union federation of the Marcos period. It was noted in the previous chapter how these unions had been mobilised by the corporation into a lobby during the legislative debate on CARP. The corporation also found it convenient to encourage union participation in the implementation process, especially when DAR officials were seeking the views of the plantation workers<sup>2</sup>.

Neither Del Monte nor DAR attempted to consult with the National Federation of Labour (NFL), which was in the process of organizing a union on the plantation. The NFL was an affiliate of the Kilusang Mayo Uno (KMU), the radical trade union federation that had been established in 1980 in opposition to

the government-sponsored TUCP. The local chapter of the NFL launched a boycott of CARP and was supported by some 874 Del Monte employees<sup>3</sup>. Motivated by its general opposition to governmental and corporate initiatives, the chapter's non-participating stance was not supported by the NFL's national leadership<sup>4</sup>.

**Table 6.1: Unions representing hourly paid regular multinational corporate workers (1988)**

Corporation	Union(s)	Affiliated to	Ideological orientation
Del Monte	Bugo Cannery and Stevedores Labour Union (BCSLU)	Workers Alliance Trade Union (WATU) - Trade Union Congress of the Philippines (TUCP)	Conservative
	Alliance Labour Union (ALU)	Trade Union Congress of the Philippines (TUCP)	Conservative
Dole	Pawis ng Makabayang Obrero (PAMAO)	National Federation of Labour (NFL) - Kilusang Mayo Uno (KMU)	Radical
NDC-Guthrie	Federation of Free Workers (FFW)	Federation of Free Workers (FFW)	Conservative
	United Lumber and General Workers of the Philippines (ULGWP)	Trade Union Congress of the Philippines (TUCP)	Conservative
API	Associated Trade Union (ATU)	Trade Union Congress of the Philippines (TUCP)	Conservative

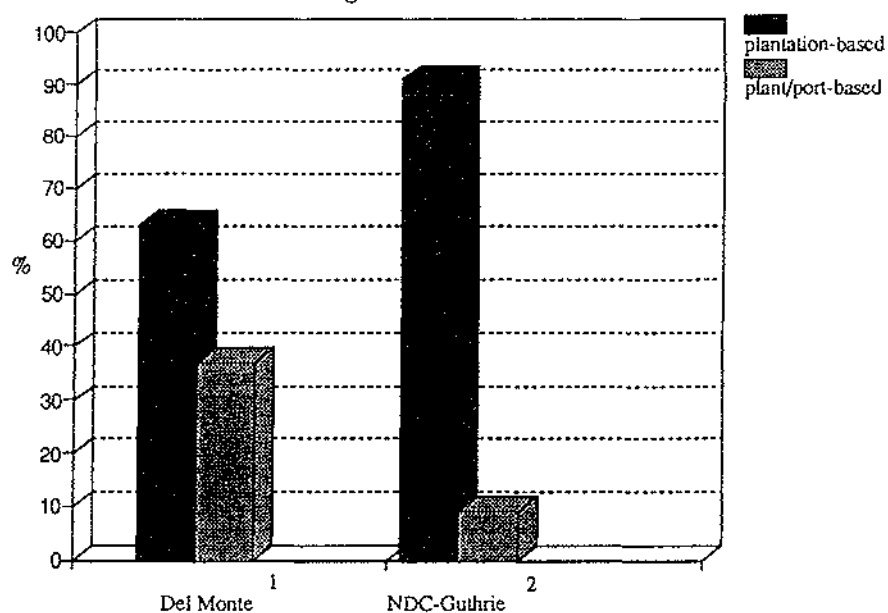
Source: Various interviews (see text).

Because programme parameters were largely decided in the context of DAR-Del Monte negotiations, the unions on the other plantations did not participate in their framing. The hourly-paid 'rank and file' workers on the Dole plantation were represented by the NFL-affiliated PAMAO union. The confrontational relationship between Dole management and PAMAO-NFL was a major reason why Dole was content to let programme parameters be decided by Del Monte and DAR. During the final and critical phase of implementation, that is, the organization of the agrarian reform cooperatives, union participation was constrained by one corporate-backed parameter: that worker representation on the cooperative's board of directors take the form of sectoral as opposed to union representation<sup>5</sup>. This largely thwarted the efforts of the independent Federation of Free Workers [FFF] union on the NGPI plantation and the TUCP-affiliated Associated Trade Union at API from becoming involved in the cooperative formation process<sup>6</sup>. The failure of DAR seriously to consult with or use unions on the plantations during the implementation process reflected its sensitivity to the MNCs' position.

### **Multinational corporate employees**

The final potential actors in the implementation process were the corporate employees. These could generally be divided into plantation-based and processing/port-based employees. While plantation-based workers were in the majority on all four plantations, in the case of the pineapple plantations cannery workers constituted a significant minority (see Figure 6.1). Even the plantation-based workers were heterogenous in terms of occupational groupings: Del Monte classified only 20% of its plantation workers as actual 'farmworkers', with the others being engaged in supervisory, security, technical and other tasks (Del Monte, Position Paper on CARP, 1989:4-5). A profile of the Dole workforce given in Table 6.2 exemplifies the locational and occupational heterogeneity of the corporate workforces. In terms of income there tended to be a large gap between supervisory and technical employees, and rank and file workers: senior supervisors at Del Monte were receiving about eight-fold the income of field workers.

Figure 6.1: Work place assignment of the Del Monte and NDC-Guthrie regular work forces



Sources:

1. Department of Agrarian Reform records, 1989.
2. Supplied by NDC-Guthrie management, October 1991.

Table 6.2: Profile of the Dole regular workforce (1989)

Executive and supervisory staff	464
Technical and office staff	638
Non-unionized forepersons	176
Hourly paid workers	
plantation	3,139
cannery	3,896
Total regular employees	<u>8,313</u>

Source: Department of Agrarian Reform

Regular workers on the plantations enjoyed relatively high wage and non-wage benefits. The rank and file workers on the oil palm plantations received wages equal to the largely ignored legislated minimum wage, and the MNC pineapple plantation field workers received wages over 50% above this. All MNC employees contributed towards, and were covered by, the Social Security System and Medicare. Del Monte and Dole offered its regular workers and their immediate dependents free or subsidized housing, electricity, water and hospital treatment. Regular NDC-Guthrie employees likewise enjoyed similar benefits, but with free medical clinics in lieu of hospital treatment. In the case of API, the provision of such benefits was more selective, with higher-level staff being more likely to enjoy them.

Plantation workers were rarely consulted during what proved to be a top-down implementation process of CARP on the plantations. Information on the programme and its implications for them came via the corporations and DAR. The corporations had the tendency to portray CARP as a potential threat to the workers' livelihood. A public House committee hearing on agrarian reform held on 28 August 1988 represented the first mass exposure of Del Monte workers to the programme. At this meeting of 2,000 employees the vice president of Del Monte was quite unequivocal that the corporation would have to lay off workers if there was any shrinkage in the size of its plantation area or disruption of its operations because of CARP (*Manila Chronicle*, 28 August 1988:5). A CARP information drive that was conducted by DAR a month later did not attempt to elicit feedback but merely told the workers how they were to submit to CARP<sup>7</sup>.

Another factor contributing towards workers' lack of participation was their own reluctance to become actively involved. Many Del Monte workers were afraid to participate in CARP until such time as the corporation urged them to do so<sup>8</sup>. Overshadowing this was probably their fears for the loss of their jobs and associated benefits, including housing. On the oil palm plantations, located as they were in a province with a long history of NPA activity and political violence, workers were wary of taking the initiative.





**Photograph 5:** Harvesters on the NDC-Guthrie oil palm plantation.



**Photograph 6:** Housing compound on the NDC-Guthrie oil palm plantation.

## **The determination of programme parameters**

### **Implementation timetable**

Although the law provided a three-year timetable for the determination and implementation of these programme parameters, this process was more or less completed within six months of the passing of RA.6657 on 10 June 1988. For different reasons, DAR and Del Monte had a common interest in a speedy implementation of the programme. The Department of Agrarian Reform saw the potential political benefits of Del Monte's proposed land reform scheme even before it was enacted into law:

It smacks of an early appropriate implementation of CARP, and this is what the agrarian reform movement needs especially now, when the peasantry seem to have lost faith in CARP's succession of changes (*Manila Times*, 7 April 1988:6).

Soon after the passing of the law, DAR set 9 December 1988 as a deadline for the completion of land transfer on the MNC plantations. The Philippine government's anticipation of the propaganda potential of the occasion was exemplified by President Aquino's personal attendance at the ceremonies at which land titles were awarded to the programme beneficiaries. These ceremonies were extensively covered by the media and created the intended impression that the implementation of CARP was progressing well.

Del Monte was also in favour of a rapid implementation of CARP on its pineapple plantation, calling for the programme to be 'implemented now' soon after the enactment of the law (*Business Star*, 11 July 1988:1). The corporation was probably attempting to resolve uncertainties over the land tenure question in order to allow future planning and investment decision making. But equally plausibly, Del Monte realized that a shorter timetable meant that it was easier for it to retain the initiative during the implementation process. This proved correct. The Department of Agrarian Reform had no time to consider alternative land transfer arrangements to the one being proposed by Del Monte. Instead it was preoccupied with the considerable administrative and organisational work

involved in preparing for land transfer. The need to avoid implementation delays, coupled with the pineapple MNCs' offering of facilities such as computers and housing to the time-constrained DAR personnel helped to make the department amenable to the corporations' positions on outstanding implementation issues.

Other factors contributed towards Del Monte's support for rapid implementation. It was probably hoping to limit the influence of the radical NFL which was in the process of union-organising on the plantation and had already demonstrated its opposition to the Del Monte-proposed scheme. Another potential threat was also pre-empted by rapid implementation: that of tribal claims to plantation lands either being adjudicated in court or becoming a national political issue before land transfer had taken place. Finally, and as confirmed by a senior Del Monte executive, rapid implementation was favoured because the production and profit sharing provision of CARP, applicable only until such time that land transfer had been effected, represented a considerable financial burden to the corporation (*Business Star*, 11 July 1988:1)<sup>9</sup>.

### **Individual or collective ownership**

The law permitted the subdivision and individual ownership of the plantation lands but if it was not 'economically sound and feasible' to do so, then collective ownership was prescribed (see Appendix 2). In their position paper on agrarian reform prior to the passing of RA.6657, the pineapple MNCs had argued that collective ownership was needed to maintain the viability of production operations and this argument was also adopted by the oil palm MNCs. However, precedents existed for the smallholder contract production of export pineapples and oil palm, including respectively Dole's own operation in Thailand<sup>10</sup> and the Malaysian FELDA model. Whilst recognizing the feasibility of transforming plantation systems into contract farming arrangements, a timely study of the issue concluded that:

Under the present environment, since the prevailing mode of plantation management is both efficient and profitable, the multinationals do not see the need for such a reorganisation. Thus a

policy design is necessary to create an incentive mechanism to induce efforts for organisational change toward that direction' (Hayami et al, 1988:32).

However, RA.6657 deliberately lacked such a policy design and DAR did not have sufficient time to conceive of one.

The pineapple corporations and DAR posed the 'choice' between collective or individual ownership to plantation workers in the simple and misleading terms of continuing employment with the corporation or 0.8 hectares of land each<sup>11</sup>. The beneficiaries on the oil palm plantations were given no such choice, perhaps because the potential seven hectares available to each worker coupled with their comparatively lower level of pay and work benefits, would have caused many of them to opt for the parcelling of plantation lands. In accordance with the interests of the corporations, the plantation mode of production was to be maintained.

### **The number and function of the cooperatives**

Republican Act No.6657 implied that only one cooperative or business association was to be formed on each plantation for the purpose of receiving collective ownership of NDC land. A Del Monte manager, Adrian Pabayo, supported the establishment of just one cooperative on the basis that more than one would lead to dissent and discord amongst the workforce, make the negotiation of lease rental difficult, and facilitate the 'intrusion of radical elements into the pool'<sup>12</sup>. Dole representatives recommended just one cooperative too, because it was 'difficult to divide the workers according to common interests or areas of assignment'<sup>13</sup>. DAR accordingly adopted the policy of establishing only one landowning cooperative per plantation.

Section 8 of RA.6657 (see Appendix 2) defined the purpose of the landowning cooperatives or associations to be formed in terms of renegotiating the existing grower and lease contracts with the MNCs. Yet it did not stipulate that the new type of grower lease contracts had to take the same form as their predecessors. DAR officials, however, did not attempt to take the initiative in

clarifying the purpose of the cooperatives<sup>14</sup>. Even as late as 11 November 1988, just three weeks before the incorporation of the cooperatives, one DAR report noted the department's failure to:

know and conceptualise what the role or basic function of the cooperative is in relation to Del Monte [including] fundamental questions like: Is the cooperative to be only a vehicle for receiving and managing the lease rent and production and profit sharing? Can not the lease rental and production and profit sharing be implemented without the cooperative? What are our basic reasons for establishing the cooperative? What roles do we envision the cooperative to undertake both in the short and long-run?<sup>15</sup>.

The pineapple corporations, in contrast, had a clear concept of the purpose of the cooperatives; to receive ownership of the NDC land and then to lease it back to the corporations on substantially the same terms and conditions<sup>16</sup>. The oil palm MNCs envisaged essentially the same function for the cooperatives although they were amenable to the cooperatives undertaking other activities as long as these did not threaten their control over production on the land. The objective of the corporations was to ensure the continuation rather than transformation of the existing production relations on the plantations. In the absence of clear direction from DAR concerning the purpose of the cooperatives, the narrowly defined purpose construed by the corporations was implicitly adopted.

### **Beneficiary identification**

Under CARP, farmworker-employees of the MNC plantations were to become beneficiaries of the land, with regular farmworkers having priority over seasonal farmworkers (RA.6657, Section 8 and 22). This was consistent with what the pineapple MNCs and the Del Monte unions had proposed, except that they had favoured the inclusion of all corporate employees as beneficiaries, not just those directly associated with the land<sup>17</sup>. During the course of programme implementation, DAR accepted that corporate employees should have priority over the lands but initially adopted the position, in conformity with the law, that only regular 'farmworkers' of the corporations were to become the beneficiaries<sup>18</sup>.

In discussions with department officials, Del Monte argued in favour of the inclusion of all regular corporate employees as beneficiaries of the land. It justified this on the basis that it was hard to differentiate which of its employees were actually 'farmworkers' and that it was unfair and problematic for labour relations if CARP discriminated between people employed by the same enterprise<sup>19</sup>. In September 1988 DAR acquiesced in the company's position that both plantation and cannery-based workers should be included in the programme and made this policy with respect to the other TNAC plantations. But on one point the department would not yield: Del Monte's and the other corporations' Manila-based office workers were not eligible to become beneficiaries<sup>20</sup>.

Another parameter that had to be determined was the cut-off level in the company's employee hierarchy for qualified beneficiaries. Initially DAR officials had suggested to Del Monte representatives that only non-supervisory workers be included as beneficiaries<sup>21</sup>. In the case of NDC-Guthrie, the provincial DAR office proposed that prospective beneficiaries be income tested, with only those below a given level of monthly income qualifying to become beneficiaries<sup>22</sup>. Del Monte argued that it would be unfair to discriminate among its employees according to seniority and DAR conceded to the corporate position again, adopting the guideline that only those persons who had the authority to hire and fire or the effective power to recommend such were not eligible to be beneficiaries<sup>23</sup>. This in effect meant that all employees up to the assistant managerial level became qualified beneficiaries<sup>24</sup>. As acknowledged by one DAR official, this guideline thwarted the income redistribution objective of CARP, given that senior supervisors and assistant managers were already among the top income-earners in the Philippine<sup>25</sup>.

To distinguish between regular and seasonal workers, DAR defined regular employees in terms of those persons who had worked between 29 August 1987 and 14 June 1988, provided that they had also worked between 29 August 1986 and 28 August 1987. This in effect meant that only regular workers were to become beneficiaries. This priority was given to regular workers over seasonal workers in the distribution of lands, and thus was consistent with the 1987 Constitution and RA.6657 (Section 22). An additional criteria for

qualification was the non-ownership of more than 3 hectares of land (RA.6657, Section 23). Corporate employees were required to sign a declaration attesting to such, and those owning land in excess of this limit were disqualified from becoming beneficiaries.

Del Monte's objective of securing beneficiary status for its regular employees, regardless of their specific occupation or seniority, can be seen as a strategy to maximise corporate control over plantation lands, both in the short and long term. Corporate employees were not likely to assert their right to self-cultivation and thus forego relatively high wages, freeing housing and other rewards coterminus with their employment in the corporations. Non-employees in contrast could have been less interested in granting the corporations continued use of the lands. The wide spectrum and large number of employees included as beneficiaries (see Table 6.3) meant that their new landowning cooperative would be based upon and identify first and foremost with the corporation rather than land per se. In addition, the inclusion of high-level employees as beneficiaries offered the prospect of their cooperative being representative of and responsive to the interests of corporate management.

Table 6.3: Qualified beneficiaries and total regular workers (1989)

Corporation	Qualified beneficiaries <sup>1</sup>	Total regular workers	Qualified beneficiaries as % of total regular workers
Del Monte	9,049	10,617	85%
Dole	7,616	8,312	92%
NDC-Guthrie	883	1,053	84%
NGPI	668	825	81%
API	363	416	87%

Source: Department of Agrarian Reform records, 1989.

Notes:

1. These include those employees that were screened and approved as beneficiaries between 1988 and mid-1991.



## Land claims

Under Section 9 of CARP, the rights of indigeneous communities to their ancestral lands was asserted and the Presidential Agrarian Reform Council was granted the right to suspend the implementation of CARP on ancestral lands for the purpose of identifying and delineating such areas. Furthermore, by virtue of Section 50 of RA.6657, DAR was granted quasi-judicial powers to determine and adjudicate agrarian reform disputes.

With respect to the NDC lands leased to the MNCs and programmed for transfer, in 1988 several tribal groups petitioned for the land to be distributed in their favour (for historical background, see Chapter Four). The largest claim was made by the Manolo Fortich-Libona Farmers Association, whose 1,500 members petitioned for 3,000 hectares of the Del Monte plantation on the basis that it was ancestral land that had been forcibly taken from their forebears in the 1930's<sup>26</sup>. In the case of the Dole plantation, the B'laarn started to occupy an area that had originally been demarcated as part of their native land reservation but subsequently sold to the NDC and leased to Dole<sup>27</sup>. In Agusan del Sur province, some 400 former landowners of the NDC-Guthrie plantation site requested that they be prioritised as beneficiaries because of their forced alienation from their lands<sup>28</sup>.

The pineapple TNACs were uncompromising in their stance on the tribal land claims. An attorney representing Del Monte argued that the lands acquired by the NDC in the 1930's were all 'virgin forests' and thus implicitly uninhabited<sup>29</sup>. In 1988 B'laarn who were attempting to occupy and cultivate recently harvested plantation lands, were strafed by Dole security guards with automatic weapon fire<sup>30</sup>.

Department of Agrarian Reform officials were somewhat divided on how to respond to the land petitions. Some were in favour of giving them due consideration, whereas others wanted to dismiss them altogether. The official position of DAR, as it materialised, was that the department was constrained by Section 8 of RA.6657 to give priority to corporate farmworkers in the distribution of NDC lands<sup>31</sup>. Although the petitioners were still entitled to and



did seek due legal process under Section 50 of CARP, DAR did not pursue the cases on the basis that pertinent ancestral domain legislation was still pending in Congress. Tentative suggestions made by DAR officials that other land in lieu of plantation land would be distributed to the petitioning groups were likewise not followed up<sup>32</sup>, perhaps because this action could have added legitimacy to the claims of the groups. The transfer of all NDC plantation lands proceeded, land claims notwithstanding, thus further complicating and prejudicing the tribal minorities' chances of ever recovering their lands through legal recourse.

### **Cooperative formation**

Some DAR officials were wary of proceeding too quickly with the organisation of cooperatives<sup>33</sup>. To avoid the potential shortcomings that a hastily-organised cooperative could inherit, the then PARO of Bukidnon suggested that the consumer cooperative of Del Monte become a temporary receiver of the land until such time that a land cooperative had been established<sup>34</sup>. However a Del Monte manager made the counter-proposal that interim officers of the proposed cooperative be selected and awarded the NDC land pending the formal organisation and registration of a cooperative. Not only was the suggestion of the corporation followed but the cooperatives were hastily organised and registered before the 9 December deadline.

The Department of Agrarian Reform and the Bureau of Cooperative Development (BACOD), an agency within the Department of Agriculture, both participated in the establishment of the cooperatives. They followed a common format in the case of all four plantations:

1. the formation of cooperative 'core groups'
2. the selection of the first board of directors
3. the adoption of articles of incorporation and bylaws
4. the signing of land transfer awards

Comprised of prospective beneficiaries, the 'core groups' had the dual function of formally incorporating the cooperatives and electing their first board of directors. This departed from standard BACOD procedure in cooperative formation which required the conducting of a member-wide meeting of incorporation and a general election of the cooperatives' board. However, the large number of prospective members (9,000 in the case of Del Monte) coupled with very tight time constraints led DAR and BACOD to waive these normal practices. For reasons previously discussed, sectoral as opposed to union representation was the principle followed in the selection of core group members and the first boards of directors of the cooperatives.

