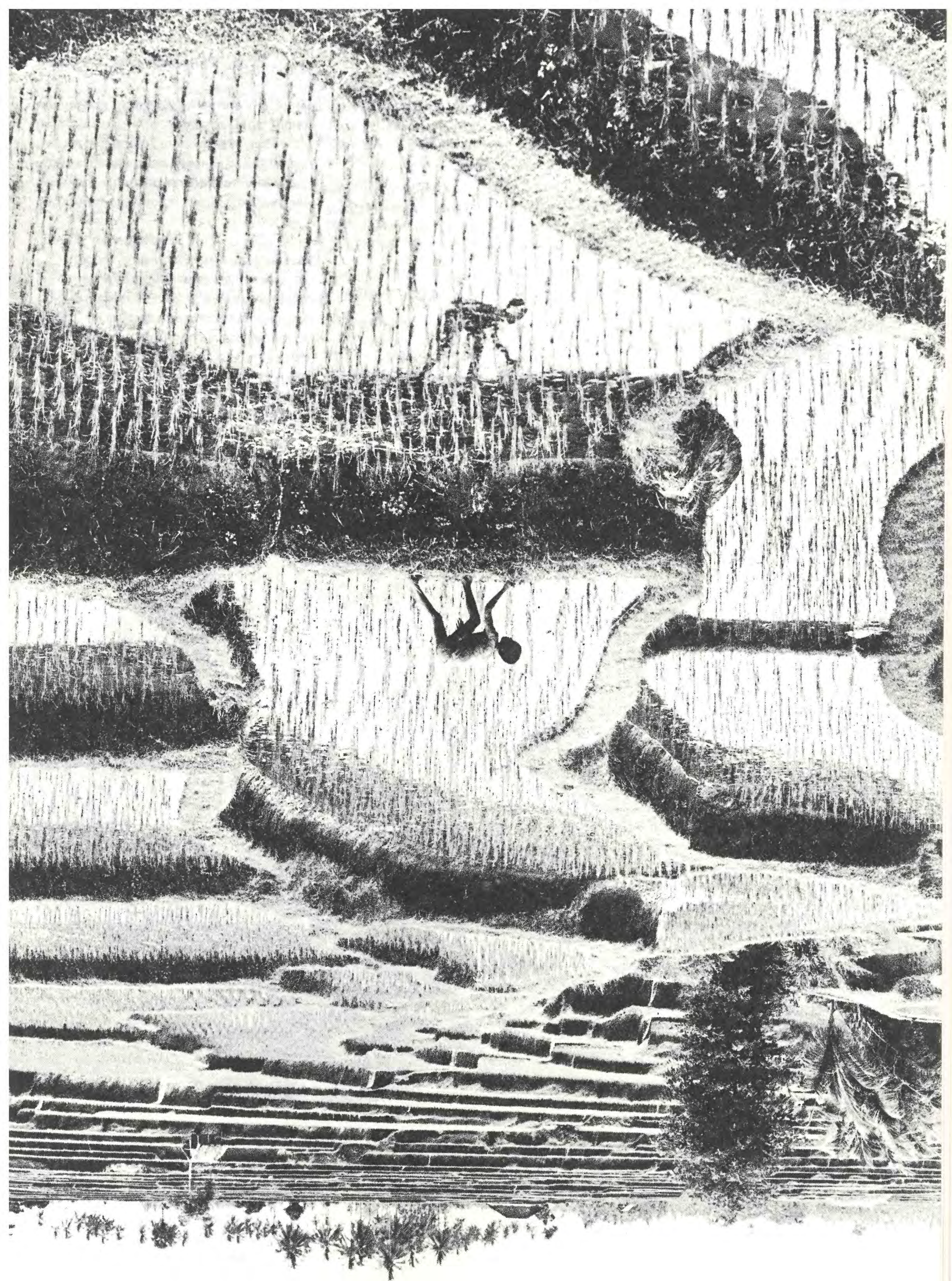


Rice paddy in Java, Indonesia.

Corporate power in selected food commodities

By Frederick F Clairmonte and John Cavanagh

Global trade in food commodities is dominated by a few mega-trading transnational corporations. Most of these TNCs are multi-commodity in scope and several of them are privately owned. Hence they are highly unaccountable to public scrutiny, with many of them not even exhibiting the rudiments of a balance sheet.
With Southeast Asia in focus Frederick F Clairmonte and John Cavanagh analyses the configuration of corporate power in this sector of the world economy.

Frederick F Clairmonte is a Senior Economic Adviser at UNCTAD, Geneva. John Cavanagh is an Economic Researcher at WHO, Geneva. Both are members of the Editorial Advisory Board of RMR.

A reduced version of this paper was presented at a Consumer Association of Penang Conference (Malaysia) in November 1980. The views expressed are not necessarily those of the United Nations.

The designation "producer", like its counterpart "consumer", becomes trivialized when abstracted from the corporate forces which control, impinge and inflect the growth and trajectories of both. While Malaysia is a country in which cocoa is produced in much the same way as the Philippines is a country in which bananas are produced, in reality the bulk of these two commodities are produced for, and marketed globally by three to six transnational corporations (TNCs). Indeed, this pattern of ownership and control by TNCs has become the New International Economic Order for almost all primary and manufactured commodities on the global market since the early sixties, as UNCTAD data so glaringly reveals.

Analysis in this article will be restricted to Southeast Asia. Yet it is not too difficult to perceive that while there are differences between countries, there are also common denominators generated by the activities of transnationals.

Transnational corporation in food production, marketing and processing have, to a considerable extent, bypassed Southeast Asian peasants and workers in relation to their internal food marketing systems. Export-oriented evolution of production has generated low purchasing power and a fragmented retail structure which is still largely under indigenous control, with exiguous opportunities thus far for TNCs to appropriate profits from the distribution sector. Only in their rapidly mushrooming urban areas are significant inroads being made by TNC retailers.

Rather, the major TNC impact on Southeast Asians has historically operated through expropriation of their best lands, which in turn pushes up land prices. Such massive and forced expulsion of the peasantry has swelled the already overcrowded, diseased and shack-filled urban slums, and has escalated sharply the cost of indigenous food supplies.

These countries are being integrated into the world market not only by TNC production and marketing ventures, but also through the draining of their domestic capital investment resources by the transnational banking circuit. Buttressed by the communications revolution and the uninhibited mendacity of multi-billion dollar advertising onslaughts, TNCs have pulled richer consumers into the prepacked vortex of their familiar consumption mould. This has contributed to exacerbate tensions in already markedly inegalitarian social formations.

Indubitably, TNC power is not an independent variable, but must be seen in relation to the *internal collaborationist oligarchies (ICOs)* within underdeveloped countries. As the theory and practice of the Chicago School reminds us, profits and survival of the ICOs are predicated on their symbiotic relationship with TNCs. And it is by no means fortuitous that these regimes are characterized by large-scale repression. Such repression is mandatory since historically its explicite class function has been to act as a disciplinary force on the labor process; and to arrest change, notably from national liberation movements.

TNCs acknowledgement and support of such policies is evidenced in: joint ventures; corporate kickbacks which have literally become an organic segment of the international marketing and distribution network; and the secret recycling of ICO royalities and kickbacks (of which the Shah and Somoza were some of the more conspicuous prototypes) into TNC banks overseas where they will not be deployed to finance socio-economic development in underdeveloped countries. It would, perhaps, be difficult to find a more candid admission of such political inter-relationships than that of United Fruit Company Chairman Herbert Cornuelle in 1968:

> "there remains the question of the political impact of a large world corporation in a country such as Honduras. The United Fruit Company, for example, last year provid-

ed 11.2 percent of the country's taxes, 6 percent of its foreign exchange and 6.98 percent of its gross national product. It would be foolish to pretend that the company is without influence in Honduras." [1]

In this perspective, analysis follows on the corporate forces in eight major food commodities for which Southeast Asian nations are among the major global exporters. Sugar is the most important of these commodities, with 1980 global exports topping 14.3 billion USD, trailed by coffee with 12.6 billion USD. Indonesia ranks fourth in global coffee exports and the Philippines fifth among sugar exporters. The remaining six commodities (corn, cocoa, rice, tea, bananas and pineapples) generated about 23 billion USD in 1980 global export earnings, with most Southeast Asian exports emanating from the Philippines, Thailand, Indonesia, Malaysia and Burma.

As we move from one commodity to another, there are certain common corporate traits that characterize commodity relationships. Most of the mega-trading companies are multicommodity in scope, with several of them privately owned family firms. Hence they are highly unaccountable to public scrutiny, with many of them not even exhibiting the rudiments of a balance sheet. In addition, several giant processors are not only vertically integrated, but are themselves conglomerates whose activities overspill the boundaries of the food sector.

