“The best fertilizer of the land is the footprints of its leaders.”

Business and Peace Case Study: Unifrutti-Tropical Philippines Inc. – La Frutera Operation

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Table of Contents

Section I: Introduction & Background .................................................................................. 1
Section II – Methodology ..................................................................................................... 2
  2.1 Project Methodology ....................................................................................................... 2
  2.2 Case Study Methodology ................................................................................................. 2
  2.3 Case Study Limitations .................................................................................................... 3
Section III - Philippines Context ............................................................................................ 4
  3.1 Historical Background on the Mindanao Conflict .......................................................... 5
  3.2 Armed Resistance in Mindanao ......................................................................................... 7
  3.3 Current Macro-Level Conflict Dynamics in Mindanao ..................................................... 8
Section IV: Local Context & Conflict Dynamics – Paglas, ARMM ........................................ 9
  4.1 Local Context in Paglas ................................................................................................... 9
  4.2 Conflict Analysis of Paglas (Local Conflict at UTPI’s operation area) ............................ 11
    4.2.1. Degree of inequality in Land Policies and Level of Income and Access to Livelihoods .......... 13
    4.2.2. Level of Perceived and Real Moro Marginalization ....................................................... 14
    4.2.3. Level of Control over the Population ........................................................................... 14
Section V – Unifrutti Tropical Philippines Inc. (UTPI) ........................................................... 15
  5.1 Background on UTPI ..................................................................................................... 15
  5.2 The Story of La Frutera (UTPI’s Intervention in Paglas) .................................................. 17
Section VI - Case Study Analysis .......................................................................................... 20
  6.1 Company Motivations ................................................................................................... 20
  6.2 UTPI’s impact on Impact on the Horizontal and Vertical Conflict .................................... 21
    6.2.1 Impacts of economic development ................................................................................. 22
    6.2.2. Local Governance and Social Cohesion ....................................................................... 23
    6.2.3 The Possibility of Cumulative Impacts ....................................................................... 25
Section VII – Conclusion ....................................................................................................... 25
References: ........................................................................................................................... 26
Annexes ............................................................................................................................... 29
Section I: Introduction & Background
This case study was developed as part of a collaborative learning project called “Engaging the Business Community as a New Peacebuilding Actor” undertaken by CDA Collaborative Learning Projects (CDA), Peace Research Institute Oslo (PRIO), and the Africa Centre for Dispute Settlement of the University of Stellenbosch (ACDS). Case studies produced for this project an intentional effort by a business actor or set of actors to affect the dynamics of conflict and peace that has discernable outcomes in relation to those dynamics.

Cases should not be considered a final product of the project. Individual case studies allow for the identification of cross-cutting issues and themes across a range of situations. Each case represents the views and perspectives of a variety of people at the time when it was written, and do not represent a final product of the project. While case studies may be cited, they remain working documents of a collaborative learning effort. Broad generalizations about the project’s findings cannot be made from a single case study.

CDA would like to acknowledge the generosity of the individuals and agencies involved in donating their time, experience, and insights for this case study, and for their willingness to share their experiences. Not all the documents and examples shared with us have been made public. When people in the area where a field visit has been conducted have asked us to protect their anonymity and security, in deference to them and communities involved, we keep those examples private.

This case study begins with an introduction, which provides an overview of the Business and Peace project, and outlines its goals and the Unifrutti Tropical Philippines Inc. (UTPI) case within the larger learning progress. Section II provides the methodology, which outlines the approach and process for conducting the case study, including case study selection and the scope of the case. Section III provides an overview of the context at the national level, and specifically how it relates to the local level in Mindanao and the ongoing peace process in the Philippines. Section IV details the local level context in Paglas (location of UTPI’s operation, La Frutera) and provides a conflict analysis and systems map of the context prior to UTPI’s entrance into the area. Section V considers the management and organizational structure of UTPI and provides background on the La Frutera operation in Paglas in Mindanao. Section VI examines the company within the conflict system, and specifically details the company’s theory of change which provided the basis for its intervention. This section also describes the company’s motivations, perceptions, and assumptions regarding their intervention in Paglas. Section VII draws the case study to conclusion in light of the observations and findings detailed throughout the case study.

1.1 Case Study Background
The conflict in Mindanao, Philippines is protracted and spans hundreds of years. At a basic level, the conflict is rooted in real and perceived historical injustices faced by the Moro1 (Muslim) population from colonizers and subsequently from the Filipino Central Government. The discourse surrounding the Mindanao conflict is often falsely described as a religious conflict (between the Muslim-minority and Christian majority); however, the key drivers of the conflict (KDFs) are much more nuanced and tied to a

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1 Moro is a term used to refer to Muslims from Mindanao and Palawan belonging to any of the 13 ethno-linguistic groups. For more see: Torres 2014:92.
legacy of marginalization, internal strife between the Moro population, and poor land tenure policies enacted by the foreign colonizers and the central government.

As a unit of analysis, this case examines Unifrutti Tropical Philippines Inc. (UTPI), a smaller multinational agribusiness with banana plantations across Mindanao, Philippines. Specifically, the case looks at UTPI’s operation (called La Frutera in Paglas, in the Autonomous Region of Muslim Mindanao (ARMM), and considers the impact of the company’s activities on the local and national level conflict dynamics. The case study also considers UTPI’s other operations in the ARMM as a point of contrast, in order to understand the range of the company’s impacts across the conflict system in Mindanao.

Section II – Methodology

2.1 Project Methodology
This case explores UTPI’s intervention in the Autonomous Region of Muslim Mindanao (ARMM) in order to understand UTPI’s motivations, actions as well as the impacts and outcomes of its efforts. To capture a wide-range of perspectives, experiences, and observations the project team uses an iterative approach during conversations with various stakeholders. While the team uses questions to guide their lines of inquiry, this methodology allows interviewees to dictate the direction of the conversation in order to foster an open-ended dialogue. The team makes observations and listens to stories from staff, local communities, politicians, contractors, other operators, and many other stakeholders. After cross-checking the accuracy and consistency of the feedback the team analyzes its content in order to share the UTPI’s investment experience in the ARMM.

UTPI assisted the team to convene many of the stakeholder meetings. However, meetings were held without company representatives present. The team served as an independent channel for stakeholders to freely express their opinions and to analyze the overlap, or discrepancies, between the various opinions. Hence, in many ways this case study is not “our” case study. Rather, it reflects the opinions of those company staff and stakeholders who were willing to share their observations and provide suggestions. In cases where the team has made observations, the intention is always to be factually correct. As with all Business and Peace case studies, the team invites comments and feedback on the observations, analysis, and options laid out in this case. The purpose of this case is to ground the business and peace conversation in evidence, based on real experiences of companies and communities in areas where the private sector seeks to impact peace.

2.2 Case Study Methodology
This case study was undertaken by Sarah Cechvala, a Senior Program Manager at CDA, and Mia Corpus, a local independent consultant (referred to as the team in this case study). The team spent 20 days in-country (September 11-29, 2016), meeting with experts, company representatives, employees, communities, and other stakeholders in Manila, Davao, Paglas, Wao, and Cotabato.

In Manila, the team met with international NGOs, bilateral donors, UN agencies, congressional representatives, and international institutions, such as the World Bank, the United Nations, and others. In Davao, the capital of Mindanao, the team met with local civil society, international NGOs, the chamber of commerce, religious leaders, regional government representatives, and staff at UTPI’s Davao headquarters. Staff included representatives from various departments, such as: shipping, logistics, external affairs, quality assurance, human resources, health safety, and environment (HSE), as well as senior management. In Cotabato, the location of the government offices of the Autonomous Region of Muslim Mindanao (ARMM) in Mindanao, the team met with various Chamber of Commerce representatives, local businessmen and women, religious leaders, and government representatives.
While at the UTPI’s operation in Paglas in the ARMM the team met with all staff from the plantation, including supervisors and senior management, as well as contracted employees of Paglas Corporation (all staff below the level of supervisor) including packing house workers, farmers, foremen, etc. The team also met with contracted staff from the security provider, Cowboy Security, and the contracted trucking company, Cowboy Trucking. Finally the team met with local police officers, government representatives, community members (those directly impacted by the operation and those outside of the area of direct impact), teachers, farmers, Moro Islamic Liberation Front (MILF) and Moro National Liberation Front (MNLF) combatants, and members of a local cooperative.

The team also visited UTPI’s former pineapple plantation in Wao, in Lanao del Sur in ARMM. During this time, the team spoke with senior level employees (currently employed by Dole Asia) as well as junior staff who are employed by the Wao Development Corporation (WDC). Dole Asia and WDC staff included farm operations, HSE, quality assurance, community development, land sourcing, and community relations. The team also spoke with packing house workers, farmers, local police officers, local and municipal government officials, municipal health workers, representatives from the landowner’s association, former MILF and MNLF combatants, and local businessmen.

2.3 Case Study Limitations
Although the team spent 19 days in the field gathering evidence, the team was unable to gather all the relevant perspective from stakeholders. Specifically, we were unable to speak with any representatives from the New People’s Army (NPA) or any other communist rebel factions located in Mindanao. In addition, we were unable to speak with any indigenous peoples (IPs) or any civil society groups that represent their interests. While gaps in information limits our understanding of their perceptions of UTPI and its operations and interventions, this case focuses on operations in the ARMM region of Mindanao, where communist factions are generally not present. Additionally, this case focuses on operations located in the ARMM region, and the conflict dynamics in relation to the Bangsamoro, and not IPs. Therefore, we do not believe that these limitations weaken the quality of the findings of this case.