### **Del Monte**

In the case of the Del Monte plantation, a meeting between Del Monte union and DAR officials took place on 30 November 1988, at which it was agreed to form a 50-member core group that would be proportionately representative of corporate divisions and employee categories<sup>35</sup>. It is likely, however, that the corporation, through its personnel division, selected the members of the core group. The group met the next day to choose, though not by vote, the cooperative's interim 15-member board of directors on a divisional and sectoral representation basis<sup>36</sup> and to adopt the model articles and bylaws that were provided by BACOD.

Because of the, at least, indirect influence of Del Monte over the selection process, the first board of directors were close to corporate management. The cooperative president, Mr Reynor Casino, was a senior plantation supervisor and a workplace subordinate of a prime corporate representative in the CARP process, Del Monte's Industrial and Community Relations Manager Adrian Pabayo. Furthermore, Casino had actually been represented on the corporation's task force on CARP during its discussions with DAR officials<sup>37</sup>. The cooperative was duly registered as the Del Monte Employees Agrarian Reform Beneficiaries Cooperative, Incorporated (DEARBCI) on 6 December 1988, only six days prior to the scheduled arrival of President Aquino.

## Dole

On the Dole plantation, and at DAR's prompting, the corporation's personnel department selected and invited workers to attend a cooperative organisational meeting on 1 December 1988. This 'core group' of about 30 persons was almost entirely composed of technical, office and supervisory staff, the bulk of whom belonged to the TAPAZ-ALU union<sup>38</sup>. Although rank and file workers were also invited, work commitments meant that only one attended. This was Abraham Dar, the president of the rank and file union at Dole, PAMAO-NFL. The model articles and bylaws were adopted by the group and then the participants elected by secret ballot a 15-member board of directors on the basis of divisional representation<sup>39</sup>. Because a provision in the cooperative bylaws disqualified union officials from becoming cooperative directors (DARBCI Bylaws, Section 12.4), the first board of directors was solely comprised of non-rank and file workers. The newly formed cooperative adopted the name Dole Agrarian Reform Beneficiaries Cooperative, Incorporated (DARBCI).

However Mr Dar, the rank and file union president who had been barred from becoming a cooperative director, led a PAMAO-NFL campaign for a re-election of DARBCI's board. In a series of negotiations participated in by PAMAO-NFL and DAR officials, and the Governor of South Cotabato province, Ismael Sueno, it was agreed that the cooperative board should be elected under new arrangements that would ensure greater worker representation<sup>40</sup>. Underpinning the provincial government's and DAR's acquiescence in the union's demand was their desire to settle matters before President Aquino's scheduled visit on 12 December 1988 for the land award ceremony. A second organisational meeting was therefore held on 5 December 1988. In a general election participated in by nearly 4000 workers, a new board of directors was elected on a proportional union representation basis<sup>41</sup>. Eleven seats were allocated to PAMAO-NFL members, three to TAPAZ-ALU, and one to non-union candidates. Consequently, PAMAO-NFL members, including four union officials, dominated the new board of directors and elected themselves by bloc vote to the positions of chairman, vice-chairman, secretary and treasurer<sup>42</sup>.

## **NDC-Guthrie**

In the case of NDC-Guthrie, core groups for both the NGPI and NGEI plantations were formed at a meeting of some 80 employees on 11 October 1988. Selected by the corporation, those in attendance at the meeting were largely comprised of plantation supervisors and foremen and described by the corporation as 'responsible worker representatives'<sup>43</sup>. Two core groups, each of 25 persons, were formed and these then selected nine-person board of members on a divisional representation basis<sup>44</sup> and adopted the model articles and bylaws. The board of members of the new cooperatives and the smaller five-person board of directors, were dominated by high-level and non-unionized corporate employees.<sup>45</sup> Although four members of each board were rank and file workers, they still had foremen positions and none of them were represented on the board of directors. The NGPI and NGEI Agrarian Reform Beneficiary Multipurpose Cooperatives (hereafter referred to as the NGPI and NGEI cooperative respectively) were duly registered on 26 October, 1988.

The president of the rank and file union at NGPI, the Federation of Free Workers, complained that he had only been notified of the organisational meeting one week before and that DAR and people close to management dominated proceedings to the detriment of the majority of workers<sup>46</sup>. However, unlike the case of PAMAO-NFL at Dole, the union did not take protest action in response to the lack of union or worker representation in the new cooperative, probably because it lacked the organisational strength and membership unity of its Dole counterpart.

## **API**

On the API plantation, there was an attempt by the union to organise a cooperative but the corporation in conjunction with DAR thwarted this bid<sup>47</sup>. Instead, the 25-member core group were chosen by corporate staff on a non-proportional, employee category basis. In an organisational meeting held on 4 February 1989, the group selected its five-person board of directors and adopted the model articles and bylaws. The cooperative was incorporated as the API

Agrarian Reform Beneficiaries Multipurpose Cooperative (API ARB MPC). Its first five-man board of directors was dominated by technical, office and supervisory employees<sup>48</sup>. The president was an accountant and close associate of the expatriate plantation manager.

### **The articles of incorporation and bylaws of the cooperatives**

The articles of incorporation and bylaws that were adopted at the organisational meetings of the cooperatives were based on BACOD's model articles of incorporation and bylaws for production cooperatives. However DAR in conjunction with BACOD had modified them to make them more pertinent to the case of the MNCs. Feedback from the corporations was elicited during this process, with one of the most visible consequences of this being the provision that barred union officials from becoming cooperative directors.

Because the model articles of incorporation that were adopted pertained to the case of a production cooperative, they made provision for the plantation cooperatives to assume control over production on the land<sup>49</sup>. Yet while the stated purpose of the cooperative was to 'acquire, own, cultivate, develop and manage agricultural lands and other properties for the members' they could also 'enter into any form of agreement or contract in pursuance hereof' (Articles of Incorporation, Article 2.1). Thus provision was made for the leaseback arrangement established under Section 8 of CARP and favoured by the corporations. Furthermore, nowhere within the articles was the goal of eventual cooperative control of the land positively affirmed over that of lessee control, nor was any mechanism provided for such a transition.

Cooperative membership was restricted to qualified agrarian reform beneficiaries, as determined by DAR (Bylaws, Article 3:1). Membership rights were made coterminus with employment in the corporations and in the event of a member's retirement from the corporation, resignation from the cooperative or death, their share could only be transferred to other qualified beneficiaries

(Bylaws, Article 3:5). These provisions ensured, in line with the preference of the corporations, that only regular corporate employees could belong to the landowning cooperatives. Members reserved the right to participate in deliberations during membership meetings; vote on all matters brought before such meetings; seek any elective position; and examine and inspect cooperative records (Bylaws, Article 3:3).

With respect to the governance of the cooperative (Bylaws: Article 4), the final authority on all matters except the determination of qualified beneficiaries was vested in the general assembly. Among other things, the general assembly was empowered to determine amendments to the cooperative bylaws; exercise final authority 'on all matters vitally affecting the cooperative'; and to elect and remove with cause directors, officers and committee members (Bylaws, Article 4:3). An annual general assembly was mandatory and provision was made for special general assemblies. The attendance of more than 50% of the members constituted a quorum, but the assembly could proceed as long as 20% of the membership was present. The day to day business of the cooperative was to be administered by a 15 or 9 member board of members. These were to be elected for terms of two years by secret ballot at the annual general assembly. They were in turn empowered to elect a president, vice president, secretary, auditor and treasurer from among themselves, who were to constitute the board of directors. The board was constrained to follow pertinent laws, including RA.6657 and DAR regulations.

The allocation and distribution of net revenue and income of the cooperative was extensively covered (Bylaws, Article 8). Net revenue was defined in terms of land rentals minus land amortization payments, which were to be automatically deducted. A minimum of 60% of the net revenue was to be made available for distribution to members; any capital outlay that diminished this proportion needed the prior approval of the general membership. A ceiling of 30% of net revenue was placed on the operating budget of the cooperative. The remainder was to be allocated for the training and education of cooperative workers, the cooperative's general reserve fund, and to supplement any of the above-mentioned allocations. The bulk of the cooperative's net income, defined

Upon a 75% vote in favour and with the consent of DAR, members could opt to partition cooperative lands amongst themselves (Bylaws, Article 4:9). Finally, amendments to the articles of incorporation or bylaws could be made upon the majority vote of the members present at any general assembly, but these required DAR's endorsement before they could be formally registered and approved (Bylaws, Article 11:1). Thus DAR secured for itself a post-implementation role in monitoring the evolution of the cooperatives.

### **Land transfer**

On 27 September 1988 some 40,000 hectares of National Development Corporation land were transferred in ownership to the Republic of the Philippines, as represented by DAR, through a Deed of Sale contract and thus made available for redistribution by DAR<sup>50</sup>. This included all of the NDC agricultural lands that were under lease to the four pineapple and oil palm MNCs but excluded lands on the plantations that were devoted to residential, commercial and industrial purposes (Deed of Sale, Article 1). The exclusion of such lands reflected RA.6657's bias towards a reform that included only agricultural lands and not other plantation facilities or operations. The proportion of plantation land transferred on each case study plantation was substantial (see Table 6.4). The land transfer was subject to existing leases and all improvements on the land were to continue to be owned by the present lessee (Deed of Sale, Article 4.3 and 4.4).

Before 12 December the NDC agricultural lands were retransferred by DAR to the newly formed cooperatives on the plantations under separate Deeds of Award and Transfer. The cooperatives were recognised as:

Table 6.4: Plantation lands transferred and not transferred (hectares)

Corporation	Total NDC land	Private/ other land	Total plantation land	NDC land transferred	NDC land transferred to total plantation land (%)
Del Monte	8,700	10,465	19,165	8,020	42
Dole	9,124	3,195	12,309	8,964	73
NDC-Guthrie					
NGPI	4,249	NA	4,249	4,081	96
NGEI	4,081	NA	4,081	4,011	93
API	1,913	409	2,322	1,428	62

Source: Department of Agrarian Reform records, 1990.

the duly qualified entity that has the judicial personality to acquire, manage, enter into contract and/or do all things that may be necessary in exercise of ownership on behalf of its membership<sup>31</sup>.

However, cooperative lands could not be sold, transferred, leased or mortgaged, nor could any contract covering them be executed without the prior authority of DAR for a period of ten years or until such time as they had been fully paid for (Article 6). Furthermore the provisions of RA.6657 and the rules and procedures of DAR, including those that it may later promulgate or issue, were made an integral part of the Deed of Award and Transfer (Article 8). This included RA.6657's requirement that the cooperative re-enter into grower or lease agreements with the MNCs and to respect the existing MNC-NDC contracts in the interim. Thus, although title to the land was transferred to the cooperatives, the right to use or freely dispose of the land in any manner that they desired was not.

A price of P8,000 and P6,000 per hectare respectively for the pineapple and oil palm plantations, previously agreed to by DAR and the NDC, was placed on the land (Paragraph 2). The cooperatives had to repay this, in accordance with Section 26 of RA.6657, in 30 equal annual amortizations at 6% per annum.



Improvements that were part of, and permanently attached to, the land were included, except sheds, buildings and crops (Article 2). The latter were to be covered under a separate contract between the corporations and the new landowning cooperatives.

At ceremonies held on 12 December 1988 and extensively covered by the media, President Corazon Aquino personally distributed Certificates of Land Ownership and Award (CLOAs) to officials of the cooperatives. She declared:

Today we mark a milestone in the history of the Filipino farmer and in the history of the multinationals. We mark a milestone because we are distributing to a great number of Filipino farmers great stretches of agricultural lands that were operated and exclusively controlled by foreigners. In these lands, the Filipino farmers were mere workers and the foreigners were virtually the landowners and bosses ...(as quoted in AFRIM, 1990:25).

Through implying that only farmers were to be the recipients of the TNAC plantation lands and that the operation and control of such lands was also being transferred, this message distorted for political gain the real implications of CARP on the plantations. Furthermore, as noted by nationalist historian, Renato Constantino, the corporations 'received lavish praise for transferring ownership of lands never legally owned by them' (AFRIM, 1990:25-26).

### Summary

Although DAR was the leading implementing agency of CARP, it failed to take the initiative during the implementation process. Instead it allowed the MNCs, especially Del Monte, considerable scope to determine the programme parameters on the plantations. This, in part, reflected RA.6657's bias towards corporate interests and the department's lack of prior experience with land reform on large plantations. But it was also the result of the threat of MNC divestment and a politically-motivated implementation deadline. Consequently, programme parameters were status-quo, not reform, oriented. Collective

ownership as opposed to the subdivision of plantation lands was adopted and no mechanism was provided for the cooperatives to become more than mere lessors of their land. In contravention of RA.6657, all corporate employees regardless of the relationship of their job to the land or level of seniority were identified as qualified beneficiaries, thus facilitating corporate control over the cooperatives and plantation lands. Finally, petitions for plantation lands to be distributed in favour of tribal minorities were, to the corporations' advantage, ignored by DAR.

During the organisation of the cooperatives, and once again reflecting the influence of the corporations, the principle of sectoral as opposed to union representation was adopted. This coupled with the corporations selection, direct or otherwise, of the employees who attended the organisational meetings of the cooperatives, lead to the formation of cooperative leaderships that were more representative of corporate management than rank and file workers. The dominant union at Dole challenged this outcome. The union's strong membership support and the critical timing of its protest resulted in DAR acquiescing in the selection of a new cooperative board that was more representative of the union and rank and file workers.

Although the articles of incorporation and bylaws of the cooperatives were derived from models that pertained to the case of production cooperatives, they were appropriately modified by DAR to allow for the cooperatives to simply leaseback their lands. Given that the award of land to the cooperatives was made conditional on the observation of the leaseback provision of RA.6657, one fundamental right usually associated with landownership was not coterminously transferred: the right of the owners to use or freely dispose of the land in any manner they desired.

## Notes

- 1 Immediately after the passage of RA.6657, Del Monte management publicly threatened to divest if its continued lease of land was denied (*Business World*, 4 July 1988:1). NDC-Guthrie management warned DAR that its ongoing negotiations with the Commonwealth Development Corporation (CDC) concerning equity injection and possibly the development of an oil palm nuclei estate scheme, would be 'futile unless (the) CDC receives satisfactory assurances on the continued validity of our lease agreements' (Letter from the Director of Finance/Treasurer of NDC-Guthrie, Odette Uy-Panganiban, to DAR ASEC Salvador Pejo, 7 November 1988). The plantation manager of API told the media that he had temporarily shelved plans for the construction of an oil palm mill until such time that the 'possible effects of CARP on its present operations had been clarified' (*Manila Standard*, 12 January 1988:19).
- 2 Examples of union participation include a discussion between union and DAR officials on 3 May 1988, which preceeded negotiations between corporate representatives and the department, and the unions' presentation of 'their' CARP proposals to a mass gathering of workers on 28 August, 1988 (President of DEARBCI, Reynor Casino, 'Summary of Events Leading to the Formation of DEARBCI And the Signing of the Growers Contract', 1989; *Manila Chronicle*, 28 August 1988:5).
- 3 DAR, Memorandum from Rafael Fernando to USEC Jesli Lapus, 11 November 1988.
- 4 Personal interview with National Federation of Labour President 'Bong' Malonzo, Quezon City, 31 October 1991.
- 5 DAR officials had originally suggested that the cooperative's organisational groups and first board of directors be selected on a proportional union basis (DAR, Memorandum: On the Formation of the Cooperative for Del Monte, from USEC Briccio Tamparong to USEC Jesli Lapus, 17 October 1988). However, Del Monte counter-proposed proportional sectoral representation (DAR, File Memorandum: DMPI Meeting, ASMIN Office, 23 October 1988) and Dole argued that union representation was not necessary because cooperative members would 'cross party lines in voting for the most capable men to manage cooperatives' and that such a provision would be 'divisive' (DAR, Memorandum from BARDB Director Benjamin Olonan to ASEC Briccios Tamparong, 16 November 1988).
- 6 Personal interviews with the President of the Federation of Free Workers, Mr Vic Flora, NDC-Guthrie plantation, 31 July 1991, and President of the Associated Trade Union - Trade Union Congress of the Philippines, Ms Lila Dialo, 4 October 1991.
- 7 Worker 'participation' was basically limited to their completion of survey forms, the major part of which was a sworn statement to the effect that they owned less than 3 hectares of land (a criteria for qualification under CARP).

- 8 Personal interview with former Provincial Agrarian Reform Officer of Bukidnon, Mrs Antieta Borra, 15 June 1991.
- 9 On the basis of Del Monte's 1987 production and profit statistics, in 1987 the corporation would have had to pay the equivalent of one quarter of its net after-tax profit under the Production and Profit Share provision of CARP (*Business Journal*, No.64, August 1988:12,14).
- 10 Dole established a pineapple plantation and cannery in southern Thailand in 1972. Maintaining only a 1,750 hectare plantation, it obtains the bulk of its pineapple from some 800 contract growers (*Agribusiness Worldwide*, May-June 1991:8-10).
- 11 DAR accepted the figure of 0.8 hectares per employee that the pineapple corporations found convenient to quote. This failed to take into account the private lands leased by the corporation and worked on by the employees, and was based on the assumption that all employees, whatever their rank or type of work, would become programme beneficiaries.
- 12 DAR, Minutes of the Third Mindanao Meet, Camiguin Island, 30 September - 2 October 1988.
- 13 DAR, Memorandum from BARBD Director Benjamin Olonan to ASEC Briccio Tamparong, 19 November 1988.
- 14 At a meeting of DAR and corporate officials, the issue of the type of cooperatives to be formed was raised but it was agreed by high DAR officials that 'the least to do is to discuss in the dialogue and to present the beneficiaries the options and give them the negative and positive features of such choice, and match this with the prevailing conditions in the sector in which they are' (DAR, Minutes of the Third Mindanao Meet, Camiguin Island, 30 September - 2 October 1991). However even this was not undertaken.
- 15 DAR, Memorandum from Rafael Fernando to USEC Jesli Lapus, 11 November 1988.
- 16 Del Monte management noted that the 'basic purpose' of the cooperative, as seen by Del Monte employees, was 'ensuring the continuation of Del Monte in the Philippines and of their jobs with Del Monte (through the leaseback arrangement)' (Del Monte, Position Paper on CARP, 1989:6).
- 17 This is evidenced by the 1988 Position Paper of the Export Pineapple Industry, under which employment in the corporation was proposed as the general criteria for beneficiary qualification. It can also be seen in Del Monte's mobilization of both the plantation and cannery based-unions and employees into the lobby effort during the Congressional debate on CARP.
- 18 Del Monte, Position Paper on CARP, 1989:5.
- 19 Del Monte, Position Paper on CARP, 1989:5
- 20 DAR, File Memorandum: DMPI Meeting, ASMIN Office, Cagayan de Oro City, 23 October 1988.
- 21 DAR, Report of Meeting with Del Monte officials and Provincial Agrarian

- Reform Office representatives, DAR Region 10 Office, Cayan de Oro City, 13 October 1988.
- 22 DAR, Minutes of the Third Mindanao Meet, Camiguin Island, 30 September - 2 October 1988.
  - 23 DAR, MNC Status Report (as of 25 October 1988), from ASEC Briccio Tamparong to Secretary Philip Juico, 24 October 1988.
  - 24 According to the corporation, only the president and vice-president technically held the authority to 'hire and fire' or effectively recommend such (DAR, Update Report on NDC/DMPI Activities, 21 October 1988). Thus in the end DAR agreed upon excluding only those in managerial positions: assistant managers and senior supervisors were to be qualified beneficiaries (DAR, File Memorandum: DMPI Meeting, ASMIN Office, 23 October 1988).
  - 25 DAR, Trip Report on MNCs (21 October - 9 November 1988), from Rafael Fernando to USEC Jesli Lapus, 11 November 1988.
  - 26 Personal interview with Executive Vice President of the Manolo Fortich-Libona Farmers Association, Leonardo Cabeneros, Manolo Fortich, Bukidnon, 28 September 1991.
  - 27 DAR, Memorandum, from the MNC Committee to the Office of Legal Affairs, 23 September 1988.
  - 28 DAR, Status Report on DMPI, Guthrie and Mendeco Ops., from CESO II Regional Director Antonio Maraya to ASEC Briccio Tamparong.
  - 29 DAR, Memorandum, from PARO Antieta Borra to Secretary Philip Juico, 11 October 1991.
  - 30 Personal interview with Barangay Captain of Landan, Rudy Ante, Landan, South Cotabato, 28 September 1991.
  - 31 DAR, Memorandum from MNC Committee to Office of Legal Affairs, 23 September 1988.
  - 32 Personal interviews with Executive Vice-President of the Manolo Fortich-Libona Farmers Association, Leonardo Cabeneros, Manolo Fortich, Bukidnon, 20 September 1991, and the Barangay Captain of Landan, Rudy Ante, Landan, South Cotabato, 28 September 1991.
  - 33 ASEC Briccio Tamparong warned that the 'basis of cooperativism must first be established before any move to institutionalize the same can be made successful. Many cooperatives have collapsed particularly because of government desire to hasten the formation and register the same with very little concern whatsoever with the cooperativism movement. Any shortcomings...[of]...a hastily organized cooperative will have long term effects on the institution' (DAR, Memorandum: On Formation of the Cooperative for Del Monte, from ASEC Briccio Tamparong to USEC Jesli Lapus, 17 October 1989).
  - 34 DAR, Minutes of the Meeting Between the Del Monte Task Force and PARO Antieta Borra's DAR Group, Del Monte plantation, 10 October 1988.