Table 1

Corporate Control of Global Commodity Trade, 1980

Commodity	Total export (million USD)	Percentage marketed by largest 15 transnationals[1]
Food		
Wheat	16,556	85–90
Sugar	14,367	60
Coffee	12,585	85–90
Corn	11,852	85–90
Rice	4,978	70
Cocoa	3,004	85
Tea	1,905	80
Bananas	1,260	70–75
Pineapples	440[2]	90
Agricultural raw materials		
Forest products	54,477	90
Cotton	7,886	85–90
Natural rubber	4,393	70–75
Tobacco	3,859	85–90
Hides and skins	2,743	25
Jute	203	85–90
Ores, minerals, and metals		
Crude petroleum	306,000	75
Copper	10,650	80–85
Iron ore	6,930	90–95
Tin	3,588	75–80
Phosphates	1,585	50–60
Bauxite	991	80–85

Source: Estimates by the UNCTAD secretariat

1 In most cases, only 3 to 6 transnational traders account for the bulk of the market.

2 Four-fifths consists of canned pineapples and one-fifth of fresh pineapples.

Sugar

In 1980, the world sugar market topped 14.3 billion USD, derived largely from sugar cane. Over half of this market is transacted through bilateral deals, e g Cuba to the Soviet Union, with the remainder traded by large transnational or multi-commodity traders. Half of exports emanate from Cuba, France and its overseas departments) and Brazil with the major importers being the USSR and the developed capitalist economies. Ever since the creation of colonial sugar plantations in the 16th century, large corporations have dominated all facets of production, trading and processing.

The bulk of the world's sugarcane is grown either on large state farms (Cuba and China) or on plantations, many of which are foreign-owned. Perhaps the prototype of the latter is Gulf and Western, which straddles 11 per cent of the arable land of the Dominican Republic, and produces onethird of its sugar output. In several cases, major trading companies have moved into plantations, such as the 1973 acquisition of Theo H. Davies, Hawaii's fourth largest sugar producer, by the British corporation Jardine

Table 2
Major Food Traders and Processors, 1980

Commodity	Leading traders	Leading processors	1980 sales (billions USD)
Sugar	Tate & Lyle (UK)	Gulf & Western (US)	5.3
	Sucres et Denrées (France)	Lonrho (UK)	5.0
	Engelhard (Philipps) (US)	Tate & Lyle (UK)	3.4
	E.D.F. Man (UK)	Amstar (US)	1.8
Coffee	J. Aron (US)	Nestlé (Switzerland)	13.8
	Volkart (Switzerland)	Proctor & Gamble (US)	11.2
	ACLI International (US)	General Foods (US)	6.4
	Socomex (US)	Coca Cola (US)	5.9
	General Foods and Proctor & Gamble (US)	Jacobs (FRG)	1.6
Corn	Continental (US)	Cargill (US)	25.0
	Louis Dreyfus (France)	CPC International (US)	4.1
	Bunge & Born (Brazil)	Standard Brands (US)	3.0
	André (Switzerland)	ADM (US)	3.2
	Cargill (US)	Bunge & Born (Brazil)	n.a.
Rice	Connell (US)	Cargill (US)	25.0
	Continental (US)	Continental (US)	n.a.
	"Six Tigers" (Thailand)		
Cocoa	ACLI International (US)	Nestlé (Switzerland)	13.8
	Volkart (Switzerland)	Cadbury-Schweppes (UK)	2.7
	Gill and Duffus (UK)	Mars, Inc. (US)	2.3
	Internatio (US/Holland)	Rowntree-Mackintosh (UK)	1.5
	J. H. Rayner (US)	Hershey Foods (US)	1.3
Tea	Allied-Lyons (UK)	Unilever (Liptons) (UK)	24.3
	Unilever (UK)	Associated British Foods (Twining) (UK)	5.8
	J. Finlay (UK)	Allied-Lyons (UK)	5.0
	Brooke Bond (UK)	Brooke Bond (UK)	1.6
	Associated British Foods (UK)	James Finlay (UK)	n.a.
Bananas	R. J. Reynolds (Del Monte) (US)	R. J. Reynolds (Del Monte) (US)	10.4
	United Brands (US)	United Brands (US)	3.9
	Castle & Cooke (US)	Castle & Cooke (US)	1.7
Pineapples	Mitsubishi (Japan)	Mitsubishi (Japan)	66.1
	R. J. Reynolds (US)	Nestlé (Libby) (US)	13.8
	Castle & Cooke (US)	R. J. Reynolds (Del Monte) (US)	10.4
		Castle & Cooke (US)	1.7

Source: Trade sources.

Matheson (incorporated in the British crown colony of Hong Kong).

Grim labour conditions and subsistence wage rates have long been the norm on plantations. In reference to the Philippines, the *Wall Street Journal* could declare:

> "The workers get by on wages that run as low as 81 cents a day, even though the legal minimum is about 1.36 USD. Wages are barely enough for meals of rice and salt with perhaps a dollop of sapsap, or tiny dried fish. Malnutrition here is widespread and many babies die at birth. A few years ago, according to union officials, a cane cutter's daily wage could buy more than 20 lbs. of rice. Today, it buys only about five pounds."[2]

Nor should it be imagined that productivity gains have been passed on to the plantation sugar workers: On this score the observation of Sir Arthur Lewis is relevant:

> "When productivity rises in the crops produced for export there is no need tho share the increase with labour, and practically the whole benefit goes in reducing the price to industrial consumers... Cane sugar is an industry in which productivity is extremly high by any biological standard. It is also an industry in which output per acre has about trebled over the past seventy years, a rate of growth unparalleled by any other major agricultural industry in the world – certainly not by the wheat industry. Nevertheless, workers in the cane industry continue to walk barefooted, and to live in shacks, . . . "[3]

The description is only partially accurate inasmuch as the beneficiaries are by no means solely the industrial consumers, but include to a large extent a coterie of transnational trading and plantation corporations.

In this realm, four multi-commodity traders embrace over half of the sugar on the so-called "free" market: *Sucres et Denrées, Tate and Lyle, Philipp Brothers and E.D.F Man.* To this phalanx could be added *S & W Berisford,* which markets up to one half of the sugar refined by the UK's two biggest refiners, Tate and Lyle and the British Sugar Corporation. Tate and Lyle, with roots plunging deep into Britain's imperial past, is the most vertically integrated sugar corporation in the world. Its tentacles cover sugar milling factories, warehouses, refineries and estates in the Ivory Coast, Swaziland, the Philippines, etc.; its bulk cargo shipping network gidles the world. Philipp Brothers, a spin-off ot the Engelhard empire (estimated 1980 sales: 25 billion USD), only broke into the global sugar market in 1977 and today already stands as the world's third largest sugar trader. In part this meteoric upsurge was made possible by its highly sophisticated communications and intelligence networks built up over a long period of trading petroleum, metals and other commodities. A no less important actor on global commodity markets, Cargill, started from an operations base in the Philippines and also carved out a share of sugar trading. Sugar remains nonetheless a relatively small segment of its global operations.

Another facet of this massive and mounting concentration is the refining phase of the raw product. Below Tate and Lyle, which stands at the top of the refining pyramid (150 subsidiaries in over 30 countries), are several corporations which are more or less confined to a single market: Beghin Say, with 35–40 per cent of the French market; Sudzucker, with almost 30 per cent of the West German market; Amstar, with a quarter of the U.S. market; and the corporation with the highest degree of control, De Dansk Sakkerfabrikker, with 86 per cent of the Danish market. Other prominent refiners on a global scale are the conglomerates Booker McConnell (which has also its own shipping lines), Lonrho and Gulf and Western.