Furthermore, the team was unable to meet with the same number and variety of stakeholders in both Wao and Paglas. The team visited the Wao operation in order to better understand the barriers and limitations to the replicability of the Paglas operation. In addition, the team spent time in Wao to identify the factors that enable positive impacts on conflict drivers in the localized contexts. Contextual variations we conclude, as expounded upon in Section VI herein, are fundamental to the disparities between the operations. Additionally, information gathering for the Wao case, (discussed as a comparative in Section VI) was impacted by the amount of time the team could spend in the area due to security concerns, and as a result, we were not able to capture as many experiences from stakeholders as in Paglas. However, the team did not feel that this limitation constrained the case study, since the quality of information was sufficient to provide a comparative analysis to the Paglas case.

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2 Cowboy Security is also owned and operated by the Paglas family, who also owns Paglas Corporation and is the senior management at La Frutera.
3 Cowboy Trucking, similarly owned by the Paglas Family, provides an opportunity for locals to rent out their trucks to the company for the delivery of bananas harvested from La Frutera.
4 At the time of the visit, Unifrutti recently sold its stake in the Wao operation, called Wao Development Corporation (WDC) to Itochu Corporation that also owns Dole since Unifrutti wished to divest from pineapple operations to focus on bananas. However, all staff from the former Unifrutti operation were retained during the acquisition. Dole contracted Unifrutti to continue management of the corporate social responsibility (CSR) component of the operation. During the time in Wao, the team met with Dole staff (supervisors and senior management), WDC staff (all those below supervisor level), local farmers, business associations, local government representatives, religious leaders, and community members.
Moreover, while it is challenging to detach the actions of a company from the ambitions of its leadership, this case does not focus on one person and his/her ability to have a positive impact on conflict drivers. Rather, this case examines UTPI as an entire entity (from operations to corporate social responsibility initiatives) and its interventions designed to have a positive impact on key driving factors of conflict in the ARMM. Thus, the individual endeavors for peace and stability across the country undertaken by UTPI’s Chairman are not represented in this case.

**Section III - Philippines Context**

The Philippines is an archipelago comprised of roughly 7,500 islands, 2,000 of which are inhabited. The country is divided into three major island clusters, which include Luzon, Visayas, and Mindanao (See Figure 1). The Luzon cluster is home to about 53% of the country’s population, the majority of whom live in the capital, Manila. Mindanao is the second largest cluster with 24% of the population, followed by Visayas, home to only 22% of the population.

The Philippines has diverse linguistic, religious, and cultural heritages. Religiously, the Philippines is the only predominantly Christian nation (roughly 86% of the population is Roman Catholic) among its Asian neighbors. The country’s second-largest religion is Islam, with approximately five million followers (about four percent of the total population) mostly living in Mindanao.

As of 2015 the Philippines had the second-fastest growing economy in the region after China. Much of the country’s economic growth can be attributed to the service sector (roughly 59% of GDP in 2015). Yet, even with vast growth, the Economic Intelligence Unit suggests that Filipinos are the poorest in the Southeast Asian Region and will remain poor despite economic growth. This is largely due to a widening income gap among the population, and between industries. High income inequality has affected poverty levels and stifled development across the country. The 2014 Human Development Index ranks the Philippines 115 out of 188 countries. Income inequality is illuminated by the farming sector which reports a higher poverty incidence than any other sector at 38.3%, a figure that has remained unchanged since 2006.

The country has a long agrarian history that once represented the primary economic driver of the country. However, despite employing 29% of the country’s workforce and using approximately 32% of the country’s land mass, agricultural production is on the decline and accounts for only ten percent of

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5 Mayuga 2016.
6 Philippine Statistics Authority 2017
8 Historians have recorded the presence of 187 linguistic groups across the country. For more see: Ethnologue Language of the World: https://www.ethnologue.com/country/PH
10 Dee 2015.
12 UNDP 2015.
13 Jacob 2014.
14 UNDP 2014.
GDP in 2015. Mindanao, however, still remains largely an agricultural economy. Some experts we spoke with noted that Mindanao provides 40% of the country’s total agricultural production, and 40% of the country’s food requirements.\textsuperscript{16} The Mindanao Strategic Development Framework for 2010-2020 suggests that the region has over 30 million hectares of fertile land available for agriculture with sufficient supply of irrigation; and the sector accounts for about 48.5% of total employment for all of Mindanao.\textsuperscript{17}

Challenges to growing the Philippine agricultural sector are further compounded by the country’s vulnerability to changing climate.\textsuperscript{18} The country is situated within the Northwestern Pacific basin, where most of the world’s cyclones develop. On average the country experiences, at minimum, 20 typhoons a year. Most typhoons run through the Luzon and Visayas island clusters. Historically, Mindanao has been the agricultural capital of the country in large part due to its location south of the typhoon belt. In recent years, however, powerful storms have begun to veer south towards Mindanao.\textsuperscript{19}

\textbf{3.1 Historical Background on the Mindanao Conflict}

The Philippines has a long colonial history, which is complicated by several colonial masters. Before colonial rule, Islam arrived in Mindanao in the 14\textsuperscript{th} century through Arab traders, which led to the establishment of sultanates in Mindanao.\textsuperscript{20} Islam spread through Visayas and reached the northern territories including Manila. However, in the 16th century, Christianity came to the Philippines along with Spanish colonization (the longest period of colonization roughly 333 years\textsuperscript{21}). Under Spanish rule, priests were dispatched across the country to spread the Christian faith, and by the end of Spanish reign in 1898, about 80% of the population were converted to Christianity.\textsuperscript{22}

Mindanao was never fully conquered by the Spanish, nor subjugated to Christianity. Mindanao experienced a rise in resistance movements and clashes between the Muslim population and their colonizers. The term Moro or Bangsamoro\textsuperscript{23} was coined by the Spanish to describe the Muslim dissenters.\textsuperscript{24} “Moros” adopted this designation to unify different sultanates into a singular identity in order to fight against the Spanish.\textsuperscript{25} The Moros maintained (and still use) political units known as barangays,\textsuperscript{26} which are governed by a Datu.\textsuperscript{27} In this governing system, each Datu answers to a Rajah, who is responsible for overseeing several barangays. Rajahs hold political and religious sovereignty within their territorial boundaries.\textsuperscript{28}

\begin{itemize}
\item \textsuperscript{16} Moog 2005.
\item \textsuperscript{17} “Fairfoods 2013.
\item \textsuperscript{18} Defined as prolonged periods of extreme rainfall or extreme drought.
\item \textsuperscript{19} In 2012, for example, Typhoon Pablo hit Mindanao and devastated the country’s banana production, causing roughly P10.4 billion in crop damage. For more see: Olchondra 2012
\item \textsuperscript{20} Sultanate of Maguindanao, Sultanate of Sulu and Sultanate of Lanao
\item \textsuperscript{21} Spanish colonization of the Philippines was from 1565-1898.
\item \textsuperscript{22} 80% accounts to about 1 million people. For more see: Rodell, 2002:11.
\item \textsuperscript{23} Moro refers to the Muslims residing in Mindanao and part of Palawan. The people took the term from the Spanish word “Moro-Moro” which were publicly-held plays to portray Muslims as villains or antagonists.
\item \textsuperscript{24} The negative connotations as Muslims were often depicted as antagonists in Spanish stage-plays called Moro-moro. Currently, Bangsamoro is the term used to define a Moro State.
\item \textsuperscript{25} Historians suggest that prior to the Spanish-Moro wars that began as early as 1565, there was no notion of a collective Muslim identity. Several further argue that it was the call to arms against the colonizers that unified Muslims across the Philippines under a singular Islamic faith.
\item \textsuperscript{26} A term derived from Austronesian word for boat or balanga
\item \textsuperscript{27} Datu is a local term used to call chieftains. The Datu is a leader that may have influence over tribal, political and even spiritual lives of the community.
\item \textsuperscript{28} Based on spirits that ruled over the earth with Bathala as the “God of Creation” for more see: Storch 2006
\end{itemize}
Following the American acquisition of the Philippines from Spain in 1898, the Moros continued their fight against colonization. This resistance lasted throughout U.S. colonization (five decades) and costing the lives of many Moro fighters and civilians. Unable to address the ongoing conflict (between Muslims and Christians and between Muslim leaders) in Mindanao, the Americans focused their efforts in the Philippines on maintaining control over Luzon. After independence from the U.S. in 1946, the Sultanate of Sulu and others in Mindanao refused to become part of the Republic of the Philippines. Many noted historical discrimination against the Moros, and the lack of adequate access to their ancestral lands as reasons for dissention.

Migration programs launched under the American administration and continued after independence further compounded the Moros frustrations and feelings of marginalization. Under these state-run programs, waves of largely Christian settlers from Luzon and Visayas relocated to Mindanao to address the rapid population growth in northern Philippines and to provide access to a new means of livelihood. Population shifts were significant, some studies suggest, that for example, in the Paglas and Buluan area where UTPI’s operation is situated, the population increased from 62,388 to about 100,000 from 1948-1951. Colonial administrations passed legislation dictating the ownership, possession, and disposition of public and private lands in Mindanao. Under the American rule, individuals could access a fixed limit of 16 hectares of land and corporations could acquire 1,024 hectares. In many cases, however this legislation was loosened for large companies and cattle ranchers, who seized more than the legal limits established under law. The acceleration of the agribusiness in Mindanao in the 1960s resulted in the further weakening of land regulations. It was during this period that large national and transnational companies acquired vast tracts of land (considered to be ‘public land’) from the central government.