- 35 The representation was as follows:

Employee Category	Plantation	Cannery
Supervisory	2	1
Monthly (non-supervisory)	3	2
Hourly	27	15

Source: President of DEARBCI, Reynor Casino, 'Summary of Events Leading to the Formation of DEARBCI and the Signing of the Grower Contract', 1989.

- 36 There was the following employee representation on the board:

Employee Category	Plantation	Cannery
Supervisors	1	1
Monthly (non-supervisors)	1	1
Hourlies	7	4

Source: President of DEARBCI, Reynor Casino, 'Summary of Events Leading to the Formation of DEARBCI and the Signing of the Grower Contract', 1989.

- 37 DAR, Minutes of the Meeting Between the Del Monte Task Force and PARO Antieta Borra's DAR Group, Del Monte plantation, 10 October 1988.

- 38 Personal interview with the Secretary of DARBCI, Cynthia Belarma, Dole cannery, 8 June 1991.

- 39 Representation on the board of directors was as follows:

Division	Number of representatives
Agriculture	4
Cannery	4
Operations	2
Industrial Relations	2
Engineering	1
Finance	2

(Personal interview with the Secretary of DARBCI, Cynthia Belarma, Dole cannery, 8 June 1991).

- 40 DAR, Minutes of meetings held between the Governor of South Cotabato and DAR, union and cooperative officials, Polomolok, South Cotabato, 1-4 December 1988.

- 41 DAR, Record: Second Organisational Meeting, Dole gymnasium, 5 December 1988.

- 42 DAR, Records: Meeting of Cooperative Officers, Polomolok, 6 December 1988.

- 43 Letter from NDC-Guthrie General Manager, Mr J. P. Lee, to the PARO of

Agusan del Sur, Mr Isidro Dublado, 7 October 1988.

- 44 The nine person boards had two representatives from each of their plantation's four constituent divisions, and one from the mill in the case of NGPI and office in the case of NGEI (Personal interview with the NGPI Cooperative President, Joel Benedicto, NDC-Guthrie plantation, 25 July 1991).

- 45 The positions in the corporation of the persons on the NGPI cooperative board of directors was as follows:

President	Senior field supervisor
Vice-president	Assistant field manager
Secretary	Assistant field manager
Treasurer	Finance clerk
Auditor	Field supervisor

(Personal interview with the President of the NGPI cooperative, Joel Benedicto, NDC-Guthrie plantation, 25 July 1991).

And with respect to the NGEI cooperative:

President	Assistant field manager
Vice-president	Senior field supervisor
Secretary	Field supervisor
Treasurer	Field supervisor
Auditor	Field supervisor

(Personal interview with the President of the NGEI cooperative, Samuel Apura, San Francisco, Agusan del Sur, 30 July 1991).

- 46 Personal interview with the President of the Federation of Free Workers, Mr Vic Flora, NDC-Guthrie plantation, 31 July 1991.
- 47 The president of the API branch of the Associated Labour Union, Lialo Dialo, had collated a list of union members that wanted to organize the land cooperative. To resolve the decision of whether DAR or the union was going to organize a cooperative, DAR, management and the union called a meeting of the workers. Although, by a show of hands, DAR was opted for, Dialo found that difficult to accept given the large number of union members that had demonstrated their prior support for union involvement (Personal interview with the former President of the API-ALU union, Ms Lialo Dialo, API plantation, 4 October 1991).
- 48 The position in the corporation of the people on the cooperative's board of directors were as follows:

President	Accountant
Vice-president	Plantation overseer
Secretary	Senior supervisor
Treasurer	Weeding foremen
Auditor	Mechanical electrician

(Personal interview with the Chief Administrator of API and former President of the API cooperative, Wilfredo Anota, API plantation, 23 July 1991).

- 49 The cooperatives were to teach their members how to 'engage in farming', the correct and proper use of production inputs', and how to 'produce marketing services, supply of agricultural inputs and other needs of the members at reasonable prices' and to 'encourage scientific production and marketing among the members' (Articles of Incorporation, Article 2).
- 50 Deed of Sale between the National Development Company and the Republic of the Philippines, as represented by the Department of Agrarian Reform, 27 September 1988.
- 51 Deed of Award and Transfer, between the Republic of the Philippines (through the Department of Agrarian Reform) and DARBCI, 6 December 1988, Paragraph 1.



## **CHAPTER SEVEN**

### **THE PROCESS AND OUTCOME OF THE GROWER AND LEASE NEGOTIATIONS**

The newly-formed cooperatives on the MNC plantations were constrained, by Section 8 of RA.6657, to negotiate new grower and lease contracts with the corporations. At a meeting of DAR and cooperative officials in late January 1989, the latter were given the official go-ahead to start direct negotiations with the corporations<sup>1</sup>. In this chapter the process and outcomes of the lease negotiations between the newly-formed cooperatives and corporations are examined.

#### **The multinational corporate pineapple plantations**

##### **Del Monte**

At the time of the meeting between DAR and cooperative officials in late January 1989, Del Monte had already submitted a proposed grower contract (see Appendix 3b) to the department<sup>2</sup>. Department officials briefed DEARBCI cooperative president Reynour Casino on this contract and then gave DEARBCI officials permission to negotiate directly with Del Monte on the basis of the

contract. The proposed contract was fundamentally a lease agreement<sup>3</sup> and was very similar in form and substance to the 1982 NDC-Del Monte growers contract and, implicitly, its predecessors. The term of the contract was 25 years, renewable on mutually agreed terms and conditions for another period of 25 years (Section 2). The arbitration of disputes was to be left to an arbitration committee of three persons, one each designated by the corporation and cooperative respectively, and the third to be designated by both, or the Regional Trial Court in the case of non-agreement (Section 20). Significantly, this excluded the government from intervening or mediating during any such disputes.

The rental payable under the proposed contract constituted a basic rental of P1,500 per hectare and a minimum production bonus of P200 per year (Section 3). This compared favourably with the P760 per hectare rental that Del Monte paid in 1988 in accordance with its 1982 agreement with the NDC and was equivalent to what Del Monte was paying under its CPGAs with private landowners<sup>4</sup>. However, there were two significant amendments to the 1982 contract that mitigated against the apparent rise in rentals. Firstly, and without precedent in the history of grower agreements between the NDC and Del Monte, the proposed contract classified the area it covered<sup>5</sup> and a much diminished rate of P75 and P2 per hectare applied to pasture and non-arable land respectively (Section 3), and taxes on these lands were to be for the account of the lessor (Section 5). Secondly, although the 7% automatic escalation of rentals provided in the 1982 contract was reiterated, the extraordinary inflation provision of the same was deleted (Section 3).

The board of DEARBCI met on 3 February 1989 to discuss the corporation's proposal<sup>6</sup>. They agreed to seek two amendments: to raise the basic rental from P1,500 to P3,000 per hectare and to increase the automatic escalation clause from 7% to 10%. In a meeting the following day, the DEARBCI board formally presented its position to Del Monte management<sup>7</sup>. The corporation requested time to consider the cooperative's proposed amendments and another meeting was rescheduled for 18 February 1989. At this second meeting, the DEARBCI board members abandoned their proposed

amendments and accepted in full the grower contract that the corporation had originally proposed<sup>8</sup>. On 21 February 1989, DEARBCI and Del Monte signed the contract.

The cooperative board's total acquiescence in the corporation's position was probably the result of 'behind the scenes' discussions between members of the two parties, and reflected the closeness and amenability of board members to DMPI management. It was the perceived generosity of the contract to the corporation that led to DAR's suspension of the same on 7 March 1989 (see below).

## Dole

As in the Del Monte case, officers of the land cooperative at Dole received permission from DAR to negotiate a grower contract with the corporation during the meeting held in late January 1989<sup>9</sup>. The first meeting of the cooperative's board of directors with management was on 20 February 1989<sup>10</sup>, one day prior to the signing of the DMPI-DEARBCI grower contract. The corporation's position was virtually identical to the DMPI-DEARBCI agreement (see Tables 7.1 and 7.2)<sup>11</sup>.

Table 7.1: Summary of the Del Monte plantation grower contracts

Contract	Date	Term (years)	Average rental per hectare (1988)	Escalation
NDC - Del Monte	July 1982	25 + 25	P760	7% automatic or 1/2 of inflation rate
DEARBCI - Del Monte (1)	February 1989	25 + 25	P1,400	7% automatic
DEARBCI - Del Monte (2)	January 1991	10 + 10	P2,440	7% automatic and 'reasonable adjustment'

Source: Various grower contracts (see text and Appendices 3a and 3b).

Table 7.2: Summary of the Dole plantation grower contracts

Contract	Date	Term (years)	Rental per hectare (1988)	Escalation	Non-lease related provisions
NDC - Dole	March 1983	25 + 25	P800	7% automatic or 1/2 inflation rate	NA
Dole proposal (1)	February 1989	25 + 25	P1,700	7% automatic	NA
DARBCI proposal	February 1989	5 + negotiable	P8,000	7% automatic or inflation rate	employment preference, fruit hauling rights, by-product utilization 12% profit share representation on Dole board of directors
Dole proposal (2)	January 1991	10 + 10	P3,200	7% automatic	NA

Source: Various grower contracts (see text).

The similarity between Del Monte's and Dole's proposed grower contracts was not coincidental and neither was the signing of the Del Monte-DEARBCI contract before Dole-DARBCI negotiations really got underway. Collaboration was in the mutual interest of the two pineapple MNCs, given the expectation that the DARBCI cooperative would not be as compliant as the DEARBCI cooperative in coming to an agreement that was favourable to corporate interests. The hasty signing of a grower contract between Del Monte and DEARBCI pre-empted the possibility that Dole-DARBCI negotiations could have adverse implications for Del Monte, and at the same time established a precedent for Dole that could only strengthen its negotiating position against its less amenable land cooperative.

The corporations' anticipation of the potential threat posed by DARBCI to their interests was well founded. At the 20 February 1989 meeting, the cooperative presented its own position to Dole<sup>12</sup>. It proposed a basic rental of P7000 and a production bonus of P1000 per hectare per year, which were both considerably in excess of the corporation's offer (see Table 7.2). These were to be adjusted annually by the inflation rate of the preceeding year, in contrast to Dole's proposed 7% automatic escalation. DARBCI sought a five-year contract term instead of the 25 year term proposed by Dole.

Furthermore, DARBCI's proposed terms and conditions went beyond the scope of a mere lease agreement. Under its proposal, DARBCI was given the right to select and provide 75% of the lessee's casual employment requirement, and for regular employment, all other things being equal, persons recommended by the cooperative were to be given priority over others. The cooperative sought exclusive rights over the use of byproducts from the cannery, essentially pineapple pulp that was sold as cattle fodder, and to become the sole hauling/trucking contractor for Dole. With respect to the land, the corporation was responsible for the maintenance of soil conservation during the lifetime of the contract and for soil fertility restoration before its expiration. The lessor reserved the right, subject to due notice and the harvesting of the pineapple crop, to utilize a portion of cooperative land for its own purposes. Finally, provision was made for DARBCI representation on Dole's board of directors and a net after tax corporate profit share of 12%.

The National Federation of Labour (NFL) union, affiliated to the radical Kilusang Mayo Uno (KMU), was largely responsible for the nature of the cooperative's proposed grower contract. Ibarra Malonzo, the national President of the NFL, summarised the union's position on agrarian reform as follows:

The true measure ... of land reform is seen in the degree of control that beneficiaries may exert in deriving value and deciding utilization of the land in consonance with their long-term interests (NFL, Press Release, 25 June 1989).

Guided by the principle that agrarian reform beneficiaries should seek control over operations on their land and the processing and marketing of its produce, the union offered advice and legal assistance to its affiliates on various

plantations covered under CARP, including the PAMAO-NFL union represented at Dole. Because four officers and seven other members of PAMAO-NFL were represented on DARBCI's board, they were in effect able to define the cooperative's long term objectives in the above-mentioned terms and to formulate a negotiating position that would be consistent with these objectives.<sup>13</sup>

During the course of further negotiations between Dole and DARBCI, the corporation was not responsive to the cooperative's proposals<sup>14</sup>. It made no concessions with respect to the rental, production bonus, escalation clause or term of the cooperative's proposed contract. Furthermore, Dole refused to discuss the cooperative's lease proposals in the context of the grower contract negotiations. On the issue of soil conservation and fertility restoration, Dole implied that there was no need for a contractual obligation because its technical experts were already attending to such matters. With respect to reserving land for the cooperative's use, the corporation agreed in principle but 'subject to guidelines on the size of the reserve land to be relinquished and the location of the land'. Dole's response to the cooperative's proposals were based on its objective of achieving a long term, low-cost lessee-lessor contractual relationship with DARBCI.

The divergent negotiating positions of Dole and DARBCI, arising out of their incompatible objectives, prevented any substantial progress in negotiations between the two parties. At a special general assembly called by the cooperative's board, the DARBCI board sought and was granted membership support to formally deadlock grower negotiations and to return cooperative land to the government in symbolic protest<sup>15</sup>. With negotiations still stalled seven months later, the DARBCI informed the corporation that it was terminating the lease agreement between the NDC and Dole, and gave it six months to harvest all of its crops and cease its operations on the cooperative's land<sup>16</sup>. Although both DARBCI's 'return of lands' to the government and its ultimatum to Dole passed without incident, it succeeded in arousing media attention on the status of CARP on the plantation.

### **The suspension of the Del Monte-DEARBCI grower contract**

Under the Deeds of Award and Sale covering the cooperatives' land (see Chapter 6), no contract concerning the same could be executed without the prior consent of DAR. The department had another legal basis for intervention in the form of Section 12 of RA.6657. This provision empowered DAR to 'review and adjust the rental structure for different crops, including rice and corn, of different regions in order to improve progressively the conditions of the farmers, tenant or lessee'.

The Department of Agrarian Reform's first direct involvement in MNC-cooperative negotiations came with its review of the 21 February grower contract between Del Monte and DEARBCI. This had been signed without the required prior approval of the department. The initial reaction of senior DAR officials to the contract was not favourable<sup>17</sup>. They considered the lease rental too low, its differentiation according to land type unfair given that the cooperatives were paying the same price for all lands, and the escalation clause insufficient. The officials were dissatisfied by the contracts' prolongation, seemingly indefinitely, of a lease arrangement. Since the contract 'lock[ed] up the resources of the cooperative for such a long period of time', ASEC Briccio Tamparong recommended that the contract should be ratified by both a new board of directors (as opposed to the interim one sitting) and a general assembly by majority vote. The potential political implications of the agreement for the Dole plantation were also noted by the same official:

It is probable that the DARBCI would capitalize on the DEARBCI contract and ask for higher rates. DAR must pre-empt and be clear on how to address press and media questions that the DEARBCI may have been short-changed.

Finally, the ASECs noted that whilst RA.6657 allowed leaseback, it was not the intention of Congress to allow the exploitation of such arrangements by the multinationals and that the agreement would not meet the expectations of some of the legislators.

Acting on the recommendations of his subordinates and somewhat 'put out' by the signing of the agreement without the department's prior approval (*Manila Chronicle*, 10 March 1989), DAR Secretary Juico announced the suspension of the DMPI-DEARBCI grower contract on 7 March 1989. In a meeting between Secretary Juico and DEARBCI officers a week later, DAR cited the unacceptability of the contract's low rental, escalation provision and long term<sup>18</sup>. A month later, DAR sent to DEARBCI a more comprehensive list of what it wanted renegotiated<sup>19</sup>. The department suggested, on the basis of an opportunity cost approach<sup>20</sup>, that a basic rental of P2,500 - P3,000 per hectare be sought, and that an extraordinary inflation clause be added. It also recommended that Del Monte be made liable for the property tax assessed on all cooperative lands and that the provision on arbitration be amended to restore DAR's jurisdiction.

Secretary Juico's suspension of the grower agreement was met with the unanimous disapproval of Del Monte management, and DEARBCI and union officials. The corporation asserted that the contract's rental and escalation clause were more than sufficient<sup>21</sup>. A further increase in rentals, it argued, would push up its already rising relative costs in the Philippines and cited the parent company's recent decision to finance a \$20 million expansion in Kenya as evidence of the declining international competitiveness of its Philippine operation (*Philippine Daily Inquirer*, 7 June 1988:B1:3). Del Monte claimed that rising relative costs had already caused it to reduce its discretionary spending, including social assistance, and would ultimately cause it to reduce its employment levels<sup>22</sup>. However such arguments were questionable, given both Del Monte's and Dole's continued operation of pineapple plantations in Hawaii, where rental and labour costs were considerably higher<sup>23</sup>. Del Monte argued that a 25 year term was rendered necessary by its long planning horizon and, furthermore, workers wanted assurance of long-term employment. It noted DAR's failure to justify a shorter term, aside from 'the inferred suggestion that the workers should 'takeover' long before 25 years have elapsed'<sup>24</sup>.

DEARBCI's president, Reynor Casino, reiterated that the suspension of the grower agreement had generated uncertainty over DMPI's future in the country<sup>25</sup>. He added that a 'radical group' was exploiting the situation and



warned that they had the potential to cause the failure of the cooperative and the government's CARP programme along with it. This was in reference to the NFL, which had added the agrarian reform issue to its ongoing union canvassing and organisational efforts amongst plantation workers. In April the union circulated a petition around DEARBCI members, eventually signed by 1,500 of them, which expressed the latter's rejection of the signed grower contract and called upon DAR Secretary Juico not to approve it<sup>26</sup>.

However, the presidents of the two unions that represented Del Monte workers, ALU-TUCP and BCSLU-WATU, expressed their immediate and solid support for the signed contract. They asserted that the cooperative's officers had 'obtained a fair and square deal for Del Monte employees' and that 'any further increase in rentals may ultimately work against the interest of the employees and affect not only their compensation and benefits, but also jeopardise their job security'<sup>27</sup>.

### **The framing of the Department of Agrarian Reform's compromise plan**

The Department of Agrarian Reform's follow-up of its suspension of the Del Monte-DEARBCI contract and its resolution of the impasse between Dole and DARBCI were inextricably linked. In part this was because of one of its legal justifications for intervention, Section 12 of RA.6657, which required it to adjust rentals according to crop type. Since Del Monte and Dole both grew pineapple, DAR's intervention in the leaseback negotiations on this basis meant that the department was constrained to derive one lease rental that was applicable to both plantations. Another factor linking the Del Monte and Dole cases was the deliberate similarity of the MNCs' negotiating position throughout their discussions first with their respective cooperatives and then with DAR. This meant that the department was in effect negotiating with one corporate party, not two.

The Department of Agrarian Reform's formulation of guidelines on the pineapple MNC contracts was hampered by a series of leadership changes in DAR. These had the effect of thwarting the emergence of a consistent

departmental approach. Secretary Philip Juico, responsible for the original suspension of the Del Monte-DEARBCI contract, was replaced in 1989 by Miriam Santiago. She was not supportive of DAR's intervention in the Del Monte case, asserting that:

the ownership of the land having been transferred to the farmer-beneficiaries, the disposition thereof in the manner they so desire is no longer in the jurisdiction of the government to dictate<sup>28</sup>.

However, to resolve the outstanding issue of DAR's suspension of the DMPI contract and in lieu of direct DAR intervention, she sought to encourage DEARBCI officers to renegotiate the terms, especially rental, of their grower agreement with the corporation (*Manila Chronicle*, 10 August 1989).

In January 1990 Florencio Abad was appointed by President Aquino to succeed Santiago<sup>29</sup>. A supporter of the original HB.400 during the congressional debate on agrarian reform, Abad had a reputation for his sincere and uncompromising commitment to redistributive land reform. Under Abad, a special DAR committee was formed to investigate and make speedy recommendations on the pineapple multinational grower contract issue and the DARBCI board was more optimistic that the department would intervene in its favour<sup>30</sup>. However, Abad had difficulty securing his position as DAR Secretary due to landowner and business interests within the House of Representatives' Commission on Appointments, coupled with his opposition to the conversion of agricultural land into a multinational industrial estate in contravention of RA.6657 (Tadem, 1991:17). The necessary approval of his appointment from the commission was not forthcoming and he tendered his resignation on 4 April 1990, before the DAR committee on multinationals had reported its recommendations.

Coinciding with Abad's three-month tenure as Secretary of Agrarian Reform was increased House of Representative scrutiny of the pineapple MNC lease issue. The House Committee on Agrarian Reform held a consultation with Del Monte workers to test their amenability to the terms and conditions of the 21 February grower contract<sup>31</sup>. Predictably the DEARBCI and union officers declared their and their members' support for the signed contract. However the

claim of DEARBCI's president that 80% of cooperative members had ratified the contract was not backed up by some of the workers present: one noted that even the consultation currently in progress had not been widely publicised. Some House members recommended that a cooperative board should be elected and a general assembly be called to ratify the contract, but they left it to cooperative members to discuss and act upon these recommendations.

The House Committee on Appointments, which had obstructed the confirmation of Abad's appointment as DAR Secretary, quickly approved of the President's choice of Abad's successor, Benjamin Leong. The new secretary was perceived by the press and farmer groups alike to lack a pro-peasant stance and the will to push through an effective implementation of CARP (Tadem, 1991:17-18). In May 1990 the committee on multinationals that had been formed during Abad's administration reported its recommendations on the Del Monte-DEARBCI contract (*Business World*, 1 June 1990:9). The committee proposed a uniform rental rate of some P3,000 per hectare and that this be annually adjusted by the inflation rate. It also recommended a maximum contract term of ten years; that the corporation be liable for property taxes assessed against all cooperative land; and that the arbitration committee be expanded to five, including a DAR appointee. These proposals were consistent with what DAR staff had suggested in Philip Juico's time, but the legacy of Abad's administration had ensured their formulation and reporting as committee recommendations.