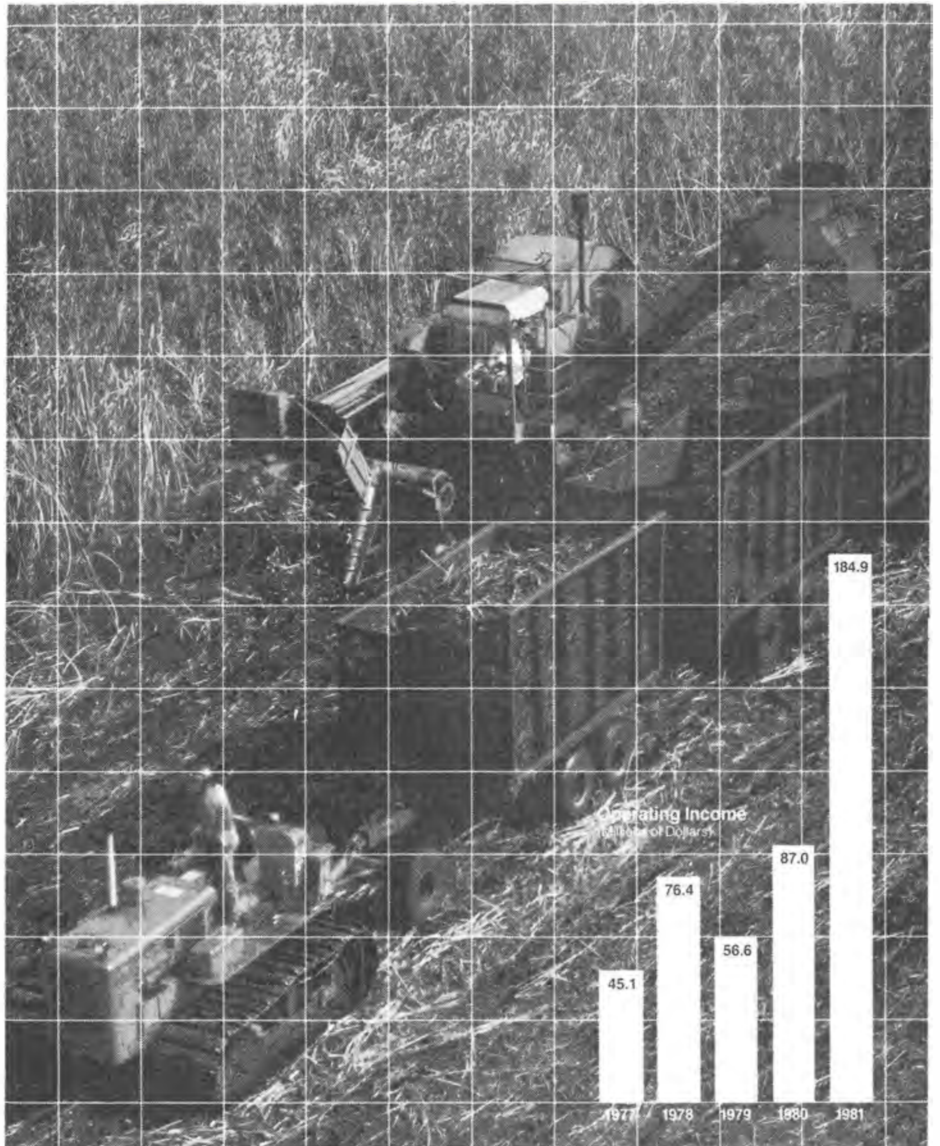
Gulf and Western Industries Inc. (57th in the *Fortune* 500 list in 1980) exemplifies *par excellence* the growth of conglomerate power, possibly unprecedented in the annals of corporate history. In two decades its sales rocketed from 8.4 million USD in 1958 to 5.7 billion USD in 1980, and its labour force from 500 to around 95 520. Consolidated Cigar (one of the world's leading cigar corporations with about one-third of the U S market) is the tobacco arm, which is a subgroup of its Consumer and Agricultural Product Group, embracing a trifling three per cent of its global sales. Consolidated Cigar has now globalized the marketing operations of its Spanish, Dutch and American cigars in about 100 countries.

Evocative is its organizational structure with nine major product groups (each with their multi-million dollar sub-groups): leisure time, financial services, consumer and agricultural products, apparel products, paper and building products, automotive replacement parts, manufacturing, natural resources and other interests. A mere inventory of these general corporate groups fails, however, to disclose their ubiquity within specific product lines. The leisure group, for example, includes Paramount Pictures; the Madison Square Garden Corporation; Paramount Television; Cinema International Corporation (which is the international marketing arm of Paramount, Universal and Metro-Goldwyn-Mayer); Paramount's Famous Music Corporation (which publishes and promotes songs and sheet music); Famous Players Limited (which operates about 235 theatres with nearly 400 screens in Canada and some thirty-five theatres with more than sixty screens in France); and Simon and Schuster, one of the leading U S publishers.

Such momentous growth would have been inconceivable without a symbiotic relationship to finance capital, as U S Con-

Small-scale growing of sugarcane in Kenya (top).

Mechanized cane operations on one of Gulf+Western's sugar cane plantations, with figures on operating income from the company's Consumer and Agricultural Products Group. In 1981 sugar cane accounted for 50 per cent of Group sales.



gressman Wright Patman so graphically delineated:

> "One of the favorite pastimes of concentrated financial power is promoting concentration in non-financial industries. There is substantial evidence that the major commercial banks have been actively fueling the corporate merger movement. A 1971 congressional report, for example, found that the major banks financed acquisitions, furnished key financial personnel to conglomerates, and were even willing to clean stock from their trust departments to aid in takeover bids. Thus Gulf and Western, one of the most aggressive conglomerates of the 1950s and 1960s (92 acquisitions involving almost a billion dollars in eleven years) expanded hand in glove with Chase Manhattan. Friendly representatives of Chase made funds available and provided advice that assisted Gulf and Western in its acquisitions. In return, in addition to the customary business charges for Gulf and Western's accounts and loans, Chase secured banking business generated by the newly developing conglomerates that formerly had gone to other banks, and was recipient of advance inside information on proposed future acquisitions."[4]

Such strategies of conglomerate annexationism, abetted by finance capital, are by no means unique to the global sugar empire builders.

Coffee

After petroleum, wheat and sugar, coffee is the leading primary commodity in global trade, with exports reaching 12.6 billion USD in 1980. Whereas the coffee growing sector remains largely fragmented (with millions of smallholders and a few giant plantations) the trade and processing sectors are now dominated by powerful oligopolies. The picture that emerges in international marketing is one which reveals the physiognomy of Big Capital on the futures markets, in shipping, roasting, packaging and retailing in the large developed consuming countries.

In the trading sector we perceive the muscle of certain multicommodity traders whose names continually reappear in other food sectors: *ACLI International, Volkart, and J. Aron.* ACLI controls about 10 percent of the global coffee market and is also among the top five in cocoa trade, as well as a major dealer in sugar, rubber, metals and chemicals. Volkart is one of Switzerland's major firms and the second largest global cotton trader. As opposed to small producing countries, giant traders are strategically positioned to squeeze local producers due to their large volume purchases, warehousing capability, global shipping, finance and marketing connections.

To this should be added their entrenched strongholds on futures markets with their concomitant ability to speculate and influence price movements. This explains the running legal battles between the U S Commodity Futures Trading Commission and trading companies, seen most recently in the charge of futures price manipulation launched by the CFTC against Anderson Clayton and ACLI International in 1979. While giant traders account for roughly four-fifths of the global market, certain giant roasters purchase a sizeable segment of their coffee directly from the producing countries. It is precisely by recourse to such marketing strategies that General Foods, Proctor and Gamble and the retailer A & P have also added their oligopolistic muscle to global coffee trade.

Large-scale concentration first encountered at the trading level becomes even more marked at the processing or roasting level. With the exception of Hills Brothers, all of the big roasters are multibillion dollar conglomerates. Their pricing and marketing strategies adversely affect consumers the world over. The unfolding of these strategies can be seen in the combined one billion dollar U S advertising budgets (which could very well be an underestimate) of General Foods and Proctor and Gamble (P & G) in 1980, the highest in the world.

While coffee prices are occasionally cut in this coffee war, there should be no illusion that the consumer is the beneficiary. As one observer put it:

> "The P & G conglomerate has spent so much money buying ads and slashing coffee prices to woo consumers that in 1977 it 'lost' 60 million USD on the Folger subsidiary. I put 'lost' in quotes because P & G didn't really lose money – you financed the coffee war when you paid inflated prices for Duncan Hines cake mix and other dominant P & G products, and the conglomerate merely shifted its profits to subsidize the coffee war."[5]

Occasional price cutting is more frequently matched by oligopolistic price hikes through the mechanisms of price leadership by the major roasters. The presence of conglomerate structures opens the floodgate for financing massive marketing onslaughts in a particular sector by sustaining losses which are subsidized by other profit centers. The upshot of such immense marketing leverage is the obliteration of small or regional brands to the further market aggrandizement of the majors.