Some historians suggest that many Moros originally welcomed the settlers. One expert we spoke with explained, “Why invite the settlers? Because they felt that they were not part of modernity. They thought, if settlers come then roads will come too.” However, these land tenure policies along with an expanding Christian population aggravated the socio-economic inequality in Mindanao. Due to land policies many Datus lost their customary right to exercise the disposition of land. As one congressional representative explained to us, “It [the Mindanao conflict] all boils down to who owns the land in the country. We are an agricultural country with vast tracks of arable land, but the farmer is disenfranchised.” In addition, little support from the government trickled down to the settlers, which led many to debt, starvation, and forced sales of much of the land to wealthy pioneers with growing landholdings.

In the meantime, while settlers encroached on the arable land, locals (mostly Moros) did not receive the development programs they expected from the government. Instead, they felt the economic and social pressure of the increased Christian population in the historically Muslim region. This spurred unrest among the Muslims leading to increased tension and violence which remain unaddressed even today.

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30 Kho 2016.
31 The Muslims were faced with a new problem after the Americans had ceded the territory to the new Philippine Government. From the period of 1913 to 1972, many migration programs initiated by the government resulted in land issues that Mindanao now faces. The first program was for “reducing the need for redistribution of existing farms, of relieving population pressure from Luzon, and of expanding agricultural acreage.” For more see: Hongchao Dai and Hung-chao Tai 1974.
32 Perrine, Georgia 2012.
33 Vellema et al 2011.
34 Ibid.
35 These policies for example allowed individual settlers to purchase 144 hectares of public land, while giving corporations authority to purchase 1,024 hectares of land.
36 Vellema et al 2011.
One expert noted, “Taking of the land under Moros created much of this [the current Mindanao conflict] dynamic. It [national migration and land tenure policies] herded Muslims into smaller areas. And the issue of Moro self-determination was emphasized because they were minoritized.” Another scholar notes, “Instead of helping to solve the country’s major source of social unrest, migration to Mindanao had spread it.”

3.2 Armed Resistance in Mindanao

In 1968, due to increased clashes between Moros, Christians, and the central government, several Moro leaders launched the Muslim Independence Movement (MIM). The MIM was primarily a political entity which sought to establish an Islamic state in Mindanao through the issuance of its manifestos advocating for independence. Governmental negotiations led the group disbanded in 1970; however, this opened the door for the creation of armed group called the Moro National Liberation Front (MNLF) in 1972. The MNLF, which is still active today, seeks to establish an independent Islamic state or autonomous region for the Moro people in Mindanao. Following the founding of the MNLF, violence escalated across the country between rebel combatants and military forces.

To quell heightened levels of unrest across the country, the president of the time, Ferdinand Marcos, declared Martial Law in 1972. This emergency ruling suspended all civil rights of the population and imposed a military authority across the country. The intention of this ruling was to eradicate the roots of rebellion (including among the Moros) and stimulate national development. However, Martial Law failed to expunge rebellions; and instead, further intensified the violence culminating with towns reportedly being bombed and burned by military causing thousands of families to flee to rural areas, particularly in Mindanao. In 1976, the MNLF and the Philippine Government sought a peace agreement through the Tripoli Agreement, which outlined 13 provinces as part of an autonomous Mindanao. However, the agreement was not ratified following a referendum causing the short-lived movement for peace to crumble.

As a consequence of the failed peace process and growing disagreements among MNLF leadership, a splinter group called the Moro Islamic Liberation Front (MILF) formed in 1977 (formally founded in 1984). Similar to the MNLF in its ambitions for regional autonomy for the Moros, the MILF (which is still active) also aims to establish a separate Islamic state in the southern Philippines. Initially the MILF focused its efforts on building up its organization and armed wing, as opposed to undertaking attack in order to be seen as a more reasonable negotiating partner than the MNLF for the question of the status of Moros. Due to relatively weak governance structures across Mindanao, the MILF was also able to establish a parallel government with the objective to “liberate various zones from the Filipino government by instituting a Moro-run system.”

Gaining popular support from the local population, the MILF enforced a rigid interruption of Islamic law in the regions it governed.

In 1989, to address the Moros “struggle for self-rule and self-determination,” the central government established the Autonomous Region of Muslim Mindanao (ARMM). Republic Act 6734 created the ARMM, which included four provinces in Mindanao (Lanao del Sur, Mundane, Sulu and Tawi-Tawi) and.

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37 Abinales, Patricio 2000.
38 Stanford University 2016b.
39 Mercado 2012.
40 For more see: http://www.philippine-history.org/martial-law-philippines.htm
41 Only 10 of the 13 provinces outlined in the Tripoli Agreement that should have been part of the autonomous region of Mindanao
42 Stanford University 2016a.
43 ARMM Official Website 2017.
44 Ibid.
grew in 2001 to include two more areas (Marawi City and parts of Basilan – See Figure 2 for a map of the ARMM region). Operating out of Cotabato, Mindanao, the ARMM has its own government with an executive branch with several departments. This includes the ARMM’s Regional Board of Investments (ARMM-RBOI) responsible for regulating foreign companies operating within the areas covered. They have the power to extend fiscal and non-fiscal incentives to businesses, but only up to the extent that are allowed them by national laws. The ARMM also maintains their own Regional Legislative Assembly headed by the Speaker and congressional representatives who are elected by residents of the ARMM.

In 1996, the MNLF and the Philippine Government signed a peace agreement which extended the ARMM and place its leadership into governing power. Many in the Moro community were dissatisfied with this agreement, as they felt that the leadership’s new position was personal gain at the cost of meaningful change for the Moros. Disillusion bolstered the MILF’s recruitment (particularly taking on many former MNLF fighters), and as a result eventually led to the MILF overtaking the MNLF in both in size and capacity. In 1997, the MILF and the government signed a ceasefire agreement, which was interrupted by increased violence by the MILF and President Joseph Estrada’s “all-out-war” against the MILF in 2000. In response, the MILF declared jihad against the Philippine government. Casualties and displacement of the civilian population were rampant during this time.

3.3 Current Macro-Level Conflict Dynamics in Mindanao

The peace process in Mindanao is complicated by two concurrent peace processes, one between the Philippine Government and the MNLF and the other between the Philippine Government and the MILF. The peace agreement of 1996, which paved the way for the creation of the ARMM, remains intact. However, large parts of the agreement have not been implemented, which remains a point of contention between the government and the Moro population. This is further complicated by the series of peace negotiations between the Government and MILF. In 2014, the two sides signed the Comprehensive Agreement on the Bangsamoro (CAB) and the Bangsamoro Basic Law (BBL), which establishes a new autonomous political entity known as the Bangsamoro Autonomous Region (which would replace the ARMM). However, the BBL was rejected by Congress and the Senate leaving peacebuilding efforts in a sensitive state.

Even after the failed BBL, the current President, Rodrigo Duterte (a Christian with a mixed heritage and some Moro lineage from Mindanao) expresses resolve to bring peace to Mindanao. This is the first time the Philippines has had a president who grew up in Mindanao; and with close links to the conflict. As one expert explained to us, the “Mindanao issue has never been seen as a national issue. But, this is the first time we have a Mindanaon president, who sees it as a national issue.” For many living in Manila,

45 such as Education, Labor and Employment, Health, Tourism, Public Works, Trade and Industry, etc.
46 their elections are held on a date separate from the Philippine national elections but, as with most parts of the country, the elections are marred by reports of massive cheating and violence.
47 Stanford University 2016a.
and even in Davao (one of the most progressive cities in Mindanao), the conflict in Mindanao is seen as a Muslim issue, detached from their lives and concerns. One expert noted the disconnect between those fighting in Mindanao and those overseeing the conflict in Manila by suggesting that, “Those who advocate war against the Bangsamoro do not suffer from it.”

Duterte’s administration has also taken steps towards shifting the democratic form of government of the Philippines into a federalist state, which may help to address the CAB. Disagreement exists between the MNLF and MILF leaders about the ability of a federalist system to address the basic concerns of the Moro people. At present, Duterte’s administration has established a second peace panel with the MNLF to enhance the autonomy under the ARMM while simultaneously working with the MILF peace panel to draft a new BBL that will ultimately establish the Bangsamoro, a new autonomous political entity that will replace the ARMM.48

While this report was being drafted, Congress approved the first step (committee level prior to the plenary voting) towards a Constitutional Assembly that will pave the way for autonomy of Mindanaons through a federalist state. However, even with several ceasefires in place, the MNLF and MILF are still actively engaged in a process through which to implement the outcomes of the various peace negotiations. The ARMM is still the de facto presence of the Moro population, led by the former leaders of the MNLF. Yet, even with progress, the road to peace in Mindanao is unclear and continued strife exists between splinter groups like Bangsamoro Islamic Freedom Fighters (BIFF) and Abu Sayyaf.49 50

Section IV: Local Context & Conflict Dynamics – Paglas, ARMM
This section provides sociological details about Paglas, Buluan and the communities surrounding UTPI’s operation, La Frutera. Paglas and the surrounding communities are located in the ARMM region of Mindanao, which are affected by local conflict and macro-level conflict (regionally/nationally). This section also details the local conflict dynamics in Paglas (prior to UTPI’s intervention), and discusses the micro level conflict dynamics in relation to the macro (regional) conflict issues, described in the previous section.