However, DAR Secretary Leong did not immediately accept the recommendations of the committee. He was in favour of a longer term because 'plantation business should be allowed the opportunity to recoup their investments' (*Manila Chronicle*, 14 June 1990:1). Furthermore, DAR had no right to shorten the original contract's term because, as 'independent entities', it was entirely up to the corporation and cooperative to determine the length of the contract. Secretary Leong's comments came under criticism from peasant organisations, including the radical KMP and more moderate FFF, both of which alleged that he had a pro-landlord and multinational bias (*Daily Globe*, 25 June 1990:6; *Business World*, 25 June 1990:6). Another committee on multinationals was established by Leong and this, coupled with peasant criticism, caused the

DAR Secretary to backtrack. The new committee reiterated the need to set a 8-10 year maximum lease, as leaving it for the parties to decide would give 'undue leverage' to the multinationals (*Business World*, 25 June 1989:1) and a longer term would be 'disadvantageous for the farmworkers' (*Daily Globe*, 25 June 1989:6). The committee also adopted many of the other recommendations of its predecessor.

In July 1990 Secretary Leong proposed a 'compromise plan', based on his committee's recommendations, to resolve the issue of the Del Monte-DEARBCI contract and impasse between Dole and DARBCI. Incorporating a P3,000 per hectare rental and a 10 year term, it was rejected by Dole, which reiterated its offer of P1,500 and still sought what was in effect a 25 year term (*Business World*, 16 July 1990). Finally, in mid-October 1990 and after a series of negotiations with the corporations, Leong authoritatively gave guidelines on the grower contracts<sup>32</sup>. The rental was to be P3000 per hectare, provision was to be made for extraordinary inflation, and the term was restricted to a maximum of ten years, renewable upon the consent of both parties for another ten years. In addition, DAR was to be empowered to resolve any disagreement over the terms and conditions of the renewal of the contracts (*Philippine Star*, 31 October 1990:14).

It was not until January 1991 that the corporations accepted the guidelines. During this time, Dole responded positively to DARBCI's request, made on 15 November 1990, that 300 hectares be relinquished for the cooperative to use. The corporation insisted, however, that the specific area be identified through mutual agreement to ensure that the choice 'will be harmonious with and will not prejudice the operations of the company'<sup>33</sup>.

### **The implications of the Department of Agrarian Reform's compromise plan**

On 11 January 1991, Del Monte and DEARBCI signed an agreement that amended their February 1989 grower contract in accordance with the October 1990 DAR guidelines (see Appendix 3b). By doubling the basic rental from P1,500 to P3,000 per hectare (Section 1); providing for additional rental

escalation in the advent of extraordinary inflation (Section 2) and shortening the length of the contracts from 25 to 10 years (Section 4), the new agreement represented, from the lessor's perspective, a considerable improvement (see Table 7.1). However, it fell short of what some DAR officials had recommended. Only the rental for arable land was amended: the original rentals of P75 and P2 for pasture and non-arable land respectively remained in effect (Section 1). No specific formula was given for the escalation of rentals in the advent of extraordinary inflation: only a 'reasonable adjustment' was stipulated (Section 2). The department's role in arbitration was restricted to settling disputes between the parties over the terms and conditions of the renewal of the contract (Section 4), and the ratification of the contract was not required by an elected cooperative board or general assembly.

On the same day that Del Monte and DEARBCI signed their amended grower agreement, Dole also acceded to the same DAR guidelines and amended its proposed grower contract accordingly (*Business World*, 11 January 1991:9). However, DARBCI did not accept the guidelines, which had undermined its negotiating in two different ways. Firstly, they 'settled' some lease matters, including the rental payable, in terms that were relatively more favourable to the corporation than the cooperative (see Table 7.2). The P3,000 per hectare rental was based on the net return to corn production and not on the much higher (gross) return of P700,000 per hectare per year from pineapple production<sup>34</sup>. Secondly, because the departmental guidelines were confined to lease matters, they implicitly sanctioned the continuation of a narrowly-defined lessee-lessor relationship between Dole and DARBCI (and Del Monte and DEARBCI). This in effect cast doubt on the legitimacy of DARBCI's effort to include non-lease related matters in a grower contract. More generally, it prejudiced the cooperative's chances of becoming a participant in the production process on its land.

The negotiating position of DARBCI during 1991 remained, in many respects, the same as its original stance<sup>35</sup>. The cooperative's rental offer remained at a P7000 per hectare basic rental and a P1000 per hectares production bonus. It still sought the inclusion of a specific formula to calculate rental adjustment in the advent of extraordinary inflation, but was amenable to

the 10 year contract term proposed by DAR. Reflecting its disenchantment with the DAR guidelines, the cooperative sought to exclude the department from any role in the resolution of disagreements over the terms and conditions of the contract's renewal.

Some of the non-lease related matters in the cooperative's original proposal, including representation on the Dole board of directors and a 12% profit share, were noticeably absent in its 1991 proposals. But in memorandum of agreements attached to its proposed grower contract, the cooperative still sought the 'sole and exclusive right to provide the manpower and other allied services that the company needs and requires for jobs on the leased land and not available to or not accepted by its regular employees', the reservation of 30% of Dole's hauling and trucking needs for the cooperative, and corporate responsibility for soil conservation and fertility restoration.

Negotiations between Dole and DARBCI remained deadlocked. There was no rationale for Dole to make more concessions, given that its latest position conformed with the October 1990 DAR guidelines and RA.6657 guaranteed its continued use of plantation lands in lieu of a new grower agreement. For its part, the DARBCI board sought to unite membership support behind its position, specifically on the lease rental, at a General Assembly of the cooperative on 9 June 1991. Whilst support for the board's P7,000 per hectare demand was not unanimous, a majority of the membership voted in favour of the retention of this figure (DAR, Dagyaw, July-August 1991). On 1 July 1991 DARBCI sent its second ultimatum to Dole, this time setting a deadline of 31 August 1991 for the corporation to cease operations on the cooperative's land<sup>36</sup>. However, once again the ultimatum passed without incident<sup>37</sup>. The dual status of cooperative members as both Dole employees and collective landowners constrained the cooperative board's resolve and capability to enforce such ultimatums.

## **The multinational corporate oil palm plantations**

### **NDC-Guthrie**

In the case of the NDC-Guthrie plantation, the corporation and Department of Agrarian Reform were the major parties in the lease negotiation process, initiated in November 1988. The land cooperatives only became a direct participant in October 1989. This arrangement was facilitated by NDC-Guthrie's status as a 60:40 joint venture between a state-owned and foreign corporation. NDC nominees occupied the chair, vice-chair and other positions on the venture's board of directors<sup>38</sup>. The state corporation had a direct interest in the financial viability of the plantation, as it was the guarantor of P320 million or 60% of the international loan capital tied up in the project<sup>39</sup>. Given that the foreign partner, Kumpulan Guthrie Berhad, was not injecting new capital and seeking to sell its 40% share in the financially troubled venture, the NDC was anxious to attract a replacement investor. Furthermore, NDC-Guthrie had already started to default on its international debt. Yet no new foreign investment nor agreement by international creditors to reschedule the project's debt was likely to be forthcoming until security of land tenure could be guaranteed.

Several factors were conducive to the National Development Company's assumption of a major direct role in the lease negotiations. Firstly, as a state corporation, it was likely to exercise more control and leverage during the negotiation process via DAR than if direct negotiations between NDC-Guthrie and the land cooperatives, as prescribed in RA.6657, had been allowed. Secondly, the officers of the land cooperatives agreed to be left out from the negotiations because of their general amenability to NDC-Guthrie management. Finally, there was virtually no media or House of Representative attention to the progress of lease negotiations at NDC-Guthrie, unlike in the case of the relatively high-profile MNC pineapple plantations.

In early November 1988, a month before land transfer, NDC representatives on NDC-Guthrie attempted to seek DAR assurance that the venture's 1982/83 lease agreements with the NDC could continue until their due

expiry in 2007/08. The legality of this proposal rested on their contention that 'NGPI and NGEI are not MNCs as contemplated under Section 8 of RA.6657 and as defined under its implementing guidelines'<sup>40</sup>. This argument was not accepted by DAR and further discussions revolved around a draft lease agreement, still largely based on the 1982/83 lease agreements, that was submitted by the venture to the department for consideration<sup>41</sup>. Because of the intended formal corporate merger of the two NDC-Guthrie plantations, NGPI and NGEI, and also as a result of the crop-type basis of DAR's legal rationale for intervening in the lease negotiations, identical contracts between the venture and the NGPI and NGEI cooperatives were sought by both NDC-Guthrie and DAR.

By October 1989, there were still four outstanding issues remaining from corporate-departmental discussions: rental, improvements to the land and the renewability and assignability of the lease. In lieu of DAR's approval of NDC-Guthrie's position on these, the venture sought to elicit the consent of the officials and members of the land cooperatives directly<sup>42</sup>. For this purpose, a joint general assembly of the cooperatives was held on 2 November 1989, at which a management representative spoke on NDC-Guthrie's financial difficulties and then the two cooperative presidents presented the venture's position with respect to the four outstanding issues<sup>43</sup>. The venture's position on three of the items was voted on jointly, and approved by 60% of the membership, whilst in a separate vote the assembly expressed overwhelming support for a variable rental of 1.5% of net sales over 1989-1992 and 2% thereafter. The lease agreements between NDC-Guthrie and the NGPI/NGEI cooperatives were finally signed on 7 March 1990, though with DAR's explicit approval still pending.

The March 1990 contracts (see Appendix 4) were unambiguously lease agreements<sup>44</sup>. In several respects, they were more disadvantageous to the lessor than the 1982/83 agreements (see Table 7.3). Their basic rental of P635 constituted the dollar equivalent of what was payable in 1988 under the 1982/83 lease agreements (Section 2.1) but the rental was denoted in pesos as opposed to US dollars, thus deriving the lessor potential gains from further peso devaluation<sup>45</sup>. The variable rental component was reduced from 1.5% to 1.0%



Table 7.3: Summary of the NDC-Guthrie and API plantation lease agreements

Agreement	Date	Term (years)	Fixed rental per hectare (1988)	Variable rental
NDC-Guthrie NDC - NGPI NDC - NGEI  NDC - API	December 1982 January 1983  1982	25 + 25	US \$28,125 fixed (P630)	1.5 % net sales
NDC-Guthrie NGPI coop.- NGPI NGEI coop.- NGEI  API coop.- API (unsigned)	March 1990	25 + 25	P635	1.0 % net sales (1989-1995)  1.5 % net sales (1995+)

Source: Various lease agreements (see text and Appendix 4).

of the venture's net sales over the period 1988-1995<sup>46</sup>, before regaining the 1.5% provided for in the earlier contracts (Section 2.1). This fell far short of what was favoured by the 2 November 1989 joint general assembly of the cooperatives. The total rental payable in 1988 under the 7 March 1990 agreements, amounting to some P1,000 per hectare, was thus lower than the P1,200 payable under the previous 1982/83 agreements and considerably lower than the P2,400 that DAR had suggested to cooperative officials<sup>47</sup>. In contrast to the 1982/83 agreements, the lessor as opposed to the lessee of the land was to be burdened with land taxes (Section 2.1)

The lease contracts incorporated the original 25 year term starting from, and provided for in, the 1982/83 agreements (Section 1.1). The contracts could be renewed at the sole option of NDC-Guthrie for another period of twenty five years (Section 9.1). If there were any disagreements as to the terms and conditions of renewal, these were to be referred to an arbitration committee comprised of three members from each party, and a seventh jointly chosen by both (Section 9.1, 10.2). NDC-Guthrie had identified the issue of renewability

as a critical consideration of a potential investor, Raja Garuda Mas (RGM) of Indonesia. The venture had originally proposed the right of automatic renewal, with only a new rental being negotiable<sup>48</sup>. DAR was amenable to a 25 year term, given that this was the productive lifespan of oil palm trees, but sought to make renewal conditional on the parties' agreement to mutually accepted terms and conditions. Under the final provision and with the assurances of the cooperative leaders, RGM was confident that it could secure the renewal of the leases on substantially the same terms and conditions<sup>49</sup>.

The March 1990 lease agreements each provided for the setting aside of 50 hectares of land, designated by the corporation, for the cooperative's own use (Section 1.2). However these were to be explicitly used for cooperative livelihood projects and not planted in oil palm or leased to any other person or party (Section 1.3). Furthermore, the venture was to be the sole designate of the area. Corporate management justified these conditions on the basis that the company wanted to ensure it had priority over lands that were suitable for oil palm production<sup>50</sup>. Given that lands that were not planted in oil palm either had rocky soils or were subject to frequent flooding, the agricultural potential of the designated area was not likely to be high. A specific provision in the lease applied in the eventuality that cooperative members, by a 75% vote, opted for the partition of plantation land (Section 5). The new individual owners of the cooperative's former land were obliged to respect the existing lease agreement for the entire duration of its term, and its renewal. A person or body designated by the landowners would receive rental income and negotiate conditions of renewal on their behalf.

Finally, a provision in the March 1990 agreements granted the lessee freedom to assign or mortgage its rights under the agreements, subject to the lessor's consent, with such consent not being 'unreasonably withheld' (Section 7). NDC-Guthrie sought the inclusion of this provision because international creditor's required it as part of their debt restructuring arrangement with the venture. The provision meant that the cooperative did not have complete freedom to decide upon what to do with its land in the event of the financial collapse of the venture.

### **Agusan Plantations, Incorporated**

There was an absence of any leaseback negotiations between API and the API ARB MPC board of directors. The API cooperative board merely adopted the lease agreements concluded on the NDC-Guthrie plantation on 7 March (see Appendix 4), substituting names and areas where appropriate<sup>51</sup>. One difference was that the fixed rental, as in the 1982-83 lease agreements, was denoted in US dollars as opposed to pesos (Section 2.1). Another difference was the provision of only 25 hectares instead of 50 hectares of land for cooperative livelihood projects (Section 1.2). This, however, was commensurate with its smaller plantation area and cooperative membership.

One of the reasons for API's adoption of a similar lease agreement to the one concluded at NDC-Guthrie was DAR's policy of facilitating an intra-industry lease rental. Departmental officials actually gave a copy of the signed March 1990 agreement to cooperative officials at API and suggested that they use this as a model<sup>52</sup>. Another explanation was the focus of the NDC's lease negotiation with DAR on the NDC-Guthrie plantation. This arose out of the early programming of the NDC-Guthrie plantation for land transfer coupled with the NDC's relatively greater interest in the venture<sup>53</sup>. Finally, the cooperative's board of directors, occupied by persons close to management, displayed no initiative in seeking lease negotiations with the corporation. The first cooperative President, Fred Anota, actually suggested that the cooperative's lands were best returned to the government<sup>54</sup>. Their lease agreement, derived from the NDC-Guthrie case, has not been signed by either the cooperative or the corporation.

### **Summary**

The progress of the negotiations over new grower contracts on the two pineapple plantations differed substantially. On the Del Monte plantation, the closeness and amenability of the DEARBCI cooperative leadership to Del

Monte management resulted in the cooperative's speedy acceptance of the corporation's proposed contract. Fundamentally a lease agreement, and based on the 1982 NDC-Del Monte growers contract, the new agreement was suspended by DAR because of its perceived unfairness to the lessor and because it failed to increase the owner's long-term options with respect to their land. At Dole, the corporation adopted the same position as Del Monte but this was not accepted by the union-dominated DARBCI leadership, which sought to increase its options with respect to the land in the long term and thus tailored its negotiating position accordingly.

The Department of Agrarian Reform was slow to come up with guidelines on the contracts, in part because of the reluctance of its top leadership to impose a solution on either plantation. However when guidelines were finally issued, they represented a compromise in favour of the corporate position. Whilst bringing about a partial improvement of the terms and conditions of the original Del Monte-DEARBCI lease, the guidelines implicitly sanctioned the continuation of a narrowly defined leaseback arrangement and established no means by which the cooperatives could assume greater responsibilities over their land before the grower contracts came up for renewal. Thus the long term objectives and related short term negotiating position of the DARBCI cooperative were prejudiced by the government's guidelines. With the cooperative refusing to accept the guidelines, a stand-off continued on the Dole plantation.

In the case of NDC-Guthrie, direct negotiations were held between the NDC and DAR long before the land cooperatives became involved. This arrangement was abetted by the joint venture status of NDC-Guthrie, which gave the NDC a substantial interest in ensuring the financial viability of the plantation project. When the venture finally sought the participation of the land cooperatives, it did so only to elicit their support for its position on outstanding negotiating points that DAR was otherwise unwilling to approve of. The closeness of the cooperatives' officers to management ensured that they were willing to be used in this manner. Consequently, the final agreements remained essentially lease agreements, contained a lower rental than that provided for in the 1982/83 lease agreements, and surrendered the cooperative's usufruct rights

over its land for in effect 50 years. Although DAR's approval is still pending, the failure of it to suspend or nullify the contract by the end of 1991 contrasts with its decision to suspend the equally unfair Del Monte-DEARBCI growers agreement.

No lease negotiations have been held on the API plantation. Instead a copy of the NDC-Guthrie contract has simply been adopted. This situation arose out of DAR's desire for an intra-industry rental, the NDC's greater interest in the NDC-Guthrie project, and the closeness of the API cooperative's leadership to corporate management.

### Notes

- 1 DAR, Memorandum: Ref. Lease Contract, from ASEC Briccio Tamparong to USEC Salvador Pejo, 27 February 1989.
- 2 President of DEARBCI, Reynor Casino, 'Summary of Events Leading to the Formation of DEARBCI and the Signing of the Growers Contract', 1989.
- 3 Del Monte was granted exclusive use and occupation of the land (Proposed Grower Contract between DEARBCI and Del Monte, Section 1); DEARBCI had not claim to its produce aside from the rentals payable under the agreement (Section 4); the employment of workers on the land remained the sole prerogative of the corporation (Section 6); and the corporation reserved the right to construct, transfer or remove improvements at any time (Section 7).
- 4 DAR, Memorandum Re: Land Rental on Dole and Del Monte Plantations, from Arsenio Balisaoan and Elsa Tuiza to ASEC Tolentino, 15 December 1988.
- 5 The land was classified as arable (6,089 has.), pasture (1,227 has.) and non-arable (704 has.) (Section 1).
- 6 President of DEARBCI, Reynor Casino, 'Summary of Events Leading to the Formation of DEARBCI and the Signing of the Grower Contract', 1989.
- 7 President of DEARBCI, Reynor Casino, 'Summary of Events Leading to the Formation of DEARBCI and the Signing of the Grower Contract',

- 1989.
- 8 President of DEARBCI, Reynor Casino, 'Summary of Events Leading to the Formation of DEARBCI and the Signing of the Grower Contract', 1989.
- 9 DAR, Memorandum: Ref. Lease Contract, from ASEC Briccio Tamparong to USEC Salvador Pejo, 27 February 1989.
- 10 DARBCI, Minutes: Initial Talks with Dole Management, Dole plantation, 20 February 1989.
- 11 Comparision of Grower Contract Between DEARBCI and Del Monte, 21 February 1989, and Proposed Grower Contract of Dole, February 1989.
- 12 DARBCI, Records: Points of Negotiation, 20 February 1989.
- 13 Possible options envisaged by the union were a joint venture with Dole, under which its land would constitute its equity contribution in the venture, and an independent growers scheme, under which DARBCI would sell its produce to the multinational (NFL, Press Release, 25 June 1989).
- 14 Letter from the Industry Affairs Director of Dole, Mr Luisito Goduco, to the President of DARBCI, Nonie Tiala, 4 July 1989.
- 15 DARBCI, Minutes of General Assembly Meeting, 29 October 1989. The DARBCI board followed up the resolution made at the meeting by asking President Aquino firstly to declare the Del Monte-DEARBCI contract null and void and secondly that an amendment be made to Section 8 of RA.6657 so that the status quo, in the form of the 1982 NDC-Dole agreement, would no longer be allowed to continue in lieu of Dole and DARBCI reaching a new agreement (Letter from DARBCI Board to President Aquino, 21 December 1989).
- 16 Letter from the Board of Directors of DARBCI to the General Manager and Vice-President of Dole, Thomas Oliver, 1 March 1990.
- 17 DAR, Memorandum: Ref. Lease Contract, from ASEC Briccio Tamparong to USEC Salvador Pejo, 27 February 1989; Memorandum: Growers Contract, from ASEC Renato Padilla to Secretary Philip Juico, 7 March 1989.
- 18 President of DEARBCI, Reynor Casino, 'Summary of Events Leading to the Formation of DEARBCI and the Signing of the Grower Contract', 1989.
- 19 President of DEARBCI, Reynor Casino, 'Summary of Events Leading to the Formation of DEARBCI and the Signing of the Grower Contract', 1989.
- 20 DAR had undertaken its own investigation into the issue of multinational lease rentals. The department had derived the figure of P3,000 per hectare by using two opportunity cost approaches, both of which treated hybrid corn (the predominant crop grown in the vicinity of the pineapple plantations) as the foregone opportunity (DAR, Memorandum: Re. Land Rental on Dole and Del Monte Plantations, from Arsenio Balisaoan and Elsa Tuiza to ASEC Bruce Tolentino, 15 December 1988).
- 21 Del Monte defended the P1,700 per hectare rental and production bonus on the grounds that it was twice what was previously paid to the NDC,

more than what it paid to private landowners under CPGAs, and far in excess of P500-800, the going lease rate for agricultural lands in Bukidnon. With respect to the escalation provision, Del Monte argued that it was sufficient because the cooperative's land amortization repayments were fixed at P581 per hectare and in the event of massive inflation, the corporation would 'protect the incomes of Del Monte employees without the need for a contractual obligation' (Del Monte, Position Paper on CARP, 1989:6-7).