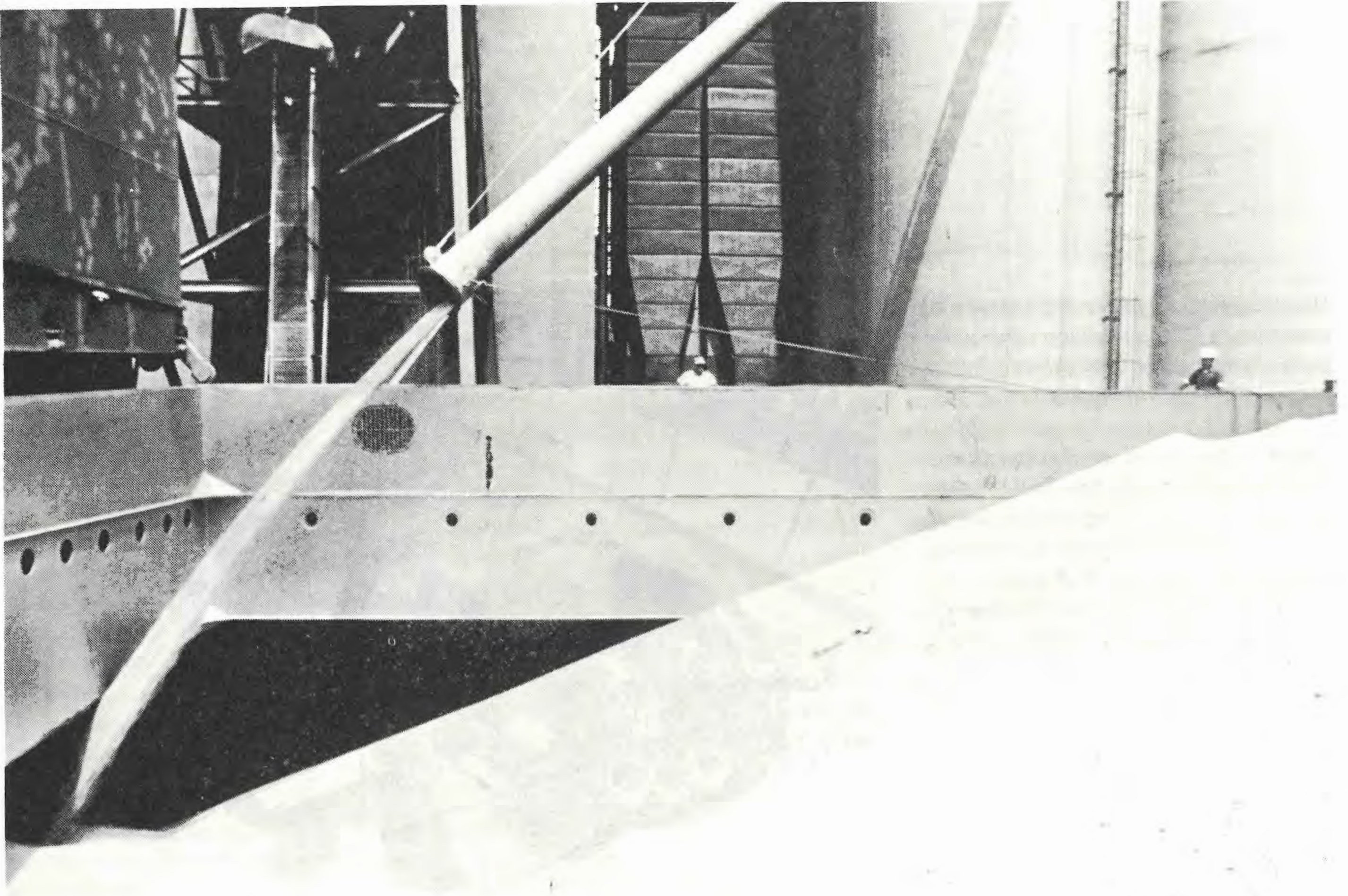
An index of the annexationist thrust of big coffee capital was General Food's 1978 acquisition of West Germany's third largest coffee company Hag, which itself controlled major market segments in France, the Netherlands, Switzerland, and Austria. By its very nature, conglomerate annexationism is not limited to horizontal coffee takeovers, revealed in another glaring example: Tchibo, West Germany's number two coffee roaster, acquired Reemtsma, that nation's largest tobacco group (35–40 per cent of the national cigarette market), and also one of the top three brewing groups. It is also noteworthy that the big five coffee roasters have carved out a sizeable chunk of the Japanese coffee market, a remarkable feat in a country that has historically been hermetically sealed off from intrusions of foreign capital.

As might be expected, the combined economic power of the coffee trading and roasting oligopolies is no less matched by political leverage: The permanent presence of top coffee executives in major government delegations to international coffee conferences exemplifies the relationship between corporate capital and state power. A further illustration was the appointment to ACLI International (as a senior vice president) of a three decade civil servant of the State Department, as well as the successive transitions of General Haig from NATO to United Technologies to the highest office of the State Department.

Major Latin American coffee producing countries attempted to respond to corporate aggrandizement by bankrolling a USD 500 million producers group which labeled itself Pan Café. The grouping crumbled after several months, but even if they had been successful in boosting prices, it is dubious that any gains would have redounded to small coffee growers or plantation workers in any of the major coffee exporting countries.

Despite efforts by major coffe producing countries to form a producers group the giant traders have maintained their control of the world market.

Coffee being tasted at the Brazilian Institute of Coffee in Sao Paulo (top). Brazil is the world's largest exporter of coffee. A warehouse of the Federation Nacional de Cafeteros, in Bogotá, Colombia, where half a million bags of coffee can be stored. Colombia is the second largest exporter of the world.



Corn

Corn exports are below only sugar and coffee in value among the eight selected commodities. Out of 11.9 billion USD in 1980 global exports, well over 8.6 billion USD came from the United States. Most corn ends up as animal feed, with the bulk imported by the USSR, Japan, and the European Common Market. Less than one-tenth of the world crop is slated for human consumption in the form of food, starch or sweeteners – a share which should grow in the wake of Coca Cola's (the planet's largest sugar consumer) 1980 decision to substitute corn-based sweeteners for sugar.

Seven families englobe corn marketing, a major component of the global grain trade: *the Fribourgs at Continental Grain Co., the Hirsches* and *Borns at Bunge; the Cargills and Macmillans at Cargill* and the *Louis Dreyfuses and Andrés* at corporations that bear their names.[6] Supranational interests and the supra-profits that are their institutional derivative ineluctably transcend the national interest. They are etched to a common design and serve a common finality. Members of this supranational grouping not only own the bulk of the stock of these "grain" juggernauts, but also serve as board chairmen, presidents and chief executives at each of them.

wields power over his company; a fourth

The historical phenomenon that we perceive is that of a militant ologopoly that has survived – unflaggingly – right into the last quarter of our century. The Michelins of France still run the world's third largest tire company; the Rothschilds have their banks, agricultural, industrial and mining interests; Henry Ford still wields power over his company; a fourth generation of Weyerhausers dominate the United States' largest timber company, with its extensions in pulp and paper; the Du Ponts, to a mitigated extent, still rule over their chemical empire.[7] But in the "grain" business, family power is absolute – and their dominion wholly unaccountable.

The big five operate the grain pipeline from farmer through the commodity futures markets on to the final consumer. By their physical presence they dominate the 'refineries' that turn wheat into flour, soy beans into cooking oil'or animal meal, and corn (maize) into animal feed or liquid sweeteners for soft drinks and cream. Cargill and Continental handle more than 50 per cent of U S grain exports. Cargill is one of the leading exporters of French wheat. Together, the big five handle 90 per cent of the Common Market's trade in wheat and corn; 90 per cent of Canada's barley exports; 80 per cent of Argentina's wheat exports; and 90 per cent of Australia's sorghum exports. No less striking is that they have already penetrated East European markets not only as importers but as grain intermediaries between countries. Some of them have now massively expanded their operations into sugar, coffee, meat, cotton and the entire gamut of commodities trading.

With storage capacity and transportation networks vital to global control, the grain merchants own both elevators at ports and their own private railroad cars, often having interlocking directorates with grain carrying railroads. Significantly, they also own fleets of trucks, port facilities, steamship lines, seed companies, fertilizer plants, research laboratories, farmland, banks, insurance companies, and commodity futures subsidiaries.

It's well known that Continental Grain Company is one of America's largest exporters of agricultural commodities.

What's not so well known is that Continental has been a full-fledged U.S. citizen since 1921 – the year we established operations in Chicago.

In the mid-forties our headquarters was moved to New York City.

Today, Continental's activities extend into virtually every country – supplying American-produced grains and other commodities to world markets at competitive prices.

This massive marketing job is supported by a network of strategically-located inland and export elevators with advanced grain handling and storage systems, as well as a transportation complex of railroad hopper cars, barges and ocean vessels.

Overall, our interests include the marketing of grains and oilseeds, animal feeds, soybean meal and oil, processed poultry, quality flours and bakery products.

Our most satisfying activity, however, is being able to bring the fruits of American farms to millions of people around the world.

By serving as a bridge between U.S. farmers and their overseas customers, Continental fulfills a basic human need and, at the same time, contributes to the strength and vitality of our economy here at home.

We look forward with enthusiasm to the challenging opportunities for American agriculture throughout the world and are confident of our ability to serve new and expanded markets.

Continental Grain Company, 277 Park Avenue, New York, N.Y. 10172.

Continental Grain

Our market is the world but our home is America.

Wheat loaded at Lake Calument, Illinois, USA for shipment abroad.

Advertisment by Continental Grain in Foreign Policy, New York, 1982.

In addition to all facets of corn marketing, these same five are the dominant forces in corn refining, although other corporate actors enter the picture at this stage. Cargill is the leader, with 35 feed plants in the U S and 20 in Europe, while Continental and its subsidiaries operate 20 in the U S. With its 1979 annexation of Lauhoff Grain Co., Bunge is claimed to have become the world's largest manufacturer of corn products using the dry milling process. Two other firms have large shares of the U S feed manufacture market (ADM and Peavey); two produce half of U S hybrid seed corn (Pioneer and DEKALB); and four dominate wet corn milling for starch and sweeteners (CPC International, ADM, Standard Brands, and A.E. Staley Manufacturing).