4.1 Local Context in Paglas
La Frutera is located in Paglas and Buluan in the ARMM in Mindanao (see Figure 3). The population of the Paglas municipality is approximately 29,000. Roughly 80 percent of the population is Maguindanaon Muslims (an ethnic Moro group), while the other 20 percent is Christians of Ilocano or Ilonggo ethnicities.51 Moros are traditionally a patriarchal society, with entrenched clan-based governing

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48 Abuza 2016.
49 The first being a jihadist terror group while the latter is an armed separatist group.
50 And as the authoring of the report the development of the Maute Group, consisting of MILF members from Lanao del Sur, which claimed responsibility for the September 2016 bombing of a night market in Davao City with alleged links to Islamic State of Iraq and Syria (ISIS). For more, see Tan, Kimberly Jane. 2016
51 Tuminez 2009.
structures. Moro’s social identification is deeply rooted in their clan, ethnicity and Moro affiliations. Paglas’ relative religious and ethnic homogeneity is therefore significant, as this characteristic creates an environment in which the clan leadership (Datus) can hold significant power over the community. An Asia Foundation study notes that a majority (roughly 70%) look to the local barangay captain (often closely linked with the dominate clan) for security, as opposed to armed groups, which further strengthens the powers of the ruling family. Such dynamics is not consistent across all communities in the ARMM. The population in Wao (the location of another UTPI farm in the ARMM – and an additional subject of this case study), for example, is much more mixed (with 60% Christians and 40% Muslims), which makes the role of the Datu much less influential on the local dynamics. Paglas is controlled and governed by the Paglas family, which serves as leaders of the community holding both positions of Mayor and Datu Chief, which is a common practice in various parts of the Philippines.

Historically communities living in Paglas, much like the rest of Mindanao, were farmers. The migration programs of the 1960s, followed by the period of Martial Law dramatically affected Paglas and other parts of Maguindanao. Native Moros found themselves displaced from their ancestral lands with little access to their livelihoods, and in response, some turned to petty crime or worse, such as arms and drug trafficking. As instability and conflict gave rise to Moro rebel groups, many community members from Paglas in turn joined the forces of the MNLF and MILF as a way to stand against the Moro injustices perpetuated by the Christian settlers and the central government. Others also joined as a practical way to maintain a livelihood and provide for their families. As a former MNLF combatant told us, “Before the company was here, the only option we had was to fight.” Such sentiments, evocative of a struggle for day-to-day survival and delineate an environment bereft of options and enveloped in conflict, are also echoed by leadership in Paglas, who noted that, “During the 1970s and 80s this area [Paglas] was a battle field between the MILF and the government.” In addition, the Datu leadership in Paglas is related to the breakaway leadership of the MILF, a familial connection, that ensures a large portion of the population of Paglas was and still is affiliated with the MILF.

Rebel groups and local banditry, however, are not the only form of violence in Paglas. Clan warfare, called ‘rido’ in Mindanao (including Paglas), is common and occurs as clans fight for access to land and control over other resources. Revenge killings between warring clans is frequent and is a contributing factor to local level violence. Paglas has witnessed revenge killings between warring families. Interestingly, Toto Paglas (the Datu at the time of UTPI’s entrance into Paglas) choose not to follow the norm and avenge his father’s death, and instead sought to, “...pursue his late father’s dream of developing this land into a ‘coffee, cacao and rubber plantation.’”

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52 Political leader or chief of a village elected by the people reporting to the Mayor.
54 Williams 2010.
4.2 Conflict Analysis of Paglas (Local Conflict at UTPI’s operation area)

This section will use a series of systems maps to examine the conflict drivers in Maguindanao as they relate to the national-level conflict in order to better understand the impact of the company on the conflict locally and nationally (as described in Section VI). This case study uses a systems approach, which presents the various factors related to the conflict, and details how each factor affects the others. Presenting these factors as components of a systems map allows us to demonstrate how the conflict works inside a complex and interrelated network and gives us a visual and organizational tool through which we can present the relationships between factors and begin to analyze their connections. When reading a systems map, we can trace the arrows through the casual relationships between different conflict factors and see how each factor may strengthen or weaken the following. In addition, the map reveals reinforcing loops, which are factors in a loop that build on and strengthen one another, often leading to escalating vicious or virtuous cycles.

Map 1 is a systems view of the local conflict in Maguindanao, particularly Paglas and Buluan, prior to the development of La Frutera (UTPI’s holding in the ARMM). This map focuses on key drivers of conflict at the local level, and relates them back to the national level conflict. The systems map does not reflect all the details of a conflict as it intends to provide a broad picture overview of the main dynamics, particularly at the local level. Details and nuances are reflected in the narrative in each subsection. The subsequent sections further analyze these KDFs and the reinforcing conflict dynamics. This map was

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55 Most of the conflict factors depicted in the map are framed in a neutral way as ‘level of’ or ‘degree of’, and then further qualified in the narrative. This enables the user to use the map as a working document for strategic planning, e.g. asking the question “How does the level of income and access to land change if we do x and y?” This map is not a stakeholder analysis. While it does reflect the relationship between certain groups through its focus on conflict factors and dynamics, it does not represent a comprehensive actor or stakeholder mapping.

56 For more see: CDA 2016a.
developed from conversations with all stakeholders, background research, and was tested and validated in concert with several Mindanao experts. However, it is important to note this map is not a final product as the conflict in Mindanao is constantly evolving, and should be seen as a heuristic snapshot, utilized to better understand the context in Paglas.

In developing this model, the team identified four key driving factors (KDFs) of the local level conflict (depicted in red above). Each of these KDFs are linked with other factors which create loops that often reinforce the KDF. In each case, the factors in these loops strengthened the conflict divider, further worsening local level dynamics. In addition, several of these KDFs are also directly linked with the macro-level conflict. The interplay between local and national (macro) conflict dynamics is of great interest, as it will help to illuminate the ways in which the local level conflict drivers do and do not link with the national level conflict.

The degree of inequality in national land policies (a macro-level conflict driver) is borne out of Mindanao’s history and the level of discrimination that grew from the policies of various colonizers and the central government. The team notes the country’s colonial history has a more nuanced set of factors that affect the present local-level dynamics. The complex history of Mindanao (particularly the limited control over the region by two colonial powers, state-run migration programs, and ongoing violence) has led to land tenure policies that favor outside corporations and non-Mindanaoans, and particularly non-Moros. Lack of adequate land tenure policies displaced many Moros from their land. This displacement due to land policies and the resettlement programs decreased the local community’s ability to access land, and therefore access livelihoods and income that may have come from tilling the land (R1). The local level cycle of inadequate access to livelihood, therefore, links with the broader macro-level conflict issue related to the state’s inability to regularize equitable land ownership.

The limited viable income generating opportunities due to the restrictive land policies forced many in the local community to turn to alternative and illicit means for income, including banditry, extortion, petty crime, arms dealing and more recently drug trafficking. Participation in these activities heightened local violence, while also escalating the conflict between rebel groups and the central government (R2). Meanwhile, participation in rebel groups provided access to income, and thus participation also increased due to lack of access to alternative income generating opportunities as well as the level of perceived and real Moro marginalization by the central government (a macro-level conflict dynamic). Sentiments of marginalization and lack of adequate livelihoods bolsters the local community’s support for as well as participation in the rebel groups (such as the MILF and MNLF). This cycle of violence perpetuates at the local level among community members, with acts of petty crime and Muslim-Christian violence, and at the national-local level between the central government and the MNLF and MILF (R3). It is in this reinforcing loop that we see the local level conflict issues of lack of livelihoods bolster the perceptions of injustice by the Moros, which is a KDF that fuels national level (macro-level) conflict between the rebel groups and the central government.

Violence at the local level weakens local-level governance structures, due to the lack of control by leadership over the population. Weak local governance structures can work to strengthen the informal or formal Datu system (in Paglas the Datu structure also represents the formalized governance system), and therefore directly strengthen the level of control that the elite has over the population. A strong Datu system can weaken or strengthen intra and inter community conflict. In some cases, the presence of a powerful leader can suppress resistance by warring clans, and in other cases, effectual leadership can insight dissent by other clans. Increased intra and inter community conflict exacerbates local violence (R4). Occasionally, local elite power struggles at the local level can take on a more significant
role in advancing national conflict. The Asia Foundation points out that when national-level conflict actors (such as rebel groups) are drawn into inter-elite violence, local conflict is transformed into national violence between the government and rebel groups.  

Strong Datus control their population, which further strengthen local social cohesion and shared identity among Moro communities. Strong social cohesion directly intensifies the narrative of perceived and real injustices against the Bangsamoro. As local Moro communities unite under the Datu system, they rely on the discourse of historic Moro marginalization to coalesce the Moro minority against the state majority, fueling rebel groups and increasing state-rebel conflict (R5).

4.2.1. Degree of inequality in Land Policies and Level of Income and Access to Livelihoods

Historically, colonial administrations were unable to fully control and manage Mindanao and its population. Land policies and resettlement programs of the 1960s diminished the availability of vacant land due to the rapid influx of Christian settlers, and undermined Moro leader’s jurisdiction over ancestral lands. Consequently, many Moros were displaced and became landless, forced to squat near large farms cultivated by Christian settlers. Moreover, many Moros found that they no longer had adequate livelihoods due to their limited access to the land. One former rebel combatant explained to us that while the conflict is based on land, “It’s not about the land, but what the land will give you [that drives the conflict].”