- 22 Del Monte, Position Paper on CARP, 1989:7.
- 23 In 1972, for example, field workers on Dole's pineapple plantation in Hawaii were paid over US\$2.50 per hour whereas the equivalent workers on Dole's pineapple plantation in the Philippines received only the equivalent of US\$0.09 per hour (IBON, 1973:41-42). Given that Dole didn't cease its plantation operation in Hawaii until 1992, it was able to tolerate large differences in the comparative costs of its operations for a long period. This suggests that the corporations are able to incur - increasing land costs in the Philippines without having their profitability seriously eroded, and that increasing comparative costs will only cause them to reduce or relocate their operations in the long term.
- 24 Del Monte, Position Paper on CARP, 1989:8.
- 25 Letter from the President of DEARBCI, Reynor Casino, to DAR Secretary Philip Juico, 23 April 1989.
- 26 Petition from the Del Monte Employees for Genuine Agrarian Reform (DEMEGAR) to DAR Secretary Philip Juico, April 1989.
- 27 Joint letter from the Presidents of ALU-TUCP and BCSLU-WATU-TUCP, Roberto Desamparado and Amado Emata respectively, to DAR Secretary Philip Juico, 8 March 1989.
- 28 Minutes of the House Committee on Agrarian Reform, Third Regular Session, Second Full Committee Meeting, 4 August 1989.
- 29 At about the same time that Florencio Abad was appointed as the Secretary of DAR, the General Manager and Vice-President of Dole Philippines, Incorporated over 1983-1988, Senen Bacani, was appointed as the Secretary of Agriculture.
- 30 Letter from the Board of Directors of DARBCI to DAR Secretary Florencio Abad, 1 March 1990.
- 31 House Committee on Agrarian Reform, Minutes of the Consultation Conducted by the Committee on Agrarian Reform with the Workers of Del Monte Philippines, Incorporated, on 4 March at Camp Philips, Del Monte [plantation], Manolo Fortich, Bukidnon.
- 32 Letter from DAR Secretary Benjamin Leong to the General Manager of Dole, Thomas Oliver, 17 October 1990.
- 33 Letter from the Accountancy and Government Services Manager of Dole, B. Perez, to the Board of Directors of DARBCI, 26 November 1990.

- 34 The P700,000 per hectare gross production figure is based on Dole's agricultural production statistics for the year 1991.
- 35 DARBCI, proposed Grower Contracts, 1991.
- 36 Letter from the DARBCI Board of Directors to the General Manager and Vice President of Dole, Thomas Oliver, 1 July 1991.
- 37 Personal interview with a Director of DARBCI, Fred Corporal, Polomolok, South Cotabato, 26 September 1991.
- 38 Securities and Exchange Commission, General Information Sheets (NDC-Guthrie Plantations and NDC-Guthrie Estates, Incorporated), 1991.
- 39 Letter from the Finance Director and Treasurer of NDC-Guthrie, Uy Panganiban, to DAR USEC Salvador Pejo, 7 November 1988.
- 40 Letter from the Finance Director and Treasurer of NDC-Guthrie, Uy Panganiban, to DAR USEC Salvador Pejo, 7 November 1988.
- 41 Personal interview with the Deputy Finance Manager of NDC-Guthrie, Manny Abisana, NDC-Guthrie plantation, 31 July 1991.
- 42 Letter from the President and Board Chairman of NDC-Guthrie, Hector Quesada, to DAR ASEC Briccio Tamparong, 4 October 1989.
- 43 DAR, Minutes of the NGPI/NGEI ARB MPC General Assembly Meeting, NDC-Guthrie plantation, 2 November 1989.
- 44 The lessee was granted 'absolute discretion' over the cultivation, harvesting and marketing of its produce, and the cooperative had no claim whatsoever to this; the management of the venture's business operations, including those pertaining to labour and security, were to be in the 'absolute control' of the lessee; NDC-Guthrie was allowed to plant more oil palm or construct improvements on the land without the lessor's consent (Section 4).
- 45 Between 1988 and 1990, the Peso/US\$ exchange rate fell from P21.3 to P26.4. If the fixed rental had remained denoted in US dollars, annual Peso fixed rental earnings would have risen by 24% over the same period.
- 46 The temporary reduction in variable rental represented a 'compromise' of the venture's request in October 1989 to be alleviated of all variable rental payments over the period 1988-1992 because of its financial problems (Letter from the President and Board Chairman of NDC-Guthrie, Hector Quesada, to DAR ASEC Briccio Tamparong, 4 October 1989).
- 47 Personal interview with the President of the NGPI cooperative, Joel Benedicto, NDC-Guthrie plantation, 26 July 1991.
- 48 Letter from the President and Board Chairman of NDC-Guthrie, Hector Quesada, to DAR ASEC Briccio Tamparong, 4 October 1989.
- 49 Personal interview with the President of the NGPI cooperative, Joel Benedicto, NDC-Guthrie plantation, 25 July 1991.
- 50 Personal interview with the Deputy Finance Manager of NDC-Guthrie,



Manny Abisana, NDC-Guthrie plantation, 31 July 1991.

- 51 Lease Agreement between API ARB MPC and API, 1991 (unsigned).
- 52 Personal interview with the Chief Administrator of API and former President of the API cooperative, Wilfredo Anota, API plantation, 23 July 1991.
- 53 The NDC had more involvement with NDC-Guthrie as opposed to API in terms of equity (60% versus 10%), positions on the board of directors (4-5 versus 0), and as a loan guarantor (P310 million versus P0) (Securities and Exchange Commission, Metro-Manila).
- 54 Wilfredo Anota, 'API ARB MPC Backgrounder', 1990.

## **CHAPTER EIGHT**

### **ONGOING COMPREHENSIVE AGRARIAN REFORM PROGRAMME ISSUES AND THEIR IMPLICATIONS FOR LAND TENURE**

With all the new cooperatives except DARBCI having entered into leaseback arrangements with the MNCs, the prospect of them assuming more control over their land in the short to medium term was highly unlikely. In this chapter, ongoing CARP implementation issues are identified and their implications for future land relations are evaluated.

#### **The solidity of land ownership**

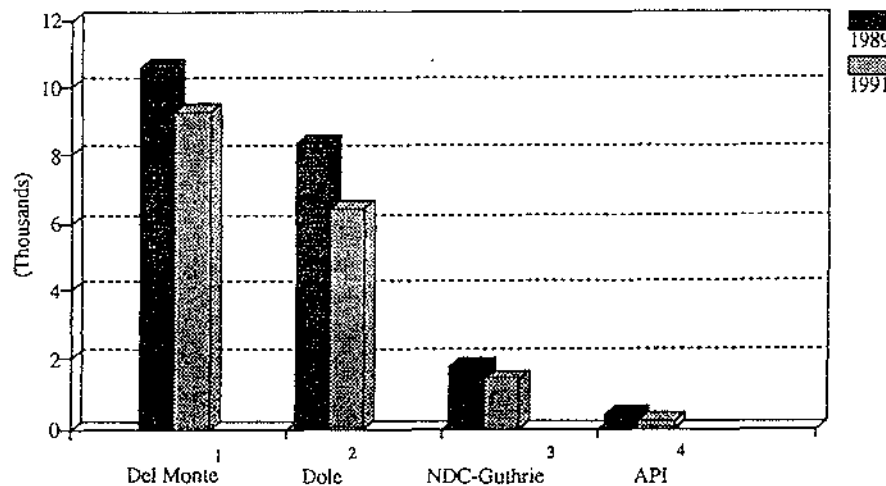
Ongoing delays in land valuation and compensation undermined the MNC land cooperatives' consolidation of their ownership of plantation lands. Although the NDC, DAR and the cooperatives accepted in 1988 a price of P8,000 and P6,000 per hectare for pineapple and oil palm plantation lands respectively, the takeover of the function of CARP land valuation in June 1990 by the Land Bank of the Philippines (LBP) nullified these valuations. The LBP instead required that the land transfer from the NDC to the cooperatives via DAR be reprocessed as a Voluntary Offer of Sale and that the pertinent land valuation procedures be followed. Given the unsuitability of the latter in the

case of the former NDC lands, no valuation had been decided upon by the end of 1991 and the NDC had not been compensated by the LBP. The delays could well have been purposeful, given the Land Bank's preference for pursuing private sector financing opportunities rather than allocating funds for landowner compensation under CARP.

The processing delays became particularly significant in light of a 1989 Supreme Court ruling that no transfer of land to beneficiaries under CARP could be finalised until such time that the former landowner had been fully compensated. This ruling in effect rendered questionable the cooperatives' status as landowners, pending the payment of compensation to the NDC. Furthermore, the land cooperatives could not begin amortizing their lands until the valuation and compensation issues had been resolved. Given that the completion of land amortization payments was required before the cooperatives' Certificates of Landownership and Award (CLOAs) transformed into actual land titles, the cooperatives' ownership of the former NDC lands remained unconsolidated.

The question of whether cooperative membership should be coterminous with employment with the relevant MNC was still the subject of ongoing discussions in 1991 and this will effect individual member's security of landownership. It was of particular relevance given that many original cooperative members were no longer employed with the MNC plantations as a result of regular workforce reductions (see Figure 8.1). The decline in regular employment levels on the pineapple plantations reflected a long-term trend, whereas on the oil palm plantations they were the result of redundancy programmes implemented largely in response to a sizeable increase in the minimum legislated wage in 1989. Particularly in the case of Dole and API, regular workers were replaced with non-unionised and cheaper contractual or casual workers<sup>1</sup>.

Figure 8.1: Regular work forces of Del Monte, Dole, NDC-Guthrie and API (1989 and 1991)



Sources:

1. Department of Agrarian Reform records, 1989; Securities and Exchange Commission, 1991, General Information Sheet (Del Monte Philippines, Incorporated).
2. Supplied by Dole Agrarian Reform Beneficiaries Cooperative, Incorporated (DARBCI), September 1991.
3. Supplied by NDC-Guthrie management, October 1991.
4. Supplied by API management, October 1991.

Whilst the original bylaws of the cooperatives unequivocally stated that cooperative membership was coterminous with employment (Article Three, Section 5:b), DAR later, in accordance with international cooperative law, ruled that members that were no longer employed with the corporations were entitled to retain their membership in the cooperatives. Furthermore, the department adopted the policy of not allowing the admission into the cooperatives of corporate employees who had gained regular employment with the corporation after 15 June 1988, the date CARP was enacted. These decisions ran counter to the corporations' preference for keeping cooperative membership coterminous with employment and undermined their long-term security of land term by allowing people with no ongoing interest in the corporations to share ownership of plantation land<sup>2</sup>.

Del Monte made a concerted effort to bring about a modification of DAR policy<sup>3</sup>. The interim DEABCI board, acting in the corporation's interest, was seeking several amendments to its bylaws that would allow a partial and subtle

circumvention of DAR policy<sup>4</sup>. On the Dole plantation, the issue of the stalled grower contract negotiations overshadowed that of cooperative membership. As of October 1991, DARBCI retained its original membership of 7,600 persons but the number of its participating members was declining due to the corporation's major redundancy programme<sup>5</sup>.

In the case of the NDC-Guthrie plantation and in accordance with DAR policy, the NGPI cooperative board had taken several measures, including the amendment of their original bylaws and the issuing of certificates of lifetime membership, to ensure that members could retain their cooperative membership after the termination of their employment by the corporation<sup>6</sup>. Subsequently only a small number of original cooperative members had resigned despite the large-scale redundancy programme on the plantation. The NGEI cooperative was adopting a similar approach<sup>7</sup>. However, in the case of the API plantation, the cooperative board adopted the strategy, in contravention of DAR policy, of automatically terminating the membership rights of persons who are no longer regularly employed by the corporation<sup>8</sup>. Consequentially, there was a substantial shrinkage in the membership levels of the cooperative, from 175 to 125 persons<sup>9</sup>.

### **Cooperative rental income**

Rentals paid by the corporations to the cooperatives for use of their land constituted the most immediate benefit accruing to cooperative members from their grower or lease contracts with the MNCs, and in the longer term a means of building up the financial base and thus options of the cooperatives. Yet the degree to which the corporations had paid their rental obligations varied widely amongst the different case studies. Del Monte had paid its rental obligations under the February 1989 growers contract and DEARBCI subsequently, in several disbursements, distributed a proportion of these to cooperative members. Outstanding, however, was its retrospective payment of the difference between the lease rates contained in the February 1989 contract and the January 1991

amended grower contract in the form of support for cooperative livelihood projects. These payments were awaiting the cooperative's identification and selection of projects<sup>10</sup>.

Because of the lack of a new growers agreement at the Dole plantation, the corporation was obliged, under RA.6657, to make payments for 1,000 hectares of land in accordance with the 1983 NDC-Dole growers agreement. However, it had failed to do so despite the request of DARBCI<sup>11</sup> and the recommendation of provincial DAR officials<sup>12</sup>. This constituted a government-sanctioned effort by Dole to deny DARBCI financial resources.

As of the end of 1991, NDC-Guthrie had only paid P500,000 of the approximately P12 million rental owing under its March 1990 lease agreements with the NGPI and NGEI cooperatives<sup>13</sup>. This was received by the cooperatives in May 1991 and P500 was subsequently distributed to each member. The venture's justification for the deferment of its rental payments has been its financial difficulties. However these financial difficulties were related to its debt serving rather than plantation operations per se, on which it was still making a significant profit despite the global decline in crude palm oil prices<sup>14</sup>. In effect, the deferment of its rental payments represented the transfer of the venture's foreign debt servicing problems from itself to the lessors of the plantation land. The partial payment of rental stimulated the cooperative board and members to demand more rapid payment<sup>15</sup>. Because of the lack of a new lease agreement on the API plantation and the absence of DAR pressure for it to observe its 1982 agreement with the NDC, no rental payments have been made to the cooperative.

### **Cooperative activities**

The engagement of cooperatives in business operations, whether or not directly pertaining to plantation production, could have helped to build up the financial resources and managerial capability of the cooperatives, thus ultimately

raising their potential to assume a greater control over plantation operations. The constitutional framework of the cooperatives gave them a broad mandate to engage in a potentially large range of activities, but under their grower contracts and lease agreements with the corporations they surrendered usufruct rights over all their lands, except the small plots allocated for their use, and forfeited all claims to the plantations' produce. Thus their participation in production on plantation land or the processing of its produce was entirely at the discretion of the corporations. Profits from all cooperative business operations contributed to the cooperatives' net income, the bulk of which was returned to the membership via a patronage refund and/or interest on capital (Bylaws, Article 8, Section 2).

Although DEARBCI was originally conceived by both Del Monte and its interim board as only a land-holding cooperative, it was planning to engage in 'livelihood enhancement' projects in accordance with a stipulation in the January 1991 grower contract. Activities that the cooperative was tentatively considering included fruit hauling/trucking, cattle raising (not on the cooperative's land) and petrol station operations<sup>16</sup>.

In contrast to DEARBCI, DARBCI had always been far more ambitious, demanding the right to handle the corporation's casual employment, fruit hauling and by-product utilization operations as an integral part of its position during the grower contract negotiations (see Chapter Seven). Furthermore, DARBCI was attempting to attract investor interest via a Manila-based NGO in the 300 hectares of land that Dole had agreed in principle to let it use<sup>17</sup>. Whilst these activities would have given the cooperative a significant role in the pineapple production process and increase its options with respect to the land, its attainment of them was contingent on progress in the deadlocked grower contract negotiations.

The cooperatives on the NDC-Guthrie plantation, especially the NGPI cooperative, were involved in, or planning to undertake, a variety of different activities<sup>18</sup>. These include the operation of consumer stores on the plantation, previously run by a private concessionary, since early 1989, and the use of funding in 1991 under a Department of Trade and Industry programme for the purpose of allowing cooperative members to engage in small-scale

manufacturing activities, such as candle, floor wax and soap-making projects. By the end of 1991, neither cooperative had given the necessary 12 month's notice for the venture's identification and release of the 50 hectares of land allocated for cooperative livelihood projects under the March 1991 lease contracts<sup>19</sup>.

An activity that pertained more to the plantation production process was the NGPI cooperative's hauling of fruit bunches to the mill site on a contract basis with NDC-Guthrie, using a truck that it purchased in December 1990 with the assistance of a LBP loan. The truck replaced the slower and more expensive corporate tractor-trailor units that previously performed this task. The NGPI cooperative also planned to supply NDC-Guthrie with fertilizer and pesticides. It was in an advantageous position to do this on a cost-competitive basis because of the exemption of cooperatives from import taxes on these goods. The corporation thus benefits from the cooperative's involvement in fruit hauling and possibly input supply because of the cost-reduction potentialities involved. The extent to which the cooperative will be able to capture benefits from these activities has yet to be seen.

For the longer-term, the NGPI cooperative was considering the establishment of a processing plant for crude palm oil. But NDC-Guthrie management had displayed a preference for selling its crude palm oil to external buyers and the venture's new foreign partner, RGM, was considering establishing its own processing plant in conjunction with the NDC<sup>20</sup>. The approval of NDC-Guthrie was still pending regarding another cooperative proposal, that of establishing a palm kernel crushing plant. In both cases NDC-Guthrie's consent was essential, as it retained absolute discretion over the sales of the plantation's output.

On the API plantation, the only activity the cooperative had undertaken was to run a consumer outlet, a service previously provided by the API Management and Employees Cooperative (AEMCOP), the cooperative that it succeeded<sup>21</sup>. The cooperative's board has no plans to engage in any other activities, although a credit outlet was at one stage tentatively considered<sup>22</sup>. No



prior notice had been given by the cooperative for the identification and release of the 15-25 hectares provided for under its as yet unsigned lease agreement with API.

### **Cooperative leadership**

Changes in the leadership of the cooperatives, elected biannually, could have had a role in either supporting the continuation of the existing lessor-lessee relationship between the cooperatives and corporations, or bringing about an evolution towards greater cooperative participation in, and control over, the production process.

Although the general election of a new board of directors of DEARBCI was due at the end of 1990, as of 12 months later, DEARBCI had yet to conduct such elections. The DEARBCI president explained this in terms of the ongoing consideration of its proposed amendments to its bylaws<sup>23</sup>. Significantly, one of its proposals was to limit the attendance at general assemblies to 25% of the cooperative's members and to reduce the required quorum at these meetings from 20% to 6.25% of the general membership<sup>24</sup>. Delegates to the general assembly would be chosen through work-place elections, held prior to the general assembly, on a divisional and proportional worker category basis (see Chapter Six). These proposed changes would establish a thorough form of sectoral representation that would ensure that consecutive cooperative boards remained loyal to corporate management and supported a continuation of a lessor-lessee relationship.

DARBCI likewise had not yet held new general elections. It justified this on account of the outstanding grower contract issue<sup>25</sup>. Because the precedent had been set for cooperative board elections on a proportional union representation basis, PAMAO-NFL can be assured of a dominant influence over future boards as long as it remains the rank and file union represented on the plantation. Despite this, there is also the possibility that DARBCI may be

forced to compromise its position on the grower contract because of the intransigence of Dole and DAR coupled with cooperative members' interest in immediate financial gains. This would have adverse implications for its long term objective of increasing its options with respect to cooperative land.

The two NDC-Guthrie cooperatives held new board elections during February 1991. In the case of NGPI, the original board of nine members was expanded to eleven but positions were still allocated on a divisional representation basis. However, the five-person board of directors did not stand in the general elections at the divisional level and automatically retained their positions<sup>26</sup>. Whilst the six elected persons were 'rank and file' workers (and FFW union members), the five-person board of directors remained virtually monopolized by assistant managerial and senior supervisory level employees<sup>27</sup>. In the case of the NGEI cooperative, all positions on the nine person board of members were open for election and eight of the original members lost their positions. Four of the newly elected board were 'rank and file' workers, albeit field overseers, whilst higher-level assistant managerial, supervisory and office staff dominated the new board of directors<sup>28</sup>. Both new boards have accepted the March 1990 lease agreements.

Cooperative elections were also held on the API plantation during February 1991, although some workers maintain that the elections were neither open nor widely publicised<sup>29</sup>. The new cooperative board on the whole was composed of slightly lower-level employees than the original board<sup>30</sup>. However API management's influence over the election was probable, given that a member of the original unelected board, harvester Raul Casacot, became the new cooperative president. Although he has received a copy of the corporation's lease proposal, the president gave the impression that he is content to leave the matter for API management to act upon<sup>31</sup>.



**Photograph 7:** The API administration building (green roof), housing compound (right foreground) and oil palm plantation (right background).