In the price realm, the grain oligopoly is the most pervasively powerful influence on the grain futures markets. Certainly, the physical antics of the bidders in the exchange pits may give the appearance of an ideal competitive price mechanism. However, what transpires at the exchanges usually tells us very little about market manipulation via "corners" and "squeezes". To be sure, as Dan Morgan judiciously notes, the traders on the exchanges are little more "than mercenaries sent into battle by generals who oversee the whole battlefield from some remote command post – from the wheat, corn (maize), and soybean desks of Cargill, or from the map room of Continental far away in Switzerland."[8]

While there have been notable attempts to break the chains of ignorance surrounding the grain trade, the shroud of secrecy has not been lifted appreciably since the companies' creations. Swiss law provided one alibi which inhibited and continues to inhibit U S Congressional investigators. In its categorical refusal to transmit information to the U S government, Cargill's Swiss subsidiary could declare: "TRADAX and its employees would be subject to criminal prosecution if they supplied this information to a U S government entity." It takes no great imaginative effort to know the response that would be meted out to an underdeveloped country that would have the temerity to raise such awkward questions.

Rice

Rice remains the staple food of over half the world's population, primarly in the underdeveloped world. Of aggregate output, about 4 percent enters world trade at an estimated value of 5.0 billion USD. China is the world's paramount producer and third largest exporter after the U S and Thailand. At the other end of the trade spectrum, the biggest importers are underdeveloped countries led by Indonesia and South Korea. Unlike many primary commodities, large-scale plantations are not numerically significant. Rather, the institutional set up is characterized by large holdings in the United States, collective farming patterns in China and the Soviet Union and relatively small holdings in the rest of the world.

In the United States, the world's major exporter, the trading complex has been shaped by three major factors: the first is what has been familiarly called Public Law 480, consisting of granting subsidized export credits to developing countries to purchase U S agricultural surpluses; the second are the major grain traders, dominating both PL 480 rice exports and exports to the "free market"; and the third are the big-scale southern rice landlords, with considerable lobbying leverage in Congress. This corporate power complex, wedded to the state apparatus, has long since repudiated the operation of so-called "free market" forces.

Continental and *Cargill,* as in corn and wheat, are at the top of the U S rice ladder trailed by a newcomer, *Connell Rice and Sugar.* In the sixties the process of concentration gathered momentum. In 1966, there were 21 rice exporters dealing in PL 480 shipments. By 1967, only seven remained with Connell and Continental supplying over four-fifths. Likewise in Thailand, rice trading is dominated by a handful of highly secretive merchants baptized 'The Six Tigers'.

Political trafficking in rice is by no means confined to the United States. In an effort to secure large amounts of sub-

Rice laid out on mats for sun-drying. Central Java, Indonesia.

sidized exports from the U S to South Korea, the professional swindler Tongsun Park distributed hundreds of thousands of dollars in payoffs to influential politicos. Such marketing prowess was later flaunted by Park, who exultantly proclaimed: "Lobbying is built into the American system. Teachers and labour unions do it. Why shouldn't foreign countries."

Another variant of this pay-off complex was brought out in 1982 litigation and counter-litigation between two major rice traders. As spelled out by the *Wall Street Journal,* Pacific International Rice Mills Inc. (Pirmi) "accused Connell Rice & Sugar Co . . . of slander and conspiring to interfere with Pirmi sales of rice to South Korea. Connell, th suit said, exports 70 per cent of the U S rice sold to South Korea . . . The Pirmi suit claims Connell acquired its market position 'though a series of payments through persons or entities then associated with the Korean government, including Tongsun Park'."[9]

Milling, which is the ultimate processing stage, has increasingly become more concentrated in domestic markets. In the U S, the major traders are heavily integrated into milling. In contrast, Swiss rice milling is dominated (about 70 percent) are in the presence here not of single com- by three big retailers: Migros, the Co-op and USEGO, who also dominate rice imports into Switzerland. This mosaic of concentrated economic power exist in all developed market economies.

Cocoa

Cocoa exports are dominated geographically by three African countries (Ghana, Ivory Coast and Nigeria) with over three-fifths of global exports. The seventies, however, witnessed the dramatic appearance of several new intruders, notably Brazil and in Southeast Asia, Malaysia. Cocoa is overwhelmingly grown by smallholders, whereas trading and processing continue to be dominated by transnational oligopolies.

The risks attendant on agricultural production have, in many ways, deterred TNCs from having extensive land ownership in the post colonial period. This signifies that the economic risks related to crop failure and disease are thrown squarely on the smallholders. Yet, TNCs often maintain their grip on the smallholders via credit extension which tends to perpetuate a state of permanent indebtedness. It would appear, however, that some TNCs linked with the state apparatus are moving into big scale cocoa plantations, as epitomized by Sime Darby in Malaysia. Created in 1910 by colonial capitalists, Sime Darby's empire straddles more than 200 000 acres of Malaysia's most fertile land as well as acreage in other Southeast Asian countries. Based on its massive rubber and palm oil (one of the world's largest producers) profits it has plunged into cocoa production in both the Malaysian mainland and in Sabah.

From the relatively fragmented stage of small scale producers, we move to the highly concentrated stage of trading where 6 companies have appropriated over 70 percent of the global market. These contenders for power include *J.H. Rayner, Gill and Duffus, ACLI International, Volkart International* and *General Cocoa.* We

modity traders, but of multi-commodity traders. Gill and Duffus, which controls around a quarter of the global cocoa market, also has extensive trading activities in coffee, rubber, sugar, chemicals, metals, tea, etc.

The complexities of corporate capital are seen in the profile of J.H. Rayner. This trading company was recently sold by Saudi capital (The First Arabian Corporation) to Sunshine Mining which, amongst others, is the biggest silver miner in the U S. Nor is it incongruous that the largest owners of Sunshine were none other than the multi-billionaire brothers Nelson Bunker and William H. Hunt whose speculative gyrations on silver futures markets require no further publicity.

Global control of trading is exercised not only through the practices, licit and illicit, of the TNCs but also through their control of informational networks. This is nowhere more clearly seen than with Gill and Duffus' Cocoa Market Reports. By design, the British government, as the centralizing force for corporate colonial capital, delegated its traditional role of publishing and diffusing cocoa intelligence to Gill and Duffus in the aftermath of Ghana's independence. This informational network constitutes the central marketing tool not only of third world marketing boards but also of speculators, brokers and other dealers on the futures markets as pinpointed by the UNCTAD secretariat: "The concordance between observed and estimated values is sufficiently good to support the view that futures prices are directly and strongly affected by Gill and Duffus forecasts."[10]

Trading is by no means the exclusive preserve of the multi-commodity traders. As in coffee and other primary commodities, certain giant manufacturers (e.g. Nestlé and Mars) purchase directly some of their requirements. In certain national markets other trading companies also emerge as prominent importers: in France, Cacao Barry; in West Germany Kakao-Einkaufs Gesellschaft (KEG) and Albrecht and Dill; in the U K, Cocoa Merchants; in Japan, the Sogo Shosha (General Trading Companies); and in the Netherlands, Daarnhauwer & Co. and Harbarn.

Cocoa beans being sun-dried in Cameroon. The country exports large quantities of cocoa.

The same very high levels of concentration exist in the ultimate stage of cocoa processing, namely chocolate manufacturing. Nine corporations control four-fifths of output in the OECD group of countries, with their subsidiaries and exports annexing an important slice of national markets in underdeveloped countries. These include Mars, Cadbury-Schweppes, and Rowntree-MacKintosh, which jointly have annexed four-fifths of the U K market; and Hershey Foods, Nestlé and Standard Brands which together with Mars and Cadbury-Schweppes have also annexed four-fifths of the U S market.

Once again, these corporations invariably straddle the entire gamut of the food processing industries. Nestlé is the exemplar of this corporate diversification having extended its operations into milk, coffee and other products, including pharmaceuticals, in 52 countries around the globe. Oligopolistic competition between the manufacturing majors has in no way deterred widespread collusion, as seen in such common marketing practices as licensing agreements.

Tea

At present, global tea trade hovers around 1.7 billion USD, with India and Sri Lanka englobing over half of world exports. One of the unique features of the global tea market is that firms are not only vertically integrated in trade and processing, but several are also backwardly linked to plantations. Many of these giants are British corporations with vast conglomerate extensions throughout the food and beverage sectors.

The dimensions of corporate power can be discerned among the major actors: *Unilever*, the second major British corporation, whose subsidiary, Allied Suppliers markets its Lipton brand in 156 countries; *Allied-Lyons*, the U K's biggest drink concern, whose Tetley and Lyons tea brands (not to speak of its own coffee, alcohol and soft drink brands) are paramount marketing weapons in Europe; *Brooke Bond Liebig*, a giant conglomerate controlling one-fifth of the global tea market and 75 per cent of the Indian packet tea market; and Associated British Foods with its House of Twining subsidiary marketing in over 90 countries.