Displacement exacerbated income disparities between the elites, Datus, and business owners, who controlled large portions of land, and the local Moros. Many Moros were forced to participate in illicit activities, such as banditry, extortion, and arms and drug trafficking in order to survive. The increase in these black economies raised the level violence (citizen-on-citizen – between Moros and between non-Moros and Moros) at the local level. Many community members noted that, “Economic drivers are core to the conflict.” Others suggested that arms possession by community members became increasingly important and local violence became rampant. One Paglas community member explained, “Guns were more precious than lives.” These dynamics fostered a reinforcing cycle, whereas the inequity in land tenure legislation and the historic displacement of the Moros generates poverty and income inequality among those living in Maguindanao. One expert noted, “Inequality and injustices are the drivers of conflict. Poverty is a manifestation of inequality.”

While the reinforcing loop related to the lack of access to livelihoods is most acutely a dynamic of the local conflict, it emerges from the macro level factor related to the degree of inequality in land policies.

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58 Vellema et al 2011.
The map however demonstrates that if access to livelihoods improved, which would decrease local violence (all at the local level), these factors would not loop back to affect the degree of inequality related to the land policies. Meaning that the macro level conflict factor of land policies unilaterally influences local level economic factors, but the reverse is not possible.

4.2.2. Level of Perceived and Real Moro Marginalization

Displacement of Moros by ‘outsiders’ feeds into the perceived and real marginalization of the Moro population by colonizer and the central government (a macro-level conflict driver). Resentment and sentiments of isolation along with the increasing income inequality during the 1970s and 1980s notably sparked the formation of rebel groups (MNLF and subsequently the MILF). One expert explained, “Taking of the land under Marcos created much of this dynamic. It herded Muslims into smaller areas. Issue of Moro self-determination was emphasized because they were minoritized.”

As the land policies continued to repress local access and livelihoods and feeling or marginalization persisted, many local community members took up arms and joined or supported the rebel movements. This participation fueled an increase in conflict between the central government and rebel movements, which exacerbated local violence as well. One expert noted, “Discrimination is on a continuum from structural discrimination to violence. Violence occurs because there is no other way to have a life with dignity. Peace comes from structural reform.”

The cycle discrimination through land policies, which fostered displacement and lack of access to livelihoods enhances the macro level conflict driver related to perceived and real injustices. Locally, viable income opportunities can directly strengthen or weaken the level of injustice. However, given the historical macro-level factors that also directly affect the perceived and real injustices experienced by the Moros (such as displacement, discrimination etc.) it would be an overstatement to suggest that economic opportunities could dramatically alter this KDF. Even with improvements to income and access to livelihood for Moros, there is a history and narrative that reinforces the perceived and unaddressed outstanding injustices. A member of the TJCR explained the cycle of violence in Mindanao by noting, “People have felt powerless and marginalized in the legislative process. It is easy to leave people behind but this will fail to address one of the fundamental needs of people: to have fair access to decision-making. Without this it creates violence.”

4.2.3. Level of Control over the Population

Due to the region’s colonial history, Maguindanao generally has weak governance structures. Governing at the local level is commonly dominated by Datus, who are often represent both the local administration and their position as Datu, which is standard in Paglas. High incidences of local violence
weaken state governance structures and strengthen further the Datu system and the Datu’s control over the land, resources, and population, which is a dynamic seen in Paglas (a community with a strong Datu system). Experts and community members alike explained that no one questions or challenges the Datu’s decisions. As one community member explained, “Traditionally in the Datu system, whatever he commands people do.” In Maguindanao, this type of leadership strengthens the level of shared local identity, which is commonly described as the Moro’s struggle for autonomy and self-determination.

Intra-community and inter-community violence, however, can also weaken local government institutions. One expert explained, “At the horizontal level, it is inter-clan warfare, which is about leaders demonstrating their strength and ability and their willingness to kill and die. It has always been this way.” Increased ‘rido’ can strengthen or weaken the Datu system, while also generating power struggles between communities and their leadership. These dynamics foster a cycle of strong or weak social cohesion determined by the strength of the local governance and the local Datu. There is limited connectivity between these local level conflict dynamics and the macro level conflict factors. One exception, however, can be seen when macro-level conflict actors (rebel groups, the central government etc.) are drawn into local ‘rido,’ which then transforms the local issues into national conflict between the state and the rebel groups.

Section V – Unifrutti Tropical Philippines Inc. (UTPI)

5.1 Background on UTPI

Unifrutti Tropical Philippines Inc. (UTPI) was founded by John Perrine in 1992 through investments by three foreign companies (De Nadai of Italy, Abdullah Abbar & Ahmed Zainy Co., and Chiquita Japan Bananas). Originally, the company was solely involved in the exportation of pineapples and bananas to

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59 Formerly called Oriental Banana Export Company or Oribanex
the Middle East\textsuperscript{60} and parts of Asia.\textsuperscript{61} During this time, the company acquired produce through growership agreements with several plantations and landowners in Mindanao. Unifrutti’s first venture into farm operations was in 1997 with La Frutera Inc. in Paglas, Maguindanao, in the Autonomous Region of Muslim Mindanao (ARMM).

Over time, UTPI’s model altered from direct farm ownership to management of the farms for a flat fee for services. Currently, UTPI receives this fee from eight banana farms all located in the ARMM. Baninvest Ltd. (a parent company) owns six farms through direct ownership and joint ventures, and the other two farms are cooperatives in partnership with Agrarian Reform Beneficiaries (ARBs).\textsuperscript{62} Prior to our visit, UTPI sold its two pineapple plantations to Dole Asia Holdings due to challenges in market access. However, in the case of the Wao Development Corporation (WDC), UTPI’s chairman stayed on in the leadership position and UTPI still oversees the community development projects.

UTPI’s corporate social responsibility activities are housed within the company and as part of the Unifrutti Foundation (a separate foundation run by UTPI). UTPI’s Chairman was fundamental in establishing the Hineleban Foundation Inc., a related entity that works on community issues. Hineleban Foundation works to empower indigenous peoples and the Bangsamoro to generate sustainable livelihood and protect ancestral heritage and land.\textsuperscript{63} UTPI’s Chairman also founded Al Raziq Services to provide risk management and external relations expertise for potential investors wanting to invest in the ARMM. UTPI’s Chairman is in charge of all decision-making structures, and his leadership directs all the company’s investment decisions and company-community engagement approaches (see Annex 1 for a diagram explaining UTPI’s holdings and business ventures).

UTPI corporate head office, located in Davao, Mindanao, has about 400 employees in 14 operational departments (see Figure 4 for UTPI’s organizational chart). The employment structure at each farm varies. However, generally most employees work for the management firm that oversees the farm, and managers are employed by UTPI. At La Frutera, for example, management is employed by UTPI (roughly 91 employees), with the packing house workers and foremen employed by Paglas Corporation (roughly 219 employees at the farm including 23 part-time hourly workers). Of all the employees at La Frutera, roughly 80% hold permanent positions, which is unusually high for seasonal agricultural work. In addition, Paglas Corporation is owned and operated by the Datu Paglas and his family, who is also the

\begin{figure}
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\includegraphics[width=\textwidth]{Figure_4_UPTI_organizational_structure.png}
\caption{UTPI’s Organizational Structure}
\label{fig:organizational-structure}
\end{figure}

\textsuperscript{60} Particularly Iran, Saudi Arabia and Kuwait
\textsuperscript{61} Particularly South Korea and Japan.
\textsuperscript{62} Agrarian Reform Beneficiaries are landless farmers, small landowner cultivators and farm workers who shall benefit from the Philippines Comprehensive Agrarian Reform Plan pursuant to RA6657.
\textsuperscript{63} See the Hineleban Foundation: http://hineleban.org/about-hineleban/
local leader in the area. Security is contracted to Cowboy Security (also owned by the Paglas family) and trucking is contracted to Cowboy truck (also owned by the Paglas family).  

Shortly after the La Frutera acquisition (in 1997), UTPI established a unique vision and mission for the company (Figure 5: details UTPI’s mission and vision). UTPI describes itself as a God-centric company. Meaning that the company derives and grounds it mission, vision, and business case for operating from the word of God, the principles of the Bible, and the company’s commitment as “Followers of Jesus.” The company’s vision is predicated on the belief that its purpose is to provide a better quality of life to those it affects and to contribute to peace, development, and environmental preservation in the ARMM. In some ways, UTPI operates like a social enterprise whose mandate is based on establishing and maintaining a strong social license to operate through contributing to peace and development in the areas in which it operates. This social license comes from shared values between Christians, Muslims and indigenous peoples.

In order to ensure that the company’s vision is adhered to across the company, UTPI established a Values Formation Department. This department works to “apply the word of God in the workplace, and to translate it into good performance and farm productivity.” Almost all employees discussed the values formation as a fundamental attribute of the company, and a core motivator to their work. One employee noted, “Values formation is the hallmark of Unifrutti’s purpose. It gives reason to how we do our work.” In its initial conception, the department began as a weekly Bible reading sessions for management at headquarters after a “spiritual rebirth” of the chairman. This practice, along with the company’s mission grew to include both Christian and Islam spiritual counselors, who design and implement the weekly values formation sessions conducted at all farms and for all employees. These sessions are aimed at connecting employees to the Vision-Mission Statements of the company. Through trainings, Bible readings at headquarters and Koran readings at the farm level in the ARMM, the department works to disseminate the company’s Universal Values of love, truthfulness, trustworthiness, discipline, and perseverance across the company.