**Photograph 8:** Loading oil palm on the API plantation for transportation to the NDC-Guthrie mill.

### **Plantation unions**

The case of the Del Monte and Dole plantations exemplify the potential role that organised labour can play in working against, or in favour of, agrarian change respectively. The union factor, however, is variable, given that union elections are held every five years. On the Del Monte plantation, for example, the KMU-affiliated NFL had been actively union organising for a number of years. Whether or not it will succeed in future elections, they have already played a significant role in raising workers' awareness of the CARP issue and shaping their perception of the cooperative's leadership and the January 1991 grower contract. However, even in the NFL's 'safe' base on the Dole plantation, the union's bargaining power was being slowly undermined by the corporation's long-term strategy of replacing regular and unionised workers with contractual and casual labour.

On the oil palm plantations, the more conservative unions were unlikely to become involved in the agrarian reform issue in the future<sup>32</sup>. This was a legacy of the implementation process, most notably the adoption of sectoral as opposed to union representation on the board of members, and the unions lack of an agrarian reform ideology. But it was also the result of the lease negotiations on both plantations having already been, in effect, concluded.

### **General membership**

During the implementation of CARP on the plantations, the potential beneficiaries' knowledge of the programme was largely confined to information that had already been heavily distilled by the corporations and DAR regarding the implications of the reform for them. During the leaseback negotiations, cooperative members were never consulted except, in the case of the Dole and NDC-Guthrie cooperatives, for the purpose of legitimizing predetermined board decisions. Two forms of beneficiary 'participation' existed. First, there was the

sectorally-based, ultimately corporate-directed, participation which was exemplified in the case of the Del Monte, NDC-Guthrie and API cooperatives and perpetuated by the tendency of workers to vote for their workplace superiors. Second, there was the class-based, union-directed participation that characterised the Dole cooperative. In both cases general assemblies of the cooperatives, if called at all, tended to function as a means of legitimizing predetermined decisions made by the cooperative boards and focussed on narrow matters such as lease rentals rather than being forums for the discussion of wider agrarian reform issues<sup>33</sup>.

Within the narrowly-defined scope for beneficiary participation, cooperative members on the pineapple plantations have displayed most concern for the financial gains arising from CARP. This is even evident on the Dole plantation, where the DARBCI board has accordingly framed its objectives to members in terms of seeking a higher rental than the corporation's offer. It had not, however, been forthcoming in its explanation to members of its longer-term, albeit still vaguely defined, goals with respect to plantation lands. The relatively high wage and non-wage benefits from plantation work was a partial explanation of beneficiaries' focus on rental income. Furthermore, cooperative members had long been socialised into patterns of waged labour and a minority of them, or less than 40% in the case of DARBCI, were in occupations that were directly associated with the land. A final explanation was that the rental income received by cooperative members was insignificant compared to income from employment on the plantations (see Table 8.1). These factors contributed to the beneficiaries acceptance of CARP in terms of a small supplement to their regular wages and made it unlikely that they would demand either a greater role in plantation management or usufruct rights over their land.

The same applied to the oil palm plantations, although the risk of cooperative members demanding land in lieu of plantation work appeared higher than in the case of the pineapple plantations. This was because of their relatively lower wage and non-wage benefits from employment, the shorter association of the workforce with plantation work, and the overwhelming majority of cooperative members that were directly associated with the land via their occupations.

Table 8.1: Annual rental and wage income of CARP beneficiaries (1990)

Corporation	Distributable rental per cooperative member <sup>1</sup>	Wage income of field worker <sup>2</sup>
Del Monte	1,058	50,000
Dole	1,978 <sup>3</sup>	47,000
NDC-Guthrie	1,257	23,000
API	-	23,000

## Sources:

1. Derived using the grower/lease contracts (see text and Appendices 3a, 3b and 4) and statistics from the Department of Agrarian Reform and agrarian reform cooperatives on cooperative membership level and land amortization payments.
2. Personal interviews with various union leaders (see text).

## Notes:

3. Based on Dole's 1991 proposed grower contract.

More cooperative members could seek land in lieu of work if, as DAR regulations facilitated, an increasing proportion of them became no longer gainfully employed by the plantation corporations. The aspirations of such members would not be fettered by the fear of the loss of jobs and associated benefits and thus they would be more likely to seek either the subdivision of cooperative lands or some form of usufruct rights over such lands. However it is equally probable that non-employed cooperative members would limit their demands to seeking more rental payments from the corporations, especially if such payments had the prospect of being higher than the returns they would have otherwise got from farming the lands themselves.

### **The Department of Agrarian Reform**

In the case of the pineapple MNCs, DAR's October 1990 guidelines appeared to be final and further departmental mediation in the standoff between Dole and DARBCI was unlikely. One of the guidelines ensured the department of a continuing role in the mediation of corporation-cooperative disputes over the terms and conditions of the renewal of the contracts. Thus this gave it the potential to direct the future course of cooperative-corporate relations but only if the parties could not reach an independent agreement. Barring any major transformation of the Philippine political economy however, it seemed unlikely that DAR intervention would be in favour of an alteration to the basic lessor-lessee arrangement. In the case of the oil palm plantations, the department had yet to officially approve of their March 1990 lease contracts. But DAR's failure to suspend or annul the contracts, suggested that departmental intervention in order to improve the terms and conditions of lease, let alone to modify the lease arrangement itself, was quite unlikely.

### **The multinational corporations**

During the course of the legislation and implementation of CARP, the MNCs stated or implied that the government's tampering with the plantation system would destroy the viability of the export pineapple and oil palm industries. However since the passing of CARP, Dole had further expanded its pineapple operations under an alternative mode of production, the contract growers system. Dole had already pioneered the smallholder production of export banana in the Philippines, and its Thai subsidiary, Dole Thai, has been contracting out the production of pineapple to smallholders since the early 1970's. In 1991 Dole proceeded with a contract pineapple grower scheme covering an initial 1,000 hectares in the vicinity of its plantation<sup>34</sup>. Its latest Philippine expansion coincided with the announcement of its intention to close its last pineapple plantation in Hawaii during 1992. The oil palm MNCs also

demonstrated their interest in expanding their operations via smallholder schemes, although this did not eventuate, chiefly because of the lack of finance<sup>35</sup>.

The amenability of the MNCs to obtaining their required produce under smallholder schemes suggested that this alternative production arrangement was quite feasible for both export pineapple and oil palm production. But whilst there were inherent advantages, from the corporation's perspective, of adopting contract production schemes, the corporations were unlikely to consider the transformation of their existing plantation operations into such. One reason for this was the short-run transition costs involved, including those associated with the establishment of new infrastructure and the development of technology and managerial systems appropriate to smallholder production<sup>36</sup>. Another reason was that even if the corporations adopted contract growing as a mode of expansion, by continuing to obtain the bulk of their fruits from their own plantation operations, they could minimize the leverage of their contract growers (Ellman and Greeley, 1989). Finally, there was the possibility that corporations preferred the plantation over smallholder system on the basis of comparative production costs. These factors implied that, in lieu of political intervention, the corporations would continue to maintain their existing plantation arrangements.

### **Non-beneficiary groups**

Consistent with the corporations' design, only regular corporate employees became cooperative members under the agrarian reform programme. Consequently four of the most disadvantaged groups living in the vicinity of the plantations failed to be included within the scope of the programme: seasonal plantation workers, landless farmers, private leasors of land to the pineapple corporations and tribal minority groups. Given that the programme beneficiaries were already relatively highly-paid corporate employees whereas the non-beneficiaries typically belonged to lower income groups, CARP as implemented on the plantations has had a regressive effect on income distribution.



As provided for in DAR guidelines, seasonal plantation workers were not accepted as cooperative members on any of the plantations and thus were not able to share in the rental income or able to avail themselves of the services provided by the cooperatives. Landless farmers likewise missed out on cooperative membership and its associated benefits. In addition, programme implementation on the MNC plantations had adversely affected the likelihood of these farmers receiving land under CARP generally by both serving as a political palliative for demands for redistributive land reform and by tying up considerable DAR administrative resources, especially over the period July to December 1988. Other factors affecting CARP's broad implementation, such as the 1989 Supreme Court ruling on compensation, the LBP's slow processing of valuation and payment of compensation, the conservatism of DAR's leadership, and a dwindling departmental budget also reduced the likelihood of landless farmers in the vicinity of the plantations receiving any land under CARP.

Indirectly, the private lessors of land to the corporation did benefit from CARP in one way. When DAR established P3,000 as the basic rental for the cooperative's pineapple lands, the corporations made a corresponding adjustment of the lease rentals that they paid private landowners under CPGAs and FMCs<sup>37</sup>. However, despite their increase, the rentals paid were still insufficient to meet the basic needs of the households that were renting their lands. Furthermore, the programme had not changed the lessor-lessee relationship existing between the corporation and the land-holding communities, nor had it resolved the problems associated with the latters' continuing alienation from their land (see Chapter Four).

Finally, tribal minority claims to lands within the present domain of the multinational plantations remained unaddressed. The transfer of the land to new owners and the further passage of time prejudiced the chances of these groups ever recovering their lands. During the implementation of CARP on the MNC plantations, DAR officials spoke of leaving the resolution of tribal land claims to pending legislation on ancestral lands. However the tribal domain bills (HB.3381 and SB.909) were still sitting in Congress at the end of 1991. It is highly unlikely that this legislation or its manner of implementation would

favour the interests of the minority groups above that of the multinationals. Thus CARP represented a 'window of opportunity' for the resolution of these claims, a window that was not likely to re-open in the foreseeable future.

### Summary

The CARP does not appear to be a mechanism for the transformation of land tenure relations on the case study MNC plantations, even in the longer-term. Cooperative activities have been limited to the provision of consumer services and, in the case of the NGPI cooperative, the rendering of fruit hauling on a contractual basis. Although the cooperatives' engagement in such activities built up their potential capacity to assume a greater role in the production process, they did not fundamentally threaten the corporation's control over the land and the disposition of its product, which was granted to them by way of the grower/lease contracts. The DARBCI cooperative had failed to secure for itself a greater role in the production process or DAR's support for this objective, during its ongoing grower contract negotiations with Dole.

The election of cooperative leaders on a sectoral representative basis on three of the four case study plantations ensured that they were amenable to the continuation of their grower or lease contracts and thus the status quo with respect to the land tenure situation. In the case of Dole, the PAMAO-NFL union continued to dominate the leadership of the cooperative. However, the intransigence of the corporation and lack of support from DAR indicated that DARBCI was unlikely to gain corporate acceptance of its negotiating position. This in turn cast doubt on the cooperative's potential to realize its associated medium to long term objectives. Unions on the other plantations had accepted their exclusion by DAR and the corporations from representation on the cooperatives' boards or participation in the agrarian reform issue. Barring the success in elections of unions that were committed to involvement in agrarian reform issues, such as the NFL on the Dole plantation, organised labour was not likely to challenge the status quo.

The general membership of the cooperatives conceived of CARP, as intended by the corporations, in terms of representing a supplement to their wages. Being accustomed to working as waged labour, already receiving relatively high wage and non-wage benefits as corporate employees, and often in jobs that did not directly relate to cooperative land, the bulk of cooperative members did not seek greater control over their land or the processing of its produce. Even if an increasing proportion of cooperative members were no longer employed by the corporations, their demands may well be confined to only improving the conditions of lease. Department of Agrarian Reform intervention to alter the basic lessor-lessee relationship on any of the case study plantations appears unlikely in the short to medium term. Furthermore, although the MNCs were adopting, out of political necessity, contract production arrangements as a mode of further expansion, the corporations were likely to seek to maintain their existing plantation production arrangements in the long term.

Finally, the most disadvantaged groups associated with or living in the vicinity of the multinational plantations were excluded from benefitting under CARP. Seasonal farmworkers remained barred from becoming cooperative members and ancestral land claims had yet to be resolved. Few landless farmers had the opportunity to avail themselves of land under the general agrarian reform programme. The only group to benefit indirectly from CARP, and only as a result of DAR's upward amendment of the pineapple corporations' rental rates, were the private lessors of land to the corporations. Yet these people still were not adequately compensated for the loss of income generating opportunities as the result of the lease of their land to the corporations, and the adverse socio-cultural consequences of the alienation of whole rural communities from their lands had not been mitigated.

## Notes

- 1 From 1988 Dole started a 10-year major redundancy programme, which the corporation euphemistically calls a 'Special Voluntary Resignation' scheme. Beginning with semi and non-skilled workers, from 1992 the programme will be expanded to include skilled workers. Some of the latter will be offered the SVR financial package, but will be re-employed in their existing jobs (PAMAO-NFL, Polomolok, South Cotabato). The major difference is that their new status will be as contractual workers rather than regular corporate workers. Thus they will no longer enjoy the protection or benefits of union coverage. With respect to API, it conducted a major retrenchment of its regular workforce over 1989-90 but then employed contractual workers from November 1990, principally for harvesting duties. The corporation pays the labour contractors P60 per worker per day, with the contractual worker receiving some P50 of this. This compares unfavourably with the P79 per day received by regular plantation workers (Interview with the Chief Administrator of API and former President of the API cooperative, Wilfredo Anota, API plantation, 24 July 1991).
- 2 Older Del Monte plantation workers that I interviewed confirmed this hypothesis by stating their preference for land rather than rental income upon their retirement from the corporation (Personal interviews with Del Monte plantation workers, Manolo Fortich, Bukidnon, 13-14 October 1991).
- 3 The co-incidence of employment and cooperative membership is one ongoing implementation issue identified by Del Monte as critical in its 1989 Position Paper on CARP.
- 4 These proposed amendments include the automatic termination of cooperative membership if members are employed by another company, reside outside of the Philippines, or lose their Filipino citizenship (DEARBCI, Proposed Bylaws, Article 3, Section 5e). Furthermore, the cooperative could admit new members, presumably those employed by the corporation after 15 June 1988, in proportion to additional lands that were acquired by the cooperative (Article 3, Section 1).
- 5 Personal interview with the Secretary of DARBCI, Cynthia Belarma, Dole plantation, 8 July 1991.
- 6 Personal interview with the President of the NGPI cooperative, Joel Benedicto, NDC-Guthrie plantation, 25 July 1991.
- 7 Personal interview with the President of the NGEI cooperative, Samuel Apura, San Francisco, Agusan del Sur, 30 July 1991.
- 8 Personal interview with the Chief Administrator of API and former President of the API cooperative, Wilfredo Anota, API plantation, 24 July 1991.
- 9 The number of API cooperative members only ever reached a maximum level of 175 members, compared with the 294 potential cooperative

- members that had been screened and approved by DAR before February 1989 (DAR, Weekly MNC Progress Report, Agusan del Sur PARO Isidro Dublado, 26 January 1989). This was due to the bulk of workers' non-acceptance of the cooperative organised by DAR and API.
- 10 Personal interview with the President of DEARBCI, Reynor Casino, Del Monte cannery, 18 September 1991.
  - 11 Letter from the Board of Directors of DARBCI to the Industry Affairs Director of Dole, Mr Lusitio Goduco, 18 October 1989.
  - 12 DAR, Memorandum from the PARO of South Cotabato, Mr Lamberto Encina, to DAR Region 11 Director, 2 March 1990.
  - 13 Personal interview with the President of the NGPI cooperative, Joel Benedicto, NDC-Guthrie plantation, 25 July 1991.
  - 14 Having only recorded substantial losses since its start-up (Securities and Exchange Commission), NDC-Guthrie appears to be in considerable financial difficulty. As of early 1991, the selling price of the venture's crude palm oil output was US\$340 per tonne and its production costs amounted to some US\$432 per tonne (Personal interview with the Plantation Manager of NDC-Guthrie, David Das, NDC-Guthrie plantation, 29 July 1991). However approximately half of the production cost represented financial costs, in particular the servicing of the venture's debt obligations with the IFC and CDC. Thus the venture was making considerable profit on its plantation operations per se.
  - 15 Personal interview with the President of the NGPI cooperative, Joel Benedicto, NDC-Guthrie plantation, 12 October 1991.
  - 16 Personal interview with the President of DEARBCI, Reynor Casino, Del Monte cannery, 18 September 1991.
  - 17 The NGO contracted by DARBCI is the Foundation for Community Organisation and Management Technology (FCOMT). This is a non-stock, non-profit organisation jointly headed by renowned Filipino economist Sixto K. Roxas, sociologist Peachy Forbes and agribusinessman Philip Camara (FCOMT, Memorandum from Philip Camara to Tony Jose (NFL), 29 March 1989). The parties signed a Memorandum of Agreement on 24 June, 1991, under which FCOMT gained the 'exclusive right to act as DARBCI's investment banker in the packaging of joint venture arrangements or agro-industrial tie-ups including the use of a portion or all of its land' provided that 'any proposed joint venture or tie-up agreement, before presented in writing to potential partners, must have the approval of DARBCI' (Memorandum of Agreement between DARBCI and FCOMT, Section 5).
  - 18 Personal interview with the President of the NGPI cooperative, Joel Benedicto, NDC-Guthrie plantation, 25 July 1991.
  - 19 Personal interview with the President of the NGPI cooperative, Joel Benedicto, NDC-Guthrie plantation, 25 July 1991 and President of the NGEI cooperative, Samuel Apura, San Francisco, Agusan del Sur, 30 July 1991.
  - 20 Personal interview with the President of the NGPI cooperative, Joel Benedicto, Camigiun Island, 12 October 1991.

- 21 Chief Administrator of API and former President of the API cooperative, Wilfredo Anota, 'API ARB MPC Backgrounder', 1990.
- 22 Personal interview with the Chief Administrator of API and former President of the API cooperative, Wilfredo Anota, 23 July 1991.
- 23 Personal interview with the President of DEARBCI, Reynor Casino, Del Monte cannery, 18 September 1991.
- 24 DEARBCI, Proposed Bylaws, Article 4, Section 11.
- 25 Personal interview with a Director of DARBCI, Fred Corporal, DARBCI office, Polomolok, South Cotabato, 26 September 1991.
- 26 Personal interview with the President of the FFW, Vic Flora, NDC-Guthrie plantation, 31 July 1991.
- 27 The employee positions of the new board of directors of the NGPI cooperative were as follows:

President	Senior field supervisor
Vice President	Foreman
Secretary	Assistant field manager
Treasurer	Finance clerk
Auditor	Field supervisor

(Personal interview with the President of the NGPI cooperative, Joel Benedicto, NDC-Guthrie plantation, 25 July 1991).

- 28 The employee positions of the new board of directors of the NGEI cooperative were as follows:

President	Field supervisor
Vice-President	Field supervisor
Secretary	Office worker
Treasurer	Assistant field manager
Auditor	Office worker

(Personal interview with the President of the NGEI cooperative, Samuel Apura, San Francisco, Agusan del Sur, 30 July 1991).

- 29 Personal interviews with API plantation workers, API plantation, 2-3 October 1991.
- 30 The employee positions of the new board of directors of the API cooperative were as follows:

President	Harvester
Vice-President	Foreman
Secretary	(subsequently retrenched)
Treasurer	Bunch checker
Auditor	Cashier

(Personal interview with the Chief Administrator of API and former President of the API cooperative, Mr Wilfredo Anota, API plantation, 23 July 1991).

- 31 Personal interview with the President of the API cooperative, Raul Casacot, API plantation, 3 October 1991.
- 32 They have accepted their exclusion from participation in the CARP issue and are preoccupied with ongoing Collective Bargaining Agreements with the corporation and/or alleged corporate violations of these or labour laws (Personal interviews with the President of ALU, Memo Orcullo, NDC-Guthrie plantation, 31 July 1991; the President of ULGWP, Adriano Raro, NDC-Guthrie plantation, 1 August 1991 and the Vice-President of ATU-TUCP, Merlino Lero, NDC-Guthrie plantation, 24 July 1991).
- 33 DARBCI, NGPI, NGPI and API cooperatives, Minutes of general assembly meetings, 1989-1991.
- 34 Personal interview with the Accountancy and Government Services Manager of Dole, B. Perez, Dole cannery, 9 July 1991.
- 35 Over 1987-89, the Commonwealth Development Corporation (CDC) explored the possibility of establishing a nuclei estate-smallholder scheme as part of its tentative plans to inject equity into the troubled NDC-Guthrie venture (Personal interview with the Deputy Finance Manager of NDC-Guthrie, Manny Abisana, NDC-Guthrie plantation, 31 July 1991). The World Bank discussed the possibility of financing a mill and outgrowers scheme with API (Personal interview with Chief Administrator of API and former President of the API cooperative, Wilfredo Anota, API plantation, 23 July 1991). Although both corporations were keen to see the establishment of nuclei estate-smallholder schemes, with their present plantations becoming the 'nuclei', further CDC and World Bank support for the projects was not forthcoming.
- 36 David Das, the plantation manager of NDC-Guthrie, acknowledged that the transformation of the plantation into a smallholder scheme was feasible, but added that there would be infrastructure and other costs during the transformation phase (Personal interview with the Plantation Manager of NDC-Guthrie, David Das, NDC-Guthrie plantation, 29 July 1991).
- 37 Personal interviews with members of the Sumilao-Del Monte Pineapple Plantation Growers Cooperative, San Roque, Bukidnon, 22 June 1991 and the Vice President of the Dole FMC Association, Polomolok, South Cotabato, 15 July 1991.

## **CHAPTER NINE**

### **SUMMARY AND CONCLUSIONS**

The purpose of this thesis has been to assess and account for the extent to which land reform as it applies to and has been implemented on MNC plantations represents a change in land ownership and control. The Philippines was adopted as the country of study, and four MNC plantations that were subject to land transfer under that country's 1988 Comprehensive Agrarian Reform Programme (CARP) were chosen as case studies.