When we look at plantations, which is the first phase of the integrated tea industry, we can differentiate roughly three types of corporate plantation ownership:

- The first are the giant *traders/blenders* such as Brooke Bond Liebig who owns about one-quarter of tea holdings in Kenya and Tanzania, with plantations also located in India, Zambia, Malawi and Zimbabwe.
- The second are companies whose primary activities are *plantations*, such as Sime Darby, which are not only involved in tea operations but control vast tracts of rubber and cocoa lands in Southeast Asia.
- *Conglomerates* comprise the third category, including such companies as Allied-Lyons and Booker McConnell. Overall, transnationals still have sizeable ownership shares in tea plantations, embracing 40 per cent of Indian tea output; 60 per cent in Bangladesh and Kenya; 75 per

Tea workers in Sri Lanka. Below. Tea estate in Sri Lanka. Right. Loading tea for export in Kenya and India. Center and bottom.

cent in Tanzania and 90 per cent in Malawi. These plantations, as in the 19th century and before, employ a mass of undifferentiated labour earning subsistence wages. In Malawi, wages paid by the U K plantation company, the Eastern Produce Group, are around 15p per day which also happens to be the price of a loaf of bread. The family subsistence plot thus becomes a vital supplement in the battle for survival. The Ruo Estates Company, which is part of the Eastern Produce Group, exhibits the profitability of such mass exploitation:

> "Its only business is growing tobacco and tea in Malawi and last year it made profits of 593 000 GBP on sales of 1.7 million GPB. Such high margins of almost 35 per cent are but a pale shadow compared with 1977 when over half of the company's turnover of 2.5 million GBP was pre-tax profit. Such profits are by no means exceptional among other British companies who operate tea estates in Malawi under conditions not significantly different from those in Ruo."[11]

Understandably, the global masters of tea readily recognize the value of a subsistence labour force. As Chairman Sir Colin Campbell of the U K's J. Finlay noted, in an apologia that would be difficult to surpass in the annals of plantation agriculture: "Our native workers overseas choose to work for the company on the open market, which proves they are happy and eager with their lot". Earlier, Sir Colin declared during a shareholder's meeting: "It is significant that we have no difficulty retaining labour, which indicates that the working environment is competitive". Such competition on "open markets" is taking place in underdeveloped countries with employment rates climbing as high as 40–50 per cent of the labour force.

Moving up the chain from plantations to trading, we perceive the same companies dominating shipping, insurance, warehousing, marketing and distribution. This dominance is dramatized in the two leading exporting countries. In India, the top 6 TNCs (McNeil Major, Brooke Bond Liebig, Harrisons and Crosfield, Unilever, James Warren and J. Finlay) control one-third of exports, while in Sri Lanka, the big six (Brooke Bond Liebig, Unilever, Harrisons and Crosfield, Carson/Lehman, Van Rees and J. Finlay) control almost one-half.

The grip of corporate power is even stronger at the blending stage. In the U K four of these familiar firms control over four-fifths of the market with Brooke Bond Liebig biting off one-third. In Ireland, two giants have already carved out two-thirds of the national market, spearheaded, appropriately enough, by Big Booze – the Allied-Lyons Company and their Lyons brand. Likewise, in the FRG three blenders have annexed more than 70 per cent of the market with one firm, Teekanne, having over one-half. Such massive inroads are indicative of the movement towards concentration throughout the developed and underdeveloped countries.

Some of the TNCs now touch the consumers' pocketbooks directly by controlling retailing outlets, evidenced inthe J. Lyons tea chain. Such manifestations of vertically integrated power, where companies buy from themselves at different rungs of the production/marketing ladder, lend themselves ideally to the most obnoxious forms of transfer pricing whereby corporations evade taxes, circumvent foreign exchange controls and switch data on their balance sheets to accounting items which are most advantageous. TNCs' glossy annual reports, which do not divulge the financial transactions of subsidiaries, are perfect camouflage for the gimmickry of transfer pricing.

The design of the balance sheet to conceal the workings and profit centres of corporations is further complicated by the conglomerate tentacles of several TNCs. J. Finlay reveals the anatomy of the global conglomerate actor with its subsidiaries straddling shipping, insurance, banking, jute, cotton trading, etc. Even prior to its being gobbled up by Allied-Lyons, J. Lyons ramified into meat, biscuits, automobiles, petroleum, real estate, etc. The ideological rationale of such corporate annexationism was unequivocally hammered out by the Chairman of Allied-Lyons:

> "those who argue that 'small is beautiful' must also recognize that there are some areas in which it is not possible to remain small and competitive, particularly in fields where some of the biggest foreign companies have substantial market shares and where there is also active foreign interests and involvement in British companies. In these circumstances there is an overwhelming argument for the advantages of size – particularly in matters such as national advertising and distribution – to enable such competition to be resisted and overcome."[12]

Retention of old markets and colonization of new markets are effectuated by sustained multi-billion dollar onslaughts of interlocking corporate strategies. One such corporate strategy is advertising, which itself is dominated globally by a handful of U S and Japanese companies whose most important clients are, understandably, the giant transnational conglomerates. This advertising muscle has transformed such brand names as Tetley, Twinings and Lyons into familiar consumer names in both developed and underdeveloped countries. Product differentiation, seen in the proliferation of brand names shored up by advertising, is coupled with another instrument of economic war, price leadership by the dominant blender in various national markets.

This complex of self-reinforcing power subjects the consumer in underdeveloped countries to unrelenting colonization by corporate capital; this also continues to stymie the growth of genuine national production and trading entities on both the domestic and global markets.

Bananas

Gone are the days when United Fruit Co., branded by its adversaries as *el pulpo* (the octopus), sprawled over 2 million acres of Latin America's choicest land and controlled 80 per cent of the North American banana market. Monopoly has yielded to oligopoly, comprised of United Fruit's successor – *United Brands, Castle and Cooke* and *R.J. Reynolds*, and the mono-commodity "banana republics" have all (with the exception of three small Caribbean islands) reduced bananas' share of export earnings to less than one-third. Significant as well for Southeast Asia is the catapulting of the Philippines from a negligible producer in 1960 to number three in banana output and number four in the 1.1 billion USD global export market.

The distinguishing traits of the world banana economy, comprising two-fifths of all fresh fruit entering international trade are:

- wide income discrepancies between the "producing"/exporting countries and the "consuming"/importing countries;
- an underlying tendency for export availabilities to increase faster than import demand at current prices;
- oligopolistic competition among the three major transnational corporations which account for about 70 per cent of total world banana trade by value;
- the use of branding as a sales promotion device;
- the predominant control (88.5 per cent) of the marketing and distribution system by large multinationals and other foreign enterprises of developed market economies, including transporters, shippers, insurers, ripeners, wholesalers and retailers;
- a high degree of concentration in international trade by origin and destination with the developed economies accounting for over nine-tenths of total imports;
- increased retail trade in banana-importing countries; and a structure in which the maritime transport of bananas is largely controlled outside the banana exporting countries, which have virtually no participation in this activity.

Evidence suggests that the real share of the banana-exporting countries in the world reefer fleet appears to be not much higher than 1 per cent.

The banana oligopoly's vertical integration begins with firm roots in plantations. In the wake of the United Brands chairman plunging to his death after 1975 relevations over his alleged 2.5 million USD bribe in Honduras (labelled Bananagate), all three banana giants shed some of their extensive landholdings. More important, however, is what they retained, and at the onset of the 1980s, United Brands still acquired 86 per cent of its bananas from company-owned lands; Castle and Cooke, 62 per cent and R.J. Reynolds, 58 per cent.[13] Nor have plantation conditions changed markedly. By the mid-1970s, the Philippine Packing Corporation (PPC) was the largest and most diversifield of R.J. Reynolds international subsidiaries, ranking as the Philippines' paramount banana and pineapple producer. Much of its produce comes from over 17,000 acres of prime "public" land leased from the government.

Freed from the anguish of labour unions, Reynolds subsidiary Del Monte pays its workers the minimum wage, the equivalent in the mid-1970s of about 1.00 USD per day. On top of this, Del Monte gains the services of unpaid family labourers, a group which constitutes about a quarter of the employed Philippine labour force. Unknown to these subsistence

Bananas for export from Ecuador, the world's largest exporter.

wage and non-wage earners, President Marcos is fulsomely advertising their land in overseas publications such as *Fortune* (12 October 1975):

> "To attract companies. . .like yours . . . we have felled mountains, razed jungles, filled swamps, moved rivers, relocated towns, and in their place built power plants, dams, roads . . . an executive recreational center and a luxury hotel. All to make it easier for you and your business to do business here. And we've done more. Much more."

Presumably the language of diplomacy requires that we dismiss the question as to whom the "much more" goes to. But the answer to that question can no longer be concealed by the antics of corporate dissimulation thanks to findings of the UNCTAD secretariat.[14]

Most of the profits derive from the more than two-thirds of banana marketing and distribution controlled by the big three. As a first approximation, the gross return to growers at the packing plant is around 11–12 per cent, though it could be lower in countries where foreign enterprises control a substantial part of production, and higher in others (see Table). The cost estimates relate only to certain selected trade flows, which accounted for 40 per cent of the total value of world banana exports in 1971. If, for analytical purposes, it is assumed that the relative importance of various cost elements in the sample holds good for the other trade flows, some orders of magnitude can be derived for global trade in bananas. Whereas the gains of the domestic growers are about 11.5 per cent, those of foreign enterprises are of the order of 88.5 per cent.