5.2 The Story of La Frutera (UTPI’s Intervention in Paglas)

The agricultural sector in Mindanao is controlled by a small number of wealthy corporations. This is largely because of legislation under President Marcos that delimited the total hectares available for Cavendish banana plantations. While this legislation was instituted to increase investment in banana

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64 This raised red flags for the team, particularly regarding issues of corruption or unfair tendering practices by the UTPI. However, when discussed with all stakeholders, there was no concern about this practice. It was noted that the Datu controls all aspects of communal life; and therefore, of course the Datu family would run all the contracting companies.

65 The term “Followers of Jesus” was used by UTPI’s chairman in order to frame the company’s commitment the Christian doctrine and principles. UTPI requested that the team use this term as the way of explaining the company’s believes in relationship to Christianity.

66 UTPI 2016.

67 UTPI’s Universal Values were advanced as the company, employees, and local communities identified that across Christianity, Islam, and indigenous cultures there were a set of shared values. UTPI’s Chairman noted that following this realization of these commonalities, the creation of Universal Values “…become a door opener and the foundation of maintaining healthy relationships when disagreements or misunderstandings arise.”
the land allowances was limited only to those companies already engaged in the banana exportation to Japan. This condition was stipulated on the perception that success in this area required existing experience in agricultural production and establishing market tie-ups.

Therefore, new investors, much like the chairman of UTPI, had to seek alternative locations to launch their banana productions. While pursuing investments in the ARMM provided an alternative location with laxed regulations and virgin territory, it was still considered a risky investment. As one executive noted, “Because of the conflict, the Bangsamoro has historically been untouched and has huge agricultural potential. There was a law protecting the cartels under Marcos, which dictated how much land could be used. But this law did not extend to ARMM.” Risks of investing in the ARMM included high levels of local violence, presence of rebel groups, and prejudices between Moros by Christians. These factors therefore deterred most businesses from investing in ARMM.

Yet, even in this risky environment, UTPI’s chairman noted his love for Mindanao and the ripe investment opportunity as more significant motivators for investing in the ARMM. UTPI’s chairman is an American who spent most of his life in the Mindanao agribusiness community, as his father was the former President of Del Monte Philippines. Working as an entrepreneur for most of his life, the chairman launched many companies in Mindanao and had many successes and failures.

While UTPI’s chairman was seeking to launch his investment, Datu Toto Paglas was also seeking investors to develop his land, and provide income opportunities to the local population. Several experts noted that unlike other Datus, “Datu Paglas was an enlightened despot. He had a vision for the land to be farmed.” A common friend introduced the two men. Initially tense, this meeting was described to us as two tall, strong-willed men, who were raised to hate one another, standing eye-to-eye. The chairman started the meeting by openly saying the common phrase as a way to express his apprehension to the meeting, “The only good Muslim is a dead Muslim.” One business partner noted, “We always thought ‘never trust a Muslim.’ We grew up in that culture. We were self-righteous.” Surprisingly, the conversation ended an agreement to launch the La Frutera investment. The chairman explained, “It [the development of La Frutera] was not a deliberate company plan. It was a brief moment of insanity. Datu Paglas was my height, we were looking eye to eye, I said ‘we cannot trust Muslims.’ And he responded, ‘I will protect your investment.’” One business partner present at this meeting explained, “There’s a lot of spirituality in the story, and not money. Much of what happened was accidental.”

From this meeting, a partnership was forged between three companies, UTPI to provide the investment, management, and marketing; Paglas Corporation to oversee labor and service needs of the farm; and Ultrex Management and Investments Corporation hired by UTPI to co-manage the farm. In the initial agreement, UTPI leased 600 hectares of land from about 200 farmers under a 20-year contract. Over time, however, the agreement evolved into an annual rental fee for land owners, which included the additional opportunity of working for Paglas Corporation. UTPI and Paglas Corporation agreed to provide one job per one hectare of land to the owner or his/her family. One community member explained, “Most of the workers are land owners. Multiple members of the same family work at the farm. Once the land is leased it is guaranteed work. One hectare is equivalent to one job.”

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68 Letter of Instruction (LOI) 790 of 1973 declares that a total of 25,000 hectares can be allocated for Cavendish banana plantation. The intention of the LOI was to support the growth of the banana export market to Japan thereby increasing foreign exchange earnings of the Philippines.

69 Letter of Instruction No. 790, s. 1979. Republic of the Philippines. For more see: www.gov.ph

70 Most of these farmers were beneficiaries of the Comprehensive Agrarian Reform Program (CARP), which redistributed private and public lands to independent farmers regardless of the “tenurial” agreement. Its goals were to provide landowners income opportunities and improve equity.
Datu Paglas believed that jobs would bring stability to his community, many of whom were fighting for the MILF. Datu Paglas was the nephew of Ustadz Hashim Salamat, the founding chairman of the MILF; and therefore, had close links with the rebel group. This meant that Paglas was, and continues to be, heavily influenced by the needs of the MILF, and most community members are actively committed to the MILF. When La Frutera opened, its primary objective was first to hire community members engaged in the armed groups (MILF and MNLF). UTPI operated under the theory that increased employment opportunities for those engaged in local violence and national-level conflict would directly reduce local violence in Paglas. The company worked with the Datu for hiring decisions in the initial phases. Given the Datu’s leverage over the community, there were no questions, “when the Datu asked you to do something you do it.” Local leadership called this the “arms to farms” initiative.

While convincing rebel leaders to leave their guns behind in order to work on the plantation was not the easiest process, slowly former combatants and leaders joined the company. One harvester explained, “The company helped because it stopped the violence and peace has been achieved. The place [Paglas] became silent. This was because most of the people holding guns were given jobs. What’s the use of fighting when they can earn an income? I was part of this fighting.” The current local leadership noted, “The area in La Frutera went from a war zone to economic zone.” Yet, currently, even with improved economic opportunities, former combatants overwhelmingly noted that they are still affiliated with the armed groups in some form. One former combatant noted that about 90% of La Frutera employees are currently still affiliated with the rebel groups. Many explained that if they were called upon, they would still fight for the Moro cause. One employee explained, “You’re always a member [of the rebel groups], and it’s your obligation as a Muslim... It’s about defending our way of life, which is written in the Koran.”

As UTPI’s investment in La Frutera expanded, the company also began to alter its values formation to not only represent Christian values, but also encapsulate Islamic traditions and beliefs. Through the identification of shared values found in both religious doctrines, UTPI was able to strengthen its relations with the local community. One executive explained, “We have come to understand that instead of them [Moros] adjusting to the outside world, we were the ones that needed to convert. In a way we have become Muslim.” A member of the Davao Chamber of Commerce also noted UTPI’s acceptance of Islam into its values, and how such a process worked to the company’s advantage. “Unifrutti is a success story because they adapted to the culture. They put Muslims in leadership roles, and the company tried to adapt and understand the culture.”

Given this operating environment, UTPI has developed a unique approach to engaging the rebel groups in its area of operations. Initially working through Datu Paglas, UTPI slowly cultivated a strong relationship with the rebel groups in the area. One senior staff noted, “La Frutera works because rebels don’t touch it because it’s the source of their income.” Here, he means that employment came as revenue for individuals, and not directly to fund rebel groups. Another expert explained, “Security was also provided by the MILF because Toto was the nephew of Salamat.” Building trust between UTPI and the rebel groups was essential for the reduction in incidences of local conflict, ensure that rebel-central government clashes remained outside of Paglas, and its employees (many former rebels) continued working. Derived from UTPI’s spiritual doctrine, the company views the rebel groups as a stakeholder of its operations. This approach is quite unusual for companies who traditionally avoid any overt association with non-state actors. Commonly, engagement with these actors is illegal under home or host law or poses a reputational risk to the company, particularly by shareholders. UTPI has been able to

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71 Ustadz is an Arabic word for teacher or expert.
bypass these concerns because of its small and highly autonomous structure. Corporate decisions are made by the Chairman in Davao, with little input or oversight by the parent company (Unifrutti Holdings International Ltd.). In addition, given UTPI’s impact in Paglas (discussed in the section below), the company is seen by the government as model for company investment in the Philippines. Accolades from the government, has enabled UTPI to engage rebel groups however they deem necessary for operating effectively.

Since its founding, the company has grown to 1,586 hectares and employees 2,470 workers, who predominately work for Paglas Corporation, and are mainly Muslims (roughly 90 percent of all employees). Benefits (including wages, healthcare etc.) are above the national average and are consistent across the UTPI and Paglas Corporation. UTPI’s HR department explains, “We operate like a family.” In its current employment structure the company employees more workers at La Frutera than is necessary for effective operations. This comes under the directive of the UTPI’s chairman, who has prioritized local employment opportunities over cost efficiencies.

Communities inside and outside La Frutera’s area of impact generally noted that the company’s presence has been positive particularly in uplifting the local economy. They noted a direct correlation between the company’s presence and the reduction of local violence. A UTPI executive noted, “Economic development will fix the peace problem. Then people won’t take up arms is our thinking.” UTPI’s senior leadership explains that while generally the company’s presence has a positive impact on Paglas and the surrounding area, equity among communities (those directly benefitting from corporate operations – i.e. employees, land owners, and those receiving CSR support – and those without) is still an issue. Noting this disparity a company executive explained, “I started to notice that employee children were fat, and non-employee children were thin. We had failed. We created an island of prosperity amidst poverty.”