In Chapter One it was hypothesized:

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 government to gain political legitimacy.
2. That the agrarian reform law as it applies to and has been implemented on the MNC plantations does not constitute 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.

It has been found that the Aquino-led anti-Marcos coalition that ascended to power in 1986 used the promise of agrarian reform to broaden its political base. But the new government was largely conservative in its orientation and was only prompted into action on agrarian reform by the legitimacy crisis caused by the agitation of peasant groups over 1986-87, the Mendiola Bridge massacre of January 1987 and the subsequent collapse of peace negotiations with the National Democratic Front (NDF). Thus it can be concluded that governmental action on agrarian reform, in the form of Executive Order No.229 of July 1987, was primarily motivated by its attempt to gain political legitimacy and respond to the challenge represented by the radical peasant movement, in the form of the NDF-NPA, to that legitimacy. This is consistent with the first hypothesis.

The inclusion of MNC plantations within the scope of the agrarian reform programme was largely the result of pressure from nationalist legislators in the Senate. In particular, they focussed their attention on the pineapple MNCs because of the questionable constitutionality of their lease arrangements with the Philippine government and the direct and highly visible nature of MNC participation in these enterprises. Thus it can be concluded that the inclusion of MNC plantations within the scope of CARP was brought about by legislators who used nationalism for political legitimacy purposes. This is also consistent with the first hypothesis.

Under CARP, agricultural lands leased by the National Development Corporation (NDC) to the MNC plantations were transferred in ownership to newly-formed agrarian reform cooperatives on the plantations. The transfer in ownership is the first essential ingredient of land reform. However, the second essential ingredient, the transfer of control over land, did not occur. Instead the cooperatives had to re-enter into new grower and lease agreements with the MNCs and over 1989-90 new agreements were concluded on three of the four case study plantations. These agreements continued to grant the MNCs exclusive use and occupation of the cooperatives' land, for periods of 10 to 25 years, renewable for similar lengths of time. There was no change in land tenure or broader production relations, and no mechanism was provided in the law or grower or lease agreements to facilitate such change in the long term. Although the cooperative on the Dole plantation sought to alter the basic lessor-lessee relationship existing between it and the corporation, it had not been successful as of the end of 1991. Therefore it can be concluded that CARP, as implemented on the case study plantations, did not constitute a true land reform programme. This is consistent with the second hypothesis.

Another ingredient of land reform is the redistribution of land and income-generation opportunities in favour of the poor. It was found that the most disadvantaged people working on, or living in the vicinity of, the plantations, including seasonal plantation workers, tribal minority groups, landless farmers and private lessors of land to the pineapple corporations, received neither land nor any other significant benefit as a result of the implementation of CARP on the plantations. Instead regular plantation workers, who were already receiving wage and non-wage benefits well above the national average, became the beneficiaries of land and rental income under the programme.

During the framing of the 1986 Constitution, EO.229 and CARP, Filipino landowning and agribusiness interests sought a land reform that would not affect either their ownership or control over land. Consequently, those plantation industries that were characterized by high local participation, either in the form of MNC-partnership or independent production (banana, rubber and sugar), were subject to neither immediate nor necessarily compulsory land transfer under the

CARP. The pineapple and oil palm plantations were subject to both because the direct nature of MNC participation and the absence of domestic partners to protect them made them vulnerable to nationalist attack.

However, the national economic arguments used by Filipino landowning and agribusiness interests against the subjection of any plantation to land transfer and the status-quo oriented general mode of plantation land transfer they sought, influenced the final provision on MNC plantations. Furthermore, some domestic plantation owners and businessmen directly lobbied in favour of MNC interests. Thus it can be concluded that Filipino landowning and agribusiness interests helped to ensure a status-quo-oriented land reform on the MNC plantations. Hypothesis 3.1 is accepted, with the note that Filipinos were better at protecting their own interests than those of MNCs that they had no direct association with.

The MNCs, especially Del Monte via a corporate-initiated union-lobby, was able to exert considerable influence during the debate on agrarian reform and during programme implementation, including the establishment of its basic parameters. This is a significant factor in explaining the outcome of programme implementation on the MNC plantations. The significance of this was not anticipated at the beginning of this thesis.

It was frequently argued by both foreign and Filipino plantation owners and business people that the subjection of plantations to land reform would cause the degeneration of productivity and efficiency, raise unemployment and reduce export earnings. This position was repeated by conservative legislators and government officials who, in accordance with national economic policy, were generally in favour of more, not less, foreign investment. Even some of the nationalist legislators implicitly came to believe the same arguments. Whilst many legislators and government officials were motivated primarily by self-interest, others were genuinely wary of intervening in MNC plantation arrangements because of the likelihood of employment and export earnings being disrupted. The Del Monte unions were particularly effective at conveying MNC employees' concern about their future job security to policy makers. Thus hypothesis 3.2 is accepted.

The argument that the extension of land reform to the MNC plantations would cause economic disruption and decline implicitly embodied two assumptions that need to be questioned. The first assumption is that MNC operation under alternative land tenure arrangements to the plantation system was not feasible. This is dubious, given that precedents exist for the contract production by smallholders of pineapple and oil palm, including schemes operated by the case study MNCs themselves. A second underlying assumption of the argument was that if the MNCs decided to divest, the Philippine government or business sector were incapable of replicating the financial success of their activities. This seems to be most applicable in the case of the pineapple MNCs. The corporations have control over the advanced pineapple production and processing technologies that they have developed. Furthermore, they have established global distribution systems and market their produce under recognized brand names. It is doubtful whether a successor to the corporations could have successfully produced and marketed premium canned pineapple and thus have generated the same profits or economic benefits for the nation. Thus hypothesis 3.3 may be accepted, especially in the case of the pineapple MNCs, on which the attention of policy makers was focussed.

The findings of this thesis are generally applicable to countries with political economies characterized by political elites with extensive ties to, and shared interests with, both landowners and MNCs. In such cases, although land reformist and nationalist pressures have often resulted in the placement of large foreign-owned plantations under land reform, basic continuities in the political economy ensure that the consequences of this amount to only a simple juridicial modification of the MNC plantation system.

## APPENDIX 1

### METHODOLOGY

My field research for this thesis was conducted over a nine month period, from March to November 1991. Of this time, I spent approximately three months in Metro Manila and six months on Mindanao Island. Information from a wide range of governmental and non-governmental sources was sought. This was because the different parties and people, depending upon their interests, had varying and often contrasting interpretations to give on CARP's formulation and implementation on the MNC plantations. More reliance was placed on documentary research than personal interviews, given the propensity of people to distort the truth in interview situations, especially when 'awkward' questions were asked.

Because of the urban bias of the process of agrarian reform legislation and the 'top down' nature of its implementation on my case study plantations, my initial focus was on policy making processes at the national level. During several stays in Metro Manila, I consulted secondary sources on agrarian reform in general and on my specific topic. These included newspapers, publications of peasant-advocacy organizations, and university and NGO research papers. Primary sources consulted included the official records of the sessions of Congress and the records of the two Congressional agrarian reform committees. Of the two Congressional chambers, I focused on the Senate because this was where the agrarian reform law's final provision on multinational plantations was largely framed. Senator Heherson Alvarez, chairperson of the Senate Committee on Agrarian Reform, granted me access to his records, and he and Senator 'Butz' Aquino also made available the positions papers submitted by lobby groups. I also visited the Central Office of the Department of Agrarian Reform (DAR) on many occasions. Whilst general information on CARP was made available to me, I was usually denied access to governmental files on the implementation of land reform on my case study plantations. When in Metro Manila I also conducted personal interviews with Senators, DAR officials, academics and NGO members, including those with a past association with agrarian reform implementation on the plantations and those currently occupying the pertinent positions within their respective institutions or organisations.

During my stay on Mindanao I was based in Cagayan de Oro city, which was in the vicinity of the Del Monte pineapple cannery and plantation. This seemed the most appropriate base, given the central role of Del Monte in shaping the process of implementation on all four of the case study plantations. However, I visited and stayed at the site of the Dole plantation for two weeks in both June and September 1991. Another reason for my choice of Cagayan de Oro city as a base was that it was a relatively safe haven compared with Agusan del Sur province, the location of my case study oil palm plantations. Agusan del Sur was an area of significant New People's Army activity and, consequently, militarization. A regular army unit was permanently stationed within the NDC-Guthrie plantation; it stood guard over the mill site, a target of previous rebel attacks. NDC-Guthrie staff advised me to return before dusk when I was out

interviewing field workers because it was known that NPA were in the vicinity of the plantation. The headquarters and housing compound of the API plantation was guarded by a unit of a paramilitary force, the Civilian Armed Forces Geographical Units (CAFGU), although it had not been attacked before. The uncertain security situation in Agusan del Sur contributed towards my decision to conduct research on the oil palm plantations through several visits of relatively short duration. In both July and October 1991 I spent two weeks within or near each plantation.

Because the provincial offices of the Department of Agrarian Reform played a major role in the operationalization of the law, I sought and was often granted access to their records on the implementation process. These contained correspondence and minutes of meetings between government officials and corporate representatives, memoranda between the DAR provincial offices and the central office, copies of grower and lease contracts, and even copies of memoranda circulated within the DAR central office. Thus they offered a valuable insight into the policy formulation process at all levels. DAR officials at the provincial office level that either had played a role in the implementation process or were currently responsible for monitoring ongoing implementation issues on the plantations were interviewed.

At the plantation case study level, a variety of sources were contacted. Representatives of each of the corporations were interviewed on several occasions. Those from the pineapple MNCs were courteous but sometimes unwilling to provide specific data and documentation. The oil palm MNCs were more cooperative in this respect. The president and sometimes other directors of the newly-formed agrarian reform cooperatives were interviewed. In addition, the DARBCI cooperative on the Dole plantation allowed me generous access to its records. Between 10 and 15 regular and seasonal corporate employees, chosen on a 'chance' as opposed to proportional basis, were interviewed on each plantation. Filipino university students acted as my interpreters on these occasions. In the case of the pineapple MNCs, the leaders and members of the organisations representing private lessors of land to the corporations were interviewed. Finally, the leaders of groups that had petitioned for plantation lands to be distributed in their favour were also interviewed.

During my time on Mindanao, I considered the possibility of doing social surveys of cooperative members but abandoned this option for several reasons. Firstly, I had already established from documentary research and interviews that cooperative members were not informed about and did not really participate in the CARP policy making and implementation processes, which were the focus of my thesis. Social surveys could have been helpful, however, for a better understanding of the ongoing operation of the cooperatives, which I attempted to deal with briefly in Chapter Eight. Secondly, for the purpose of selecting a representative sample, detailed information on the MNCs' work forces and cooperatives' general memberships was required. Only the corporations could have provided this and it is unlikely that I would have been granted unconditional access to such information for the purpose of conducting surveys. Finally, a rigorous social survey of cooperative members on the oil palm plantations would have required a long and high-profile stay in Agusan del Sur, which was not an attractive prospect given the security problem in the province.

There was one major, perhaps unavoidable, limitation of my research method. This is related to the operation of the Philippine political and bureaucratic systems being influenced by patron-client relations, reciprocities and other Filipino socio-political factors. It therefore can be assumed that many of the more subtle lobbying efforts and significant CARP implementation decisions were made, as some people euphemistically put it to me, 'over cups of coffee'. Being personal, unrecorded and defying revelation in interview situations, these remain undetected by this study. It can be surmised however that the net effect of 'behind the scenes' politics was to reinforce rather than to counter the trends that this study reveals.

**APPENDIX 2****REPUBLICAN ACT NO. 6657: SECTION 8**

Multinational corporations - All lands of the public domain leased, held or possessed by multinational corporations or associations, and other lands owned by the government or government-owned or controlled corporations, associations, institutions, or entities, devoted to existing and operational agribusiness or agro-industrial enterprises, operated by multinational corporations and associations, shall be programmed for acquisition immediately upon the effectivity of this Act, with the implementation to be completed within three (3) years.

Lands covered by the paragraph immediately preceding, under lease, management, grower or service contracts, and the like, shall be disposed of as follows:

- (a) Lease, management, grower or service contracts covering such lands covering an aggregate area in excess of 1,000 hectares, leased or held by foreign individuals in excess of 500 hectares are deemed amended to conform with the limits set forth in Section 3 of Article XII of the Constitution.
- (b) Contracts covering areas not in excess of 1,000 hectares in the case of such corporations and associations, and 500 hectares, in the case of such individuals, shall be allowed to continue under their original terms and conditions but not beyond August 29, 1992, or their valid termination, whichever comes sooner, after which, such agreements shall continue only when confirmed by the appropriate government agency. Such contracts shall likewise continue even after the land has been transferred to beneficiaries or awardees thereof, which transfer shall be immediately commenced and implemented, and completed within the three (3) years mentioned in paragraph 1 hereof.
- (c) In no case will such leases and other agreements now being implemented extend beyond August 29, 1992, when all lands subject hereof shall have been distributed completely to qualified beneficiaries or awardees.

Such agreements can continue thereafter only under a new contract between the government or qualified beneficiaries or awardees, on the one hand, and said enterprises, on the other.

Lands leased, held or possessed by multinational corporations, owned by private individuals and private non-governmental corporations, associations, institutions and entities, citizens of the Philippines, shall be subject to immediate compulsory acquisition and distribution upon the expiration of the applicable lease, management, grower or service contract in effect as of August 29, 1987, or otherwise, upon its valid termination, whichever comes sooner, but not later than after ten (10) years following the effectivity of this Act. However, during said period of effectivity, the government shall take steps to acquire these lands for immediate distribution thereafter.



In general, lands shall be distributed directly to the individual worker-beneficiaries. In case it is not economically feasible and sound to divide the land, then they shall form a worker's cooperative or association which will deal with the corporation or business association or any other proper party for the purpose of entering into a lease or growers agreement and for all other legitimate purposes. Until a new agreement is entered into by and between the workers cooperative or association and the corporation or business association or any other proper party, any agreement existing at the time this Act takes effect between the former and the previous landowner shall be respected by both the workers' cooperative or association and the corporation, business association or such other proper party. In no case shall the implementation or application of this Act justify or result in the reduction of status or diminution of any benefit received or enjoyed by the worker-beneficiaries, or in which they may have a vested right, at the time this Act becomes effective.

The provisions of Section 32 of this Act, with regard to production and income sharing shall apply to farms operated by multinational corporations.

During the transition period, the new owners shall be assisted in their efforts to learn modern technology in production. Enterprises which show a willingness and commitment and good-faith efforts to impart voluntarily such advanced technology will be given preferential treatment where feasible.

In no case shall a foreign corporation, association, entity or individual enjoy any rights or privileges better than those enjoyed by a domestic corporation, association, entity or individual.

**APPENDIX 3a****GROWER CONTRACT**

KNOW ALL MEN BY THESE PRESENTS:

This contract made and entered into this 21st day of February, 1989, in Manolo Fortich, Bukidnon, by and between:

DMPI EMPLOYERS' AGRARIAN REFORM BENEFICIARIES COOPERATIVE, INC., a cooperative formed under the laws of the Philippines, with office at Phillips, Manolo Fortich, Bukidnon, represented herein by its Officers and Directors, and hereinafter referred to as "Cooperative";

and

Del Monte Philippines, Inc., a corporation organized and existing under the Philippines laws, with head office at Bugo, Cagayan de Oro City, and represented herein by its Secretary-Treasurer, Mr JUANITO R. IGNACIO its Senior Manager for Community Relations, Mr ADRIAN C. PABAYO, and hereinafter referred to as "DMPI".

WITNESSETH: That

WHEREAS, the COOPERATIVE was formed pursuant to Section 8 of Republic Act No. 6657 (Comprehensive Agrarian Reform Law) for the purpose of dealing with DMPI respecting lands leased by the latter from, among others, National Development Corporation (NDC) and which have been awarded to the farm workers-beneficiaries, represented herein by the COOPERATIVE;

WHEREAS, the COOPERATIVE is desirous of having the land utilized and developed agriculturally in a manner which will provide financial security for its members and their respective families and which will contribute to the economic development and progress of the community and country;

WHEREAS, DMPI is confident that it possesses the necessary technical, financial and management resources to carry out the agricultural development of the land so that it will provide relative financial security for the COOPERATIVE and its members and contribute towards the economic development of the community and country;

WHEREAS, the COOPERATIVE and DMPI feel that the land possesses the necessary requirements for successful agricultural development;

NOW, THEREFORE, for and in consideration of the foregoing premises, the parties hereto hereby agree as follows:

1. The COOPERATIVE hereby authorizes DMPI and DMPI's successors and assigns upon the terms and conditions hereafter set forth, to exclusively occupy and use the parcels of land above described consisting of an area of 8,019 gross hectares, more or less, broken down into: 6,088.5456 hectares of arable land, 1,227.1873 hectares of pasture land, and 703.6899 hectares of non-arable land, and such other parcels of land which may be subsequently acquired by the COOPERATIVE and become covered and subject to this Agreement, for the purpose of growing and processing of pineapple and other agricultural crops, and the production of by-products of and from such crops.
2. The term of this Contract shall be for a period of twenty five (25) years commencing from March 1, 1989. The parties shall start negotiations for the extension of the term on the 20th year of this Contract.
3. For the occupancy and use of the parcels of land listed and described in Annex "A" hereof, DMPI shall pay the COOPERATIVE the following rentals and production bonus:

Rentals

P1,500.00 per hectare per year for arable lands  
 75.00 per hectare per year for pasture lands  
 2.00 per hectare per year for other lands

Production Bonus

P5.00 per ton of pineapple produced per hectare per year for arable land but in no case less than P200.00 per hectare per year.

The rentals and production bonus rate shall be adjusted and increased annually at the rate of seven percent (7%).

Provided, that for the period from the effectivity of this Contract up to August 29, 1992, the payments for the first 1,000 hectares of arable lands shall be the same amount as that which should have been paid to the National Development Company, determined in accordance with the provisions of Section 3 of the July 20, 1982 Contract between the NDC and DMPI (formerly Philippine Packing Corporation).

Starting August 30, 1992, the rental provisions of Section 3 above of this Grower Contract will apply on said 1,000 hectares.

4. After the rentals and bonus stipulated herein are paid to the COOPERATIVE, all proceeds that may be realized from the production of the land shall belong to DMPI. The COOPERATIVE shall have no claim whatsoever thereon under this Contract.

5. The parties hereby agree that DMPI shall provide all the funds necessary to develop, cultivate, plant and harvest the pineapple and other crops that may be planted under the contract, extend all technical and management facilities required for the efficient operation of the farms; and assume all the risks of losses in the agricultural operations.

Property taxes on arable lands and on buildings, crops or any improvement which might be placed thereon shall be for the account of DMPI. Property taxes on pasture and other lands shall be for the account of the COOPERATIVE.

6. The parcels of land subject hereof shall be used primarily for agricultural purposes.
7. It is mutually understood that DMPI, during the life of this Contract, including any renewals and extension hereof, shall have the right to erect buildings and other improvements on the property. All buildings and other improvements placed on the leased premises shall remain the property of DMPI during the life of this Contract, including its renewals and extensions. The right of DMPI to construct, maintain or operate on, or about said lands any and all improvements or facilities which it may consider necessary or advisable, without in any way limiting the generality of the foregoing, shall particularly include the right to construct, maintain or operate roads, bridges, fences, telephone, telegraph or power lines, canals, flumes, buildings, etc..

During the pendency of this Contract, including its renewals and extensions, DMPI shall have the right to remove, transfer or move such improvements from place to place. However, any transfer shall be at DMPI's own expense, and shall not cause any unnecessary damage or injury to the premises, otherwise DMPI shall reimburse the COOPERATIVE for such damage and injury.

All buildings, roads, fences and bridges, and other permanent improvements standing on the COOPERATIVE's property upon the final expiration of this Contract and of its renewals and extensions, shall belong to the COOPERATIVE. DMPI, however, has the option to remove any non-permanent improvements prior to or upon the final expiration of this Contract and of its extensions and renewals.

In no case shall any improvements introduced on arable lands operate to decrease the area (6,088.5456) that will be used as basis for purposes of computing the rentals and bonus.

Furthermore, subject to terms and conditions that may be negotiated by the parties, DMPI shall be permitted to do whatever is necessary or required for gathering, harvesting and utilizing the fruits of growing crops existing upon the final expiration of this Contract and its renewals and extensions.

8. The COOPERATIVE hereby recognizes DMPI as the exclusive manager, administrator and representative for the purpose of carrying into effect the provisions of this Contract, to develop, cultivate, improve, plant, administer and manage all and any agricultural projects on the land and otherwise to do any and all acts and things which may be necessary and proper to effectuate and carry out the terms and purposes of this Contract, including but not limited to the following:
  - a) To make use of any water rights, which may have been or may be granted to the COOPERATIVE for the development of a system to irrigate the land, if necessary;
  - b) To negotiate, make, sign, execute, and enter into such contracts under such terms and conditions as DMPI shall think fit or advisable;
  - c) To immediately enter the premises of the land to undertake any and all manner, nature and kinds of improvements and construction that DMPI may desire to in the furtherance of such agricultural cultivation and production of pineapple and/or other crops.
9. DMPI shall have the sole prerogative of appointing and discharging from service any and all farm personnel, laborers, employees and officers. Moreover, nothing in this contract shall preclude DMPI from using, utilizing, or employing in the farm operation or any work, deed or transaction related thereto, his own equipment, material or supplies.
10. The COOPERATIVE shall keep the parcels of land herein above described free and clear of all liens and encumbrances, except those currently appearing on the evidences of title or rights on said parcels of land.