As a broad indication, the gross margins of ripeners are 19 per cent and the retail gross margin about 32 per cent, or together 51 per cent. This figure represents almost five times the estimated gross returns to the growers. By the laws of the capital accumulation process, independent ripeners are being eliminated as their specialized functions are being taken over by wholesalers and retailers. Here Migros and the Coop, which virtually monopolize Swiss banana retailing, are dramatic illustrations: besides being wholesalers and retailers, they are almost entirely doing their own ripening. Thus, three operational functions are being integrated in the name of efficiency – and, above all, profits.

An indication of the changing specificities of the banana cost breakdown was revelated in the researches of the Philippines Third World Studies Center and AMPO:[15]

"Table 3 illustrating estimates of cost elements in the Philippine banana distribution in Japan, 1978, intends to make international comparisons possible by using a similar table made available by Frederick F. Clairmonte of UNCTAD. (We have also attempted to construct a table illustrating cost elements for STANFILCO banana exports in 1979 using Clairmonte's model and integrating it with the Japanese pricing structure.) Clairmonte's estimate is based on figures of Latin American countries in 1970–71, when the Japanese banana market was

Table 3

Estimates of Cost Elements in the Philippine Banana Distribution in Japan, 1978

	Retail Unit Value (¥ per carton)		*Proportion of Retail Unit Value (per cent)*		*Total Retail Value (¥ million)*
1. CIF price	546		26%		31,753
2. Import duties[1]	749	203		9.8%	118
3. Unloading charge	894	145		7	
4. Import expenditures (3. x 2%)	912	18		0.9	
5. Handling expenditures		45		2.2	
(3. x 5%)				19.9	
6. Import costs	957		46		
7. Insurance					
8. Carton box		180		8.7	
9. Remittance charge					
10. Heating charge					
11. Import usance					
12. Membership for JETRO					
13. Distribution price	1,220		59	13	70,975
14. Shore price	1,271		62		73,938
15. Ripeners' gross margin		132		6.4	
16. Ripeners' selling price	1,403		68		81,616
17. Retail gross margin		660		32	
18. Retail price	2,063		100%		120,011

Sources: JBIA, *Monthly Bulletin of Banana Statistics,* No. 136, December 1978 & No. 148, December 1979; Ministry of Agriculture & Forestry, *The statistical ten day report of vegetable and fruit marketing,* Documents of Bureau of Statistics, Office of the Prime Minister.

1 Tariff for Philippine banana: 35 % for April-September, and 40 % for October–March.

not yet fully developed. (Table 4, Clairmonte's model). Do we find any characteristically Japanese features in the composition of cost elements? There are two contrasting points and one similarity in the two tables.

First, the proportion of retail unit value reserved for banana-exporting countries in Clairmonte's table is much higher, 37.5 per cent, while that of Philippine bananas is 26 per cent. (See CIF price on both tables). What makes this difference, and where does it go? To answer the latter part of the question is easier. In Clairmonte's model, there are only three agents in the distribution process: importers, ripeners, and retail shops. In the Japanese model, we have at least one more agent and sometimes even two: distributors and secondary wholesalers. Thus, the Japanese distribution system had to support more agents than the system observed by Clairmonte. Distribution of daily commodities in Japan is, in general, notoriously divided and sub-divided so that some vegetables produced in this country are reported to make 13 or more "trips" before they reach final consumers. In order to deliver bananas to the elaborate market of Japan, a larger proportion of unit value is divided. Historically, three major American agribusinesses, Dole, Del Monte, and United Brands were newcomers who started to sell fruits and canned foods in the postwar period. However, it is difficult to tell whether the contrast of 37.5 and 26 signifies more squeezing of Filipino growers. In this connection, it is important to notice, as analyzed in the next section, that the Japanese distribution system has now been disrupted, and that TNC agribusinesses are more and more trying to sell bananas directly to ripeners, perhaps in an effort to recover their "lost" 11 per cent.

Secondly, the ripener's margin is contrastingly small, 6.4 per cent, as against 19 per cent in Clairmonte's model. Both in Western and Japanese markets, ripeners play a key role in making the banana com-

Table 4

Clairmonte's Model: Illustrative Estimates of Main Cost Elements in the World Banana Economy in 1971[1]

	Proportion of Retail Unit Value (Per cent)	*Retail Unit Value (USD per ton)*	*Retail Unit Value (USD per box)*	*Total Retail Value (million USD)*
1. Reported production cost before harvesting	10.3	34	0.62	220
2. Harvesting and transport to packing plant	1.1	3	0.05	19
3. Producer gross margin	0.2	1	0.02	6
1–3. Estimated gross return to growers at packing plant	11.5	38	0.69	245
4. Packing	7.3	24	0.43	155
5. Transport to port	1.4	4	0.07	26
6. Loading and stevedoring	1.5	5	0.09	32
7. Export tax	0.8	2	0.05	13
8. Other charges	1.7	6	0.11	39
9. Exporters' margin	1.7	6	0.11	39
1–9. FOB price	26.0	85	1.54	549
10. Freight and insurance	11.5	38	0.69	246
1–10. CIF price	37.5	123	2.23	795
11. Unloading and handling at port of discharge	4.8	16	0.29	103
12. Import duties	6.9	23	0.42	149
13. Importers' gross margin or commission	–0.1	–0.3	–0.01	–6
1–13. FOB selling price	49.1	161	2.92	1,041
14. Ripeners' gross margin	19.0	62	1.12	401
1–14. Ripeners' selling price	68.1	223	4.04	1,441
15. Retail Gross margin	31.9	104	1.89	672
1–15. Retail price	100.0	327	5.93	2,114

1 For methodology, consult source.

Source: UNCTAD, *The Marketing and Distr. System for Bananas,* TD/B/C.1/162,1978

mercially feasible, but the position of Japanese ripeners within the distribution flow is rather weak. American and European situations are described as follows: 'Although United Fruit, Standard Fruit and Del Monte are not authorized under U S antitrust laws to do their own ripening in the U S A, all of them have ripening facilities, often operated jointly with other importing companies. The Fyffes Group Ltd. of the United Kingdom, a wholly-owned United Fruit subsidiary, at present ripens 80 per cent of its imports. Many of the large importers, such as Atlanta, which accounts for more than 41 per cent of the West German market, and has an exclusive selling arrangement with United Brands, ripens its own bananas. Independent ripeners are being increasingly eliminated or absorbed by large importers and chain stores.' This is a grave warning to the small-scale ripeners of Japan.

Thirdly, in both models, retail shops occupy a favorable position, having a share of 32 per cent. As Clairmonte himself observed, perhaps this is a rather inordinately high share as compared with the share obtained by Filipino small growers and plantation workers. Yet, in comparison with other fruits, the banana is not a particularly profitable one for retail shops."

Despite the overall high degree of marketing control by the big three, there are significant differences between countries. By 1978, monopoly had not been totally eclipsed as seen in Guatemala, where Reynold's Del Monte controlled 100 per cent of banana exports and Somoza's Nicaragua, which was monopolized by Castle and Cooke. Different combinations of the big three control 75–100 per cent of exports in Costa Rica, Honduras, Panama and the Philippines, while in Ecuador they export only one-fifth. The giant companies are among the leading importers in all industrialized countries, with their market share rising as high as 93 per cent in the world's leading importer, the United States.

While the banana trinity gain much of their power from their vertical integration, increasingly the battle for retention and expansion of market shares is being fought through conglomerate strategies. Tobacco-based conglomerate R.J. Reynolds' 1978 take over of Del Monte for 62 million USD added an entirely new dimension to the war. Reynolds added to Del Monte's 13 reefer vessels one of the world's largest containerized fleets through its subsidiary Sea-Land Services. Further, Reynolds is ideally positioned to use profits from its oil, food processing and tobacco divisions to subsidize price wars to gain new banana markets. In terms of advertising clout, Del Monte which spent only 1.2 per cent of revenues on advertising, is now part of one of the U S's top ten advertisers (R.J. Reynolds) which annually lays out close to 3 per cent of its 10.4 billion USD sales (1980) on consumer persuasion. This tremendous leverage should propel Reynolds from the number three banana position beyond market leader United Brands.

Although profits of foreign enterprises have risen over the years, the real earnings of the "producing"/exporting countries have plummeted. Consequently, the price drop for bananas benefited consumers in the developed countries and deprived the exporting countries of the benefits of the cost-reducing innovations – introduction of Cavendish varieties resistant to Panama disease, increased inputs of fertilizers per hectare, large-scale irrigation from the mid-1950s, introduction of box packaging, as well as the use of larger and faster reefer vessels.