In addition to benefits distribution and shifting the labor force from actively engaged in armed conflict to a farming community, UTPI also instituted a CSR program for the host communities. The CSR team undertakes activities such as building schools, day care centers, and water systems for the local communities. Explaining the community engagement process a company employee noted, “Based on the yearly budgets, we accept proposals from the community. We tell them we might not accept requests and when we say no, people do not get upset. We first prioritize people who live near the company.” UTPI also runs training programs in partnership with government institutions to increase livelihood opportunities. While CSR is an intrinsic element in UTPI’s community relationship, community members noted that this benefit is secondary to jobs and economic opportunities provided by the company. Several explained that the CSR projects has much less to do with UPTI’s social license to operate than the economic opportunities it provides.

Section VI - Case Study Analysis

6.1 Company Motivations
There were several practical motivations behind UTPI’s investment in La Frutera, including fiscal incentives (tax holidays and tax exemption on importation of spare parts, etc.) and non-fiscal incentives (employment of foreign nationals, simplified customs procedures, etc.). In particular, land in the ARMM costs less when compared to the developed agricultural non-ARMM areas of Mindanao. In

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addition, the local government units in ARMM are able to set their own tax rates for items such as property tax and business tax. These factors allow agribusinesses, in general, to lease or purchase large portions of land, at a much lower cost and with fewer taxes associated with the land. Uniquely, however, UTPI’s policies specify that the company is barred from purchasing or acquiring land in the ARMM; and therefore, UTPI only leases the land for its farms in the ARMM. Partnerships with local leadership and land owners allow UTPI to lease the land at a reduced price. Leasing land at a reduced price also aids in curtailing other production costs, such as trucking, which can be costly in areas of the ARMM (due to the long distance from the shipping ports in Davao City).

A regional trade executive noted, “Unifrutti consciously entered ARMM because they could make money. There were tax benefits, lower labor rates, and virgin territory.” Another expert explained, “There are less players [fewer companies operating in the ARMM] and easy to get what you need from the government. You get to write your rules because the ARMM is not used to working with MNCs.”

The ARMM is also seen as a relatively insecure area making investment rather risky. Security related concerns depreciate the cost of the land. A local businessman notes, “Businessmen will always count the profit. It is profitability that makes businessmen to take the risk. Less conflict means less cost. But, it is not our business to do peace.” A skeptical expert acknowledged the risk UTPI took in making its initial investment and noted, “It took great guts for them [UTPI] to come in [into the ARMM].” Much of the land in ARMM, however, is considered to be virgin. A company executive explains “Unifrutti had to move west to the Bangsamoro because Typhoons and water sources are cleaner and the land is considered to be virgin land with no upstream plants in the area.”

In addition to UTPI’s very practical motivations, the company’s investment decision was driven by the morals and religious convictions of its Chairman. Originally, a farmer and a businessman, the Chairman had a spiritual awakening in the 90’s just before investing in La Frutera. UTPI’s business case for entering the ARMM emerged from the Chairman’s strong spiritual and moral convictions. He explained that as a Christian it is his responsibility to help thy neighbor and uplift the impoverished. He said, “Companies are as connected to the human element as anyone else. My heart is no different, but my feet are here. The gap is that they [other companies] don’t connect with the human story.” He continued, “All businesses have agendas. My role is to be a steward of God or Allah. I also happen to be the Chairman of a company. So, our responsibility is to share our resources.” Another executive noted, “He’s from here he loves the place he’s from. He doesn’t consider the war to be dangerous...We were born here, grew up here, that’s what makes us different.” Even with benevolent intensions, one executive noted UTPI’s mixed intensions, “We wanted to help our Muslim brothers, in line with our values. But it is also cheaper in the ARMM for minimum wage and sourcing the land is less expensive. The land did not have a commercialized value, and so we had to consider the economic advantage too.”

6.2 UTPI’s impact on Impact on the Horizontal and Vertical Conflict
Using Map 1 (detailed in Section IV), we can trace the impact of UTPI’s intervention throughout the conflict system in Paglas. Map 2 presents UPTI’s impacts on the conflict system and illuminates where and how the company was able to reduce or weaken conflict drivers, and where it was not. In Map 2 the company’s intervention (as described in Section V) is detailed in yellow balloons, and then traces the changes and impacts to the conflict system. The size of the impact (as we perceived it) is reflected in the size of the circles and arrows. This map also captures the company’s assumption about their impact on the conflict system. These assumptions are plotted in blue balloons in the systems map. Corporate

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21 Under Republic Act 6734.
assumptions about their impact on the conflict system can help us understand how and why decisions were made (or could be made in the future), and can aid us in understanding the strengths and deficiencies in the company’s activities in the conflict system.

In addition, this section will detail the impacts of UTPI’s intervention in Paglas on the local-level conflict and then will discuss the various impacts, or lack thereof, on the larger national-level conflict between the Moros and the central government. UTPI’s experience in Wao, another area of ARMM, will also be discussed as a comparative case. The team visited UTPI’s operation in Wao to fully understand the range of the company’s impacts in the ARMM and if the outcomes in Paglas could be replicated.\textsuperscript{74} UTPI’s operations in Paglas and Wao took a very similar approach to community engagement and production. Both operations were launched under the same vision and mission and aligned to UTPI’s corporate values structure. The example of Wao will be used to comment on the potential replicability of UTPI’s impacts across all communities in the ARMM.

\section*{Map 2: Conflict System in Paglas Mindanao with UTPI’s Impact}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{map2.png}
\caption{Conflict System in Paglas Mindanao with UTPI’s Impact}
\end{figure}

\textbf{Source:} CDA, January 2017

\subsection*{6.2.1 Impacts of economic development}
Map 2 shows that UTPI’s largest impact on the conflict system in Paglas is the creation of jobs. UTPI, and its contractors, provide locals with jobs and an above-average industry wage, year round. Jobs, benefits, and creation of other markets generated by the company’s presence directly increases community members’ access to livelihoods and resources (a KDF). Increased access to resources and livelihoods reduces the community’s need to participate in illicit activities, which in turn, dramatically reduces the level of local violence in Paglas and surrounding communities. One foreman explained, “People stopped fighting because they had a better life. People forgot about fighting.” This overall reduction in local

\textsuperscript{74} It should be noted at the time of the field visit, WDC was no longer a holding of UTPI and was instead was owned by Dole Asia. However, its strategy etc. was established by UTPI and UTPI still took part in several aspects of the farms management.
violence due to increases in economic activity, weakens, and nearly eliminates the cycle of localized violence, seen in R2.

To its credit, UTPI established a way to work with the Moro culture in Paglas, and remains dedicated to the long-term support and employment in the Bangsamoro community. Notably, UTPI provides jobs to rebel forces, which has reduced their participation in the armed struggle with the central government. In addition, UTPI also attempted to alter the macro-level KDF related to injustices, through improving interfaith understanding and bringing Christian and Moro communities closer. However, as Map 2 highlights, this impact has only occurred at the local level with little alteration of the macro-level conflict factors. One company represented noted, “We are trying to remove the prejudice and show that there are a lot of similarities between Muslims and Christians. We can’t erase historical perceptions immediately, but we can over time.”

Interestingly, due to its success in using jobs to weaken conflict dynamics in Paglas (presented in R2), UTPI assumed that it could have a similar impact at other operations in the ARMM. This assumption was tested in Wao, another area of ARMM, where UTPI opened a pineapple plantation and provided jobs to many in the local community. The outcome in Wao, however was not the same as in Paglas. Since access to livelihoods is less of concern in Wao (and if we were to map the system, most likely not a KDF), UTPI’s intervention did not alter the conflict dynamics. This is not to diminish the significance of UTPI’s work to increase income and economic activity and the impact that it has had on families in Wao. However, it would be an overstatement to suggest that jobs reduced local-level conflict in Wao or macro level violence between the rebel groups and government.

With these impacts in mind, it should be noted that UTPI states its intention in Paglas is to provide economic benefit to the community in order to generate peace. Core to the company’s theory of change in Paglas, one executive noted, “Economic development will fix the peace problem. Then people won’t take up arms is our thinking.” Another employee explained, “addressing poverty is the root to peace and order.” There is, however, reason not to overstate UTPI’s ability to foster peace (particularly national level peace) through economic activity. Evidence however suggests that local employment opportunities for the community and combatants has not reduced the overall local support for rebel groups. One former combatant said, “Self-determination is the core of the conflict...It’s about defending our way of life. It’s our obligation. Even if there is economic activity, we will still support this.” A member of the local cooperative group also noted, “The company’s impact is not on the level of independence for the Moros.”

This point is critical because while UTPI’s infusion of economic opportunities has weakened several local-level conflict drivers, there is little indication to stipulate that its presence has altered any macro level conflict drivers related to injustices faced by the Moros or conflict between the central government and rebel groups. One expert reiterated this finding by explaining, “The basis of the Moro conflict is injustice and inequity, and jobs do not serve this. People conflate peace and stability. Stability can leave an opening for peace assuming that both sides what to have the conversation.” As one expert noted, “peace does not equal stability.” In addition, Map 2 also highlights that UTPI’s impact on conflict factors related to livelihoods and income do not have an inverse impact on level of inequality in land policies (a macro-level issue).

6.2.2. Local Governance and Social Cohesion
The company’s presence also strengthened the local Datu system, which effectively governed and controlled the local population (a KDF). UTPI explicitly bolstered Datu Paglas’ control over the
community, as people saw him as the savior who brought them economic opportunities. One executive explained, “The Datu decides what is good for everyone, and conducts consultation among all.” He continued by noting, “We were able to do what we did because of the Datu system. La Frutera was the first program implemented without issues with the community because of the Datu system.”