The COOPERATIVE warrants and undertakes to maintain DMPI in the peaceful possession and use of the said lands during the entire term of this Contract and its renewals and extensions.

11. Should DMPI's occupancy and use of the lands be completely prevented or frustrated by causes beyond its control, including but not limited to any governmental order, plague, quarantine, war, civil uprising or the like, then DMPI shall be freed from the performance of its obligations hereunder, and the rentals and bonus shall be adjusted or abated in the proportion that the period of DMPI's inability to occupy and use the lands bears to the whole year.

In the event of expropriation of any part of the lands by the Government or any of its instrumentalities or political subdivisions, or by any public utility company, the rentals and bonus shall be reduced proportionately

based on the ratio which the area expropriated bears to the total area of the lands subject to this Contract; provided, that, should DMPI deem the remaining unexpropriated portion of the subject lands not to be sufficient for its purpose, DMPI may, upon reasonable notice, elect to withdraw herefrom.

12. The parties represent to each other that:
  - a) The execution, delivery and performance of this Contract do not violate any provision of law, and will not conflict with, or result in a breach of a law or any other agreement, undertaking or obligation;
  - b) They have all the requisite power, authority and capacity to enter into this Contract and perform their obligations hereunder according to the terms hereof and this Contract is valid, binding and enforceable in accordance with its terms.
13. In the event of delay in the payment of the rentals and bonus, the amount due shall earn interest at the prevailing legal rate per annum, computed from the date of default until paid in full.
14. Within a reasonable time after DMPI has knowledge of any litigation or other proceedings against DMPI and against the parcels of land subject to this contract, to secure or recover possession thereof, or which may affect the title to or the interests of the COOPERATIVE in the said lands, DMPI shall give written notice thereof to the COOPERATIVE.
15. No act or conduct of the COOPERATIVE shall be deemed to be or shall constitute an acceptance of the surrender of the subject lands by DMPI prior to the expiration of the terms hereof, and such acceptance by the COOPERATIVE of surrender by DMPI shall only be made and must be evidenced by a written acknowledgment of acceptance of surrender by the COOPERATIVE.
16. This contract shall be binding upon and accrue to the benefit of the parties and their successors-in-interest but cannot be assigned by any party hereto without the prior written approval of the other.
17. The parties shall execute and deliver all such other deeds, documents or instruments as shall be reasonably necessary or desirable to give full effect to this Contract.

At DMPI's option, this Contract shall be inscribed and recorded in appropriate government land records and annotated in the form of a lien on back of each and every certificate of title issued to the COOPERATIVE for the lands covered by this contract. All expenses incurred in this regard shall be for the account of DMPI.

18. This Contract constitutes the entire agreement of the parties hereto and shall not be changed or modified except in writing and duly signed by the parties thereto. Upon effectivity hereof, any and all agreements previously entered into by the parties involving the aforementioned parcels of land shall be superseded.
19. No waiver of any covenant or condition of this Contract by any of the parties shall be effective for any purpose whatsoever unless it is in writing. Any such waiver shall not be deemed a waiver as to any other subsequent defaults by the guilty party.
20. Any dispute arising hereunder shall be resolved by arbitration. The COOPERATIVE and DMPI shall each designate one (1) arbitrator and the two so designated shall select a third arbitrator. If either party fails, within ten (10) days after notice of designation of an arbitrator by the other party to designate its arbitrator, or if the two (2) arbitrators designated fail within ten (10) days to select a third arbitrator, the same shall be selected by the presiding judge of the Regional Trial Court, Cagayan de Oro, Philippines.  
  
Decisions by two (2) of the three (3) arbitrators shall be final and binding on the parties hereto. Such decisions shall be in writing and a copy thereof furnished to each of the parties no later than fifteen (15) days after the parties have submitted the case for decision.
21. The provisions of this contract are hereby declared to be severable, and in the event any one or more of such provisions are declared void by competent authority, the validity and enforceability of the other provisions shall not be affected thereby, unless the parties would not have entered into this contract in the absence of the said provisions.

IN WITNESS WHEREOF, the parties hereto have executed these presents through their respective duly authorized representative, on the date and at the place first above written.

DMPI EMPLOYEES' AGRARIAN  
REFORM BENEFICIARIES  
COOPERATIVE, INC.

Reynor Casino (President)  
Winfred Y. Akut (Vice President)  
Rebecca R. Galupo (Secretary)  
Simeon T. Degamo, Jr. (Treasurer)  
Rudy S. Abejuela (Director)  
George Jose R. Agawin (Director)

DEL MONTE PHILIPPINES, INC.

Juan R. Ignacio (Secretary/  
Treasurer).  
Adrian C. Pabayo (Senior  
Manager - Community  
Relations)

**APPENDIX 3b****AMENDMENTS TO GROWER CONTRACT**

(between DEARBCI and Del Monte Philippines, Incorporated)

1. The annual lease rental of one thousand five hundred pesos (P1,500.00), mentioned in paragraph three (3), shall be increased to three thousand pesos (P3,000) with an escalation allowance of 7% starting on the first anniversary date hereof.
2. In case of extraordinary inflation as officially understood, a reasonable adjustment on the stipulated rentals shall be made.
3. The existing provision on guaranteed minimum production bonus or incentive of two hundred pesos (P200) per year, based on the formula of P5.00 per ton, shall continue.
4. The lease period shall be ten (10) years subject to renewal of the term upon consent of both parties. In the event of disagreement on the renewal of the lease for another ten (10) years, the terms and conditions of the renewal shall be submitted to DAR for resolution.
5. The period of effectivity shall be December 12, 1988, the time of the distribution of the COOPERATIVE's CLOA. The difference between the DAR-approved rate of P3,000 per hectare per year and the present rate being paid by DMPI to the cooperative (P1,500), covering the period from December 12, 1988 up to the time the new higher rate takes effect ie. the date of signing and execution of this instrument, shall be paid in the form and manner acceptable to the COOPERATIVE, ie., shall be used for the Social Amelioration Projects of the COOPERATIVE.
6. Corresponding property taxes shall be for the account of DMPI.
7. All payments by DMPI to the COOPERATIVE shall be due and payable one year in advance, which is on or before January 11 of every year.
8. All other terms and conditions of the Grower Contract executed on February 21, 1989, not inconsistent herewith shall remain in full force and effect.

(Signed on 11 January 1991)



**APPENDIX 4****LEASE AGREEMENT**

This Agreement executed and entered into this 7th day of March, 1990, by and between:

NGPI MULTI-PURPOSE COOPERATIVE, INC., an agrarian reform workers cooperative with principal office address in Maligaya, Rosario, Agusan del Sur, represented herein by its President, Mr Joel L. Benedicto, duly authorized by virtue of a Special Power of Attorney from the worker beneficiaries referred to in the third whereas Clause hereof, a copy of which consisting of \_\_\_ pages is hereto attached as Annex "A", and made an integral part hereof (hereafter, the "LESSOR");

and

NDC-GUTHRIE PLANTATIONS, INC., a corporation duly organized under the laws of the Republic of the Philippines with principal office at the Producers Bank Building, Makati, Metro-Manila, represented herein by its President, Mr Hector A. Quesada, duly authorized by its Board of Directors, by virtue of Resolution dated \_\_\_\_\_, a copy of which is hereto attached as Annex "B" and made an integral part hereof (hereafter, the "LESSEE").

WITNESSETH: That

WHEREAS, the lessor has, on December 29, 1982, entered into a Contract of Lease with the National Development Company (hereafter, "NDC") covering the agricultural lands described in the attached Annex "C", hereinafter, the "Leased Property") with an original term of twenty five (25) years from January 1, 1982;

WHEREAS, NDC has availed of Section 20 of Republic Act No. 6657 (the Comprehensive Agrarian Reform Law of 1988) and has transferred the Leased Property to the Department of Agrarian Reform (hereinafter, "DAR") on September 27, 1988, as evidenced by a Deed of Sale dated September 27, 1988, a copy of which is hereto attached as Annex "D" and made an integral part hereof;

WHEREAS, pursuant to Section 29 of the same law, DAR has caused the distribution of the lands comprising the Leased Property to the qualified worker beneficiaries by transferring to them the ownership of the Leased Property undivided;

WHEREAS, LESSOR is a duly constituted workers cooperative organized by the said qualified worker beneficiaries to represent them on all matters pertaining to the Leased Property;

NOW THEREFORE, for and in consideration of the foregoing premises, the parties hereby agree, stipulate and covenant as follows:

## 1. THE SUBJECT

- 1.1 LESSOR hereby leases unto the LESSEE the Leased Property, for a period of approximately nineteen (19) years and three (3) months, commencing on September 27, 1988 and ending on December 31, 2007; provided that all rentals paid by the LESSEE to NDC covering the period from September 27, 1988 to December 31, 1988 shall be deducted by the Land Bank of the Philippines from the compensation due to NDC. The same shall be credited by NDC in favour of the LESSOR as advance amortization for the land. The difference between the amount credited and the adjusted rental based on application of Clause 2 hereof shall be paid by the LESSEE to the LESSOR at the time of the execution of this Lease Agreement;
- 1.2 The LESSOR shall have the option to utilize a portion of the Leased Property, not exceeding fifty (50) hectares, the actual location of which shall be designated by the LESSEE, and which shall not comprise those planted to palm trees (hereafter, the "Area"), solely for livelihood purposes such as for piggery, duck and other livestock raising and similar undertakings, upon written notice to the LESSEE given one year prior to actual use; provided, that the LESSOR shall not in any case plant the Area to palm trees, lease the Area to any other person or entity. Adjustment in rental corresponding to the Area shall be made accordingly;
- 1.3 The Leased Property shall be used solely as an agricultural plantation, devoted principally to palm oil cultivation, and the LESSEE covenants that it shall not use or allow the use of the Leased Property for illegal or prohibited purposes or for other purposes not permitted under this Lease Agreement.

## 2. RENTALS

- 2.1 In consideration of this Lease Agreement, the LESSOR shall pay the LESSOR the following annual rentals:
  - i) An annual fixed rental, in the following amount - "SIX HUNDRED THIRTY FIVE PESOS" (P635.00) PER HECTARE PER ANNUM which would cover the following:
    - (1) All taxes on the land
    - (2) Administrative charges
    - (3) Amortization charges

It is understood that, if the annual fixed rental of "SIX HUNDRED THIRTY FIVE PESOS" (P635.00) is insufficient to pay any increases on the land taxes, the LESSEE shall pay the difference, provided such increase does not exceed ten percent (10%) of the immediately preceding tax imposed on the land; provided further, that any increase beyond these percentage shall be borne equally by the LESSOR and LESSEE;

The foregoing notwithstanding, it is understood and agreed that at all times, liability for realty taxes on the Leased Property primarily and principally lies with the LESSOR and any reference herein to payment by LESSEE of said taxes is only for purposes of earmarking the proceeds of the rentals herein agreed upon;

- ii) A variable rental component equivalent to 1.00% of net sales from 1988 to 1995; 1.50% of net sales from 1996 to 2007.

For purposes of this sub-section, "net sales" shall mean total peso value, ex-factory, of sales of produce by the LESSEE less only the following: (a) trade discounts; (b) taxes imposed by the Philippine government on such sales of products provided said taxes are not reimbursed by the buyer or customer; and (c) credits and refunds for returned or rejected products;

- 2.2 The fixed rental described under Clause 2.1(i) hereof shall be paid annually in advance on or before January 15 of each year at the LESSEE's office in Agusan del Sur.
- 2.3 The rental described under Clause 2.1(ii) hereof shall be paid in Philippine currency within ninety (90) days after the end of each fiscal year by the LESSEE based on the audited accounts of the Company. The LESSEE, upon written request by the LESSOR, shall furnish the latter with a certification from the Company Auditor in respect of the amount of net sales, as defined in Clause 2.1(ii) hereof, generated by the company for each fiscal year.

### 3. ANNOTATION AND REGISTRATION OF THE LEASE

- 3.1 In respect of lands comprising the Leased Property which are registered under the Torrens System, the LESSOR shall cause, permit and/or allow the annotation and registration of this Lease Agreement in the Office of the Register of Deeds of the province where the Leased Property lies and a memorandum thereof annotated and entered on the originals and the Owner's Duplicate Certificates of Title covering said Leased Property.
- 3.2 In respect of lands comprising the Leased Property which are not registered under the Torrens System, the LESSOR shall cause, permit and/or allow the annotation and registration of this Lease

Agreement in the Primacy Entry Book and the Registration Book for unregistered lands kept in the Office of the Register of Deeds of the province where the Leased Property lies.

- 3.3 Should the LESSOR refuse and/or delay the annotation and registration required under Clauses 3.1 and 3.2 hereof, without any valid and/or legal ground, the LESSOR shall have full authority, by reason of this provision, to annotate and register this Lease Agreement, or cause the annotation and registration of the same in the manner herein required. The cost of such registration shall be for the account of the LESSEE.

#### 4. USE, MANAGEMENT AND OPERATION OF THE LEASED PROPERTY

- 4.1 The LESSEE agrees to use the Leased Property in accordance with the purpose stated in Clause 1.3. The LESSEE however, shall have absolute discretion in the manner of operating the plantation, the method of cultivation, harvesting and marketing of the farm produce. The LESSOR hereby recognizes that the palm trees planted in, and the fruits produced by, the Leased Property, belong to the LESSEE and that LESSOR has no interest in and to the same.
- 4.2 The LESSOR shall in no way interfere with the operation of the Leased Property, it being understood that this Lease Agreement is strictly one of land lease.
- 4.3 The LESSEE shall comply, in good faith, with its duty to pay the rent specified in Clause 2 hereof and to observe and perform all the other obligations contained in this Lease Agreement. The LESSOR, in turn, warrants that the rights of the LESSEE under this Lease Agreement shall be unaffected by any changes in the membership of the LESSOR or by any distributions made or to be made in said membership.
- 4.4 The management of the LESSOR's business operations, including the formulation and implementation of policies on labor and security operations, shall be within the absolute control of the LESSEE.
- 4.5 In the conduct of its business operations, the LESSEE may plant new palm trees, and construct new improvements including but not limited to roads, airports and other structures, on the Leased Property for its business without consent from the LESSOR. In case the LESSEE wishes to conduct experimental projects unrelated to oil palm agriculture, this should be done with the consent of the LESSOR which consent the LESSOR agrees not to unreasonably withhold, provided such experimental projects shall be for sound agricultural purposes.
- 4.6 The LESSEE agrees to manage and care for the Leased Property and shall carry on its undertaking properly and efficiently and in accordance with sound agricultural, administrative, business and

financial practices, including, if necessary, any cut back in production and abandonment of certain areas. The LESSEE, however, shall incur no liability to the LESSOR for any decrease in production in any given year as long as the LESSEE performed its duties in good faith.

5. PARTITION OF THE LEASED PROPERTY

- 5.1 Notwithstanding the provision of Section 30 of Republic Act No. 6657, the LESSOR undertakes that throughout the period of this Lease Agreement, the Leased Property shall not be physically integrated and partitioned among its members. In the event the LESSOR's members, by the required vote, agree to dissolve and liquidate its cooperative, or agree to partition the Leased Property, the LESSEE shall be entitled to the benefits granted by law to registered Leases, and any and all of the LESSOR's members who become individual landowners of any portion of the Leased Property as their share in the liquidation and/or partition thereof, shall respect this Lease Agreement for the entire duration of its term, and any extension thereof, in accordance with the terms and conditions herein provided.
- 5.2 In the event that the LESSOR is compelled to go into a process of dissolution, liquidation and/or partition and distribution of its assets, including the Leased Property, by virtue of and in compliance with the provisions of its corporate charter, such process shall be conducted by the LESSOR in a manner which shall not prejudice the LESSEE's operations on the Leased Property nor interfere with the LESSEE's day-to-day conduct of its business affairs. Further, the LESSOR shall, prior to actual partition and distribution of any portion of the Leased Property to its members, elect and/or designate a Trustee or any person or group of persons who shall be authorized to receive payment of rentals due on the Lease Property for the entire duration of this Lease Agreement, including its renewal.

6. EXPENSES, TAXES AND INSURANCE

- 6.1 All expenses for production, cultivation, harvesting and marketing of products within the Leased Property shall be for the account of the LESSEE.
- 6.2 The LESSEE shall also be liable for all expenses and charges necessary for the conduct of its business operations.
- 6.3 All taxes due on the improvements on the Leased Property except those improvements on the Area that LESSOR shall have utilized under Clause 1.2 hereof, shall be for the account of the LESSEE.
- 6.4 The LESSEE may, for its own account, obtain insurance on all leasehold improvements, including the palm trees. In the event of loss, all proceeds from such insurance shall accrue to the LESSEE.

## 7. ASSIGNMENT

During the term of this Lease, the LESSOR may assign, mortgage or encumber all its rights under this Lease Agreement and/or sublease the entire Leased Property in favour of third persons; provided that the LESSEE may not assign, mortgage, encumber, sublease or otherwise transfer possession of only a portion of its rights under the Lease Agreement or in the Leased Property, without the prior consent of the LESSOR which consent shall not be unreasonably withheld.

## 8. LESSOR'S COVENANTS

The LESSOR hereby represents and undertakes to the LESSEE as follows:

- 8.1 It has full legal title to the Leased Property and has the power and authority to lease the same to the LESSEE.
- 8.2 It has taken all appropriate and necessary corporate and legal action authorizing the execution and performance of this Lease Agreement.
- 8.3 It shall keep the LESSEE in full, peaceful and quiet possession and enjoyment of the Leased Property.
- 8.4 It shall hold the LESSEE free and harmless from any and all claims of third parties to ownership of, or right of possession over, the Leased Property, and shall indemnify LESSEE for all damages resulting from its eviction, in the event such third parties successfully maintain their claims. However, this does not include all claims/cases before the transfer of the Leased Property to the LESSOR.

## 9. TERMINATION

- 9.1 This Lease Agreement shall terminate at the close of business hours on December 31, 2007 (hereinafter, the "Termination Date"). However the LESSEE may, by written notice served to the LESSOR as early as 7 years prior to the Termination Date, extend this Lease Agreement for an additional period of twenty five (25) years, on the terms and conditions which shall be mutually agreed between the LESSOR and the LESSEE. In the event that the parties cannot agree on the renewed terms and conditions, the same shall be determined by arbitration in accordance with Clause 10 hereof.
- 9.2 Prior to the expiration of its term, this Lease Agreement may be terminated by the LESSOR for any of the following causes:
  - i) The LESSEE fails to fully pay the stipulated rental or any other amount due from the LESSOR under this Lease Agreement, for a period longer than 180 days from the date specified herein, without necessity of demand or notice. Interest charges shall be paid fourteen (14) days after due date

on all due and unpaid amounts at an interest rate of twelve (12%) percent or the legal rate prevailing, whichever is higher.

- ii) The LESSEE shall have intentionally failed in the performance of any act required herein, or is intentionally in breach of any of its obligations and covenants.

9.3 Upon termination of this Lease Agreement, the LESSEE shall peacefully return the use and possession of the Leased Property to the LESSOR, and shall promptly pay all rentals due up to the date of termination.

9.4 Subject to the LESSOR's statutory lien on movables belonging to the LESSEE for unpaid rentals and other amounts due the LESSOR arising out of this Lease Agreement, the LESSEE may, upon termination hereof, remove all of its trade or professional fixtures, equipment, movable improvements and other similar properties from the Leased Property, at its expense, provided, however, that the LESSEE shall repair any and all damages which may be caused to the Leased Property by reason of such removal.

All fixed and permanent improvements, such as roads and palm trees, introduced on the Leased Property, shall automatically accrue to the LESSOR upon termination of this Lease Agreement without need for reimbursement.

## 10. ARBITRATION

10.1 If any dispute arises hereunder which cannot be settled by mutual accord between its parties, then such dispute shall be referred for arbitration to a Board of Arbitrators to be constituted as hereinafter provided. It is understood and agreed that any disagreement between the LESSOR and the LESSEE on the renewed terms and conditions of this Lease Agreement, as provided in Clause 9.1 hereof, shall not be the cause for any action of any kind in any court of law or administrative body, but shall likewise be referred to a Board of Arbitrators for determination.

10.2 The Board of Arbitrators shall consist of seven (7) members: three (3) members to be selected by the LESSOR, three (3) members to be selected by the LESSEE, and the seventh (7th) to be appointed mutually by the six arbitrators thus selected. The Board of Arbitrators shall decide on any dispute or disagreement between the parties within ninety (90) days from the date of referral. The decision of the Board of Arbitrators shall be final.

## 11. LEGAL ACTIONS

Without prejudice to the proceedings for arbitration contained herein, any legal action or proceeding arising out of or connected with this Lease Agreement and involving a matter not determinable by arbitration as herein provided shall be brought only in the proper courts of Agusan del Sur. By the execution and delivery of this Lease Agreement, the parties hereby irrevocably submit to the jurisdiction of such courts.

IN WITNESS WHEREOF, the parties herein have hereunto set their hands this 7th day of March, 1990 at Maligaga.

NGPI MULTI-PURPOSE  
COOPERATIVE.

Joel L. Benedicto  
(President)

NDC-GUTHRIE PLANTATIONS,  
INC.

Hector A. Quesada  
(Chairperson)



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