The fundamental issue facing the world banana economy is not one of improved access to markets and trade liberalization, but of structural changes within the economy itself. Even if it is assumed that total trade liberalization would engender an annual export growth of, say, 10 per cent (an idyllic assumption), the return to domestic producers would remain only a relatively small fraction of the total expansion in the value of world trade in bananas, given the present structure of the marketing and distribution mechanism. Indeed, the absolute gap in economic returns between the two major groups (producers and foreign enterprises) would be enlarged.

Pineapple

Output of pineapples is geographically concentrated in Thailand, the Philippines, the Ivory Coast, China and the United States (Hawaii). Fueled almost entirely by transnational capital over the last decade, the Philippines and Thailand have become the leading protagonists on the global market. From the corporate angle, dominating this global market are two of the banana oligopolists, *R.J. Reynolds* and *Castle and Cooke*, the King of the Sogo Shosha, *Mitsubishi*, and the *Nestlé* empire. These are precisely the motive forces of the authentic "new international economic order", forged by transnational capital operating in conjunction with the native oligarchies.

Pineapples are par excellence an export oriented plantation crop. Illustrative is that Dole Thailand (a subsidiary of Castle and Cooke) exports 95 per cent of its produce, of which three-quarters are produced on company lands. One of the advantages of large-scale plantation agriculture, in corporate eyes, is that it requires a mass of undifferentiated labour power in which even the rudiments of trade unionism have been rooted out. Characteristically, wages are battened down to sub-subsistence levels compelling many to drive their children into plantations. The small "independent" producers who supply the remainder of Dole's requirements are readily squeezed by a monopsonistic buyer who sets the price and determines the commodity specifications of the produce. This dependency is enhanced by TNC credit allocations to these "independent" peasants which relegate many of them to a state of permanent debt peonage.

R.J. Reynolds, Castle and Cooke and Mitsubishi dominate pineapple marketing and distribution via precisely the same

mechanisms as bananas. With typical Sogo Shosha marketing prowess, Mitsubishi appropriated 49 per cent of a leading Thai pineapple company. Through its dense marketing networks in North America, Western Europe and its own home base, the company was transformed into the largest 'Thai' pineapple exporter. In view of such massive corporate annexationism, only 10 per cent of the final retail consumer price redounds to pineapple growers with a mere 2 per cent doled out in wages.[16]

A similar pattern of concentration is also observable in processing, the bulk of which is now carried out in the producing countries themselves. In Thailand, over two-fifths of processed pineapple exports are controlled by Dole and Mitsubishi. A no less important actor on the international scene is Nestle's subsidiary Libby McNeill and Libby. These corporate giants are strategically placed, through gigantic promotional outlays, to carve out consistently fatter slices of the world market for their ubiquitous brand names, oftentimes despite prices higher than domestic brands.

Corporate intrusions have to a large measure been made possible by collaborationist forces within the native oligarchies. In Thailand, several members of the oligarchy are ensconced in directorial roles in Dole Thailand, although it is dubious whether they exercise any effective power in corporate decision making. Such collaborationist postures have been further legitimized by the state apparatus. As one of the nation's leading financiers, Boonchu Rojanasathien, put it: "I would like to turn this country into Thailand Inc. We should run the country like a business firm".[17] Lavishly bankrolled by TNC capital and internal Thai savings, Boonchu's dream has already become a reality. But for many, this dream has been metamorphosed into a nightmare.

In a few words

Analysis of these eight major food commodities has been deliberately schematized and abstracted from highly complex corporate, social, and political forces that have emerged so glaringly during the last fifteen years. Over this time span, several underdeveloped countries experienced the blossoming of internal oligarchies working in close collaboration with transnational corporations. The political hegemonism and development planning (if it may be called that) of these ICOs are also underpinned by certain international economic and financial organizations. Adherence to the dictates of these organizations (notably the World Bank and IMF) confers on the ICOs and aura of legitimacy, thereby underpinning their power. In contrast to their earlier comprador predecessors, these ICOs sprang largely from three social groups: the newly ascendant military, the civil service and the indigenous bourgeoisies.

Pineapple plantation in Hawaii.

Increasingly, these oligarchies have become stridently nationalistic in their public utterances, despite their continuing dependence on TNC capital in joint ventures, management contracts, technology acquisition, etc. In many cases, they have acquired substantial access to finance capital, often with the support of their state apparatus. This growing ICO strength has not been without conflicts. The ICOs are generally demanding larger slices of the pie not only from the food TNCs, but from TNCs in all sectors, precisely during a period when global economic crisis has put the squeeze on certain TNG' profitability.

Notwithstanding these conflicts of interest, the ICOs and TNCs remain decidedly united on the need to keep the peasantry and working class politically and economically in line. In this connection, the evidence from underdeveloped economies abundantly indicates that it would be groundless to assume that this larger ICO share of the economic surplus must inevitably trickle down to the impoverished rural and urban strata.

A crucial corollary of the TNC/ICO relationship is the symbiosis of interests and actions between TNCs and industrialized country governments, which have historically abetted the ICO's ascendancy to, and retention in, power. The history of this link goes well beyond the confines of this article, but it suffices here to adumbrate the parameters of the relationship. United States, Japanese and Western European governments have long aided TNCs individually and collectively through state-sponsored cartels, subsidized input prices, research grants, government contracts and government-aided rationalization of crisis-ridden sectors. The Japanese, via their Ministry of International Trade and Industry (MITI), are the unquestioned masters in such state-corporate collaboration. For ICOs, perhaps the most important form this collaboration assumes is Western government export credits to client regimes to buy TNC products, often military hardware. During 1980, state export credits were behind 18 per cent of American, 34 per cent of French, 35 per cent of British and 39 per cent of Japanese exports.[18] In large part due to such aid, 7 of the leading 11 U S corporate exporters in 1979 were arms/aircraft producers, led by Boeing's 4 billion USD export revenues.

Government officials and corporate executives coordinate strategies and priorities in such international fora as the Trilateral Commission, the Bilderberg Group and informal working groups on specific issues and industries. Such contacts are assisted by the constant flux of corporate officials to the upper echelons of state power. While conflicts may arise over which individuals within a given ICO should be supported at a given moment, TNC executives and their own government officials are in agreement on the fundamental necessity of maintaining such TNC/ICO links.

While food TNCs may locate a handful of pineapple canneries in Thailand or cocoa processing plants in Malaysia, they will continue to exploit underdeveloped countries principally as one of their major food and raw material feeder bases. There is, however, one cloud which looms ominously on the horizon. Relative political stability, which was the hallmark of most segments of the underdeveloped world over the last 15 years, is being severly undermined, notably in the Philippines, Thailand, South Korea and Central America. Consequently, attention should be riveted on ascendent political movements from below in these countries, which represent the single force which could ultimately modify and replace this ICO-TNC relationship with an entirely different constellation of property relations.

Notes:

[1] H. Cornuelle, "The Enormous Future: An Outline to the Challenge of the Multinational Corporation", *United Fruit Company Annual Report,* 1968.

[2] *Wall Street Journal,* 12 September 1980.

[3] W. Arthur Lewis, *Theory of Economic Growth,* London, 1955, p. 281.

[4] "Other People's Money", *The New Republic,* 17 February 1973.

[5] Daniel Zwerdling, "The Food Monsters", *The Progressive* (March 1980), p. 21.

[6] Two other trading companies could also be considered major global grain traders: Alfred Toepfer (Hamburg, West Germany) and the U S conglomerate Engelhard. The latter, with estimated 1980 revenues of 25 billion USD, entered grain trading through its subsidiary Philipp Bros., which it spun-off in 1981 as a separate corporation. Over a quarter of the equity of both Engelhard and Philipp Bros. is owned by the holding companies of the South African magnate, Mr. Oppenheimer.

[7] Another conglomerate, Seagram's, owns 20 per cent of Du Pont's equity.

[8] See Dan Morgan, *Merchants of Grain* (New York, Viking Press, 1979)

[9] *Wall Street Journal,* 16 March 1982.

[10] UNCTAD, *Marketing and Distribution System for Cocoa,* Geneva, 1972

[11] P.Tatchell, "Britain's profitable brew", *New Statesman,* 20 July 1979, p. 88.

[12] *Financial Times,* 24 August 1978.

[13] United Nations, Commission on Transnational Corporations, *Transnational corporations in food and beverage processing,* New York, 17 April 1980; E/C.10/70.

[14] UNCTAD, *The Marketing and Distribution System for Banana,* New York, TD/B/C.1/162, 1978.

[15] "TNC Control of Filipino Banana Workers", *AMPO: Japan–Asia Quarterly Review,* Vol. 13, No. 3, 1981, pp. 48–50.

[16] For a breakdown of the Thai pineapple retail dollar, see Joint CTC/ESCAP Unit on Transnational Corporations, *Transnational Corporations and the International Commercialization of Pineapple Canned in Thailand,* Bangkok, August 1979.

[17] *Far Eastern Economic Review,* 23 May 1980.

[18] *The Economic,* 14 February 1981. ■