Reinforcing the Datu’s control over the population increased the level of local shared identity among community members in Paglas. Shared identity was expressed through a common employer (UTPI) and place of work (La Frutera). A staff member noted, “People stand for something bigger than their individual identity. In this culture what is best for me is the best key to seeing what is best for the community.” An increased sense of collective identity decreased local violence by reducing the incidence of ‘rido’ within Paglas. A company executive explains that bolstering the Datu’s control is core to La Frutera’s success. He explained “There has to be one strong Datu family for this to work. He must be an enlightened progressive thinker and not a warlord.” An expert critical of UTPI echoed this same need, “The model of Unifrutti is only good when you have a strong Datu.” He continued by explaining, “Crime is lower and social order is easier to handle. If you talk to a few big men this allows you to operate and gives you more latitude to operate because there is also less regulation.” While the nature of the Datu system is a critical factor for an effective corporate intervention, it is the nature of the specific Datu (how they view foreign companies, their relationship to other conflict actors, how they weld their power, etc.) that is as significant to a company’s success.

In Paglas, UTPI’s intervention strengthened the Datu’s control over the population, which enhanced the level of shared local identity and lead to a reduction in local violence. In Wao, however, these dynamics are very different. Due to its history, Wao is largely mixed (40% Muslim and 60% Christian – mostly former settlers). This demographic posed challenges to the UTPI’s intervention, as there was no central Datu to govern the population or a sense of shared identity. Without a strongman like Datu Paglas, the company worked with local officials, who do not have the same power or control over the community. This meant that UPTI’s intervention had less of an impact on intra-community conflict and therefore local violence. One expert noted, “They [UTPI] have faced challenges in areas without strongmen like Wao, where they have to deal with each individual family.” Arguably, it is the lack of a substantial local leadership in Wao that allows for more local violence between groups. These factors inhibited Wao from the same success that UTPI experienced in Paglas. Upon reflection of both experiences UPTI leadership explains, “We can’t have a cookie cutter model.” An expert critical of UTPI further noted, “It’s a learning curve for them. It’s important to modify their formula.”

Building trust between UTPI and the rebel groups was also essential for the reduction in incidences of local conflict. While trust was brokered by the Datu, UTPI continued cultivating trust with the rebels by demonstrating their respect for the local culture, through the values formation. Inclusion of the Koran into the values formation was critical to enhance staff confidence in the company. In addition, extending values formation to include Islam demonstrated to the outside (i.e. the rebels and ARMM officials) that the company’s intentions in the community are respectful and positive in nature. One staff at the farm noted, “Values formation has allowed the company to support the local faith.” Senior leadership at UTPI further noted that based on their experience in Paglas and elsewhere, that “There has to be strong MILF support in order to invest. He [the chairman] has a strong relationship with the MILF leadership because he is a politician.” In addition, this relationship ensured that rebel-central government clashes remained outside of Paglas, and its employees (many former rebels) continued working. An executive explained, “I don’t see the risk. You have to operate in areas where there is no local conflict. So, you only can enter areas controlled by the MILF. You can trust them. We have been working with them for 20 years and they are maintaining peace.” International organizations noted that the UTPI model of engagement in
the ARMM highlights the need to proactively engage the rebel groups. One UN official explained, “If companies want to invest in the region they need to work with the government and the MILF.”

6.2.3 The Possibility of Cumulative Impacts
Secondary to the company’s belief that jobs can foster local peace, is a notion of the “domino effect” that can be created with the expansion or accumulation of pockets of stability and peace. UTPI assumes that if they demonstrate that a company can operate effectively, and at a profit in ARMM, then others will also invest in the region too. To be effective, this assumption requires new investment in ARMM to mirror that of UTPI in Paglas. The theory of change here, indicates that the increase in investment akin to UTPI in Paglas across the ARMM will and can accumulate to larger regional-national peace. One company executive explained, “We believe that we can show other industry players how it can be done. It can be a model for other companies.”

At the time of the visit, however, there were only a few other agribusinesses operating in ARMM. Currently, despite the efforts of UTPI and its sister company Al Raziq, there are no other investors operating in the same manner as UTPI in Paglas. One expert noted, “There is no connection between conflict and development. But, it [development] can open the space for peace. It can stabilize the situation so grievances can be heard and the state can come in and enforce its role.” In addition, this theory makes an inaccurate assumption that all communities in the ARMM look like Paglas, and therefore an intervention as seen in Paglas will be effective there too. UTPI’s own experiment in Wao demonstrates the diversity of communities living in ARMM and the significance of contextualizing the intervention.

In addition, case evidence suggests that the creation of “pockets of peace” would do little to stimulate a broader, macro-level peace impact, as the conflict drivers at the local level do not have an impact on the macro KDFs (relating to land issues and injustices experienced by the Moros). This is not to devalue local-level impacts simply because they do not have an effect on the broader macro conflict dynamics. Instead, evidence indicates that we need a more nuanced understanding of the linkages between local and national-level dynamics in order to speculate about their ability to have a broader, macro-level impact. One expert noted, “Claims to peace at a higher level is more challenging to make. Private sector impact is possible at the local level.”

Section VII – Conclusion
This case delineates the intentional efforts of UTPI to affect the conflict dynamics both locally in Paglas, and regionally across the ARMM. Originally, UPTI’s motivations were grounded in the practical realities of the fiscal and non-fiscal benefits of working the virgin ARMM territory. Eventually, however, the company’s ambitions were reinforced by its spiritual doctrine and values as Followers of Jesus and its fundamental commitment to enhance the quality of life for all people living in the ARMM. UTPI uses its values to drive its stakeholder engagement with the community and others in order to enhance cross-cultural relationships. This approach has afforded UTPI with a unique social license to operate, which augments its business interests and improves the general well-being of the community.

Primarily through the infusion of jobs and economic opportunity, UTPI sought to stabilize and bring peace through development to the local context in Paglas. Overwhelming, stakeholders and observers of the company note UTPI’s success in improving the economic conditions in Paglas and weakened local conflict dynamics. The mitigation of conflict at the local level is most acutely seen with the reduction in violence in Paglas, (including the reduction in acts of banditry, intra-community conflict (‘rido’), and rebel-government fighting). Even though UTPI notes that its intentions are to affect the conflict drivers
in Paglas (and the ARMM), the company did not formally identify those factors nor did it analyze the interplay between dynamics and the differing contexts present in the ARMM. In fact, the story of UTPI’s intervention was described by many as a ‘positive accident.’

By mapping the context of Paglas and then UTPI’s intervention, this case study illuminates several critical findings about the company’s impact on conflict drivers and the replicability of such an intervention. Notably, this case demonstrates that through benefits provision and jobs UTPI was able to affect the key driving conflict factor related to economic opportunity and income in Paglas. This KDF, however, is a local level conflict driver and is fairly unique to the context. Therefore, while this intervention reduced local violence and had an impact on localized peace, motivations surrounding the conflict between rebels and the central government went unchanged. Meaning that UTPI’s intervention has not yet had an obvious impact the broader national conflict dynamics. Sentiments of injustice and marginalization have not been nullified through local economic opportunities because these conflict drivers appear to require a negotiated settlement between the government and Moros. However, there is no evidence to suggest that stability created at the local level by UTPI could not provide a stepping stone or entry point for future peace negotiations at the national level. Understanding how stability was generated in Paglas, for example, may lay foundational elements for a negotiated settlement and economic livelihoods in the regional afterward.

In addition, the cross-contextual analysis of Wao and Paglas highlights that while close in proximity and governed by the same legislation, the context in the ARMM is not homogenous. Conflict drivers, particularly at the local-level, remain unique to the context, and are predicated on divergent historical experiences and current factors. Inventions by UTPI, or any entity, will therefore face divergent impacts due to the variance in local conflict dynamics. Furthermore, given the unique nature of the context, evidence suggests that a series of similar interventions (interventions like UTPI in Paglas) by private sector entities may not ‘add up’ to a broader impact on the national level conflict.

These key findings are not meant to discredit the positive impact of UTPI in Paglas. Nor, are they intended to suggest that companies cannot have a broader impact on peace and conflict dynamics outside of the local area of operations. Instead, the case of UTPI highlights the need for a more nuanced context analysis in order to chart corporate intentions to their impacts and outcomes. Understanding the impact of a private sector entity on conflict dynamics requires a careful analysis, so as not to overstate its ability to alter conflict conditions. While the private sector has unique leverages in conflict systems, we must remember that these will not necessary engender larger peace. Increased emphasis on businesses’ ability to encourage and promote peace, must also come with stronger analysis of the company, the context in which it is operating, and where the company may have leverage to affect conflict drivers.

References:

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75 This is not to suggest that economic issues are not conflict drivers in other parts of the ARMM or Mindanao. However, it is to note that each local context is different, and assumptions should not be made about if economic opportunities are core to the localized conflict without mapping the system.


**Annexes**

**Annex 1: UTPI’s relationship with other entities**

*The fee per hectare is only for Bukidnon farms (MKAVI 1, MKAVI 2, MADC), and is given to Hineleban Foundation in-Trust for the Seven Tribes of Bukidnon, as part of an agreement under the Sacred Compatos that recognizes Native Title Rights and provides compensation for supporting the IP’s role as Custodians of the mountain rainforests.*

*Date: November 18, 2016*

**Source:** CDA, November 2016