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# Land Reform under Military Agrarian Reform in Peru, 1969-78

R Maria Saleth

*The issue of land reform postponed for decades in Peru was addressed by a relatively progressive military leadership during 1969-78 thanks to political pressure from radical peasant movements and the economic crises in agriculture. The reform has transferred 50 per cent of the total farm area to about 33 per cent of the rural families organised mostly under various forms of co-operatives to preserve agricultural productivity while effecting an unequal pattern of rural income distribution. Consequently, the tenurial changes effected under the reform was only minimal although there occurred fundamental changes in tenancy and other agrarian relations with the elimination of all remaining vestiges of the feudal-like hacienda system. Although the reform failed to solve the problems of landlessness, it can be considered a notable success in modernising the agrarian sector so as to create the necessary conditions for autonomous industrial development like the creation of market-oriented and technologically responsive rural middle class, the transfer of agrarian capital into the industrial sector, and the conversion of former oligarchies and hacienda owners into industrial bourgeoisie by cutting their links with land.*

## I

### Introduction

THE land reform implemented in Peru during 1969-78 stands out as something different, if not unique, compared to both the land reforms of other Latin American countries as well as the earlier reform efforts undertaken in Peru in the early 1960s. While the radical land reforms of Mexico (1917), Bolivia (1950), and Cuba (1917) were the direct consequence of revolution, the land reforms of Venezuela (1960), Columbia (1961), and Brazil (1964) undertaken under the US sponsored 'Alliance for Progress' programme were more land colonisation than land redistribution proper. The Chilean reform (1964) that subsequently became radical under the elected Marxist president Allende (1970-73) was completely reversed after his assassination in 1973. Like other Latin American countries, Peru also implemented two make-believe reforms during 1960-68 which aimed to pacify the peasants and depoliticise the issue of land reform. But, the highly organised peasant movements in Peru that resorted, at times, to *de facto* land reform like the one in 1962 kept alive the political pressure for a radical land reform. Also, the radical land reform during 1969-78 was most effectively implemented by a relatively progressive military leadership with very little political disturbance. Moreover, land reform formed an integral part of the military's comprehensive programme for the economic and political modernisation of Peru with a view to create the necessary conditions for autonomous industrial development supported by state capital. Given the assigned role for land reforms within the military's overall programme, land reforms were implemented with the major objective of modernising the traditional agrarian structure by creating a market-oriented and technically responsive rural middle class capable of providing economic and political underpinning to indigenous industrialisation and moving land-based agrarian capital to the industrial

sector. The main objective of this paper is to evaluate how far the land reform implemented under the military has succeeded in achieving its objectives within the context of earlier reform attempts and the magnitude of the agrarian problem in Peru.

## II

### Agrarian Structure in Pre-Reform Peru: 1961

Table 1 indicates the problem of land concentration and land use pattern in Peru before the initiation of any significant land reform measures.<sup>1</sup> As of 1961, Peru had a total of 0.9 million agricultural units with a total farm area of 18.6 million hectares (ha). Of the total farm area, 89 per cent was under private ownership, 11 per cent was under the communal tenure, i.e., under some 4000 Indian communities sustaining about one-fourth of the Peruvian population. The extremely polarised land distribution in the privately owned sector is indicated by the fact that the large farms representing just 0.2 per cent of the total number of holdings accounted for 68 per cent of the total farm area whereas the small farms representing 83 per cent of the total number of holdings accounted for a mere 6 per cent of the total farm area. The family and medium farms together representing 16 and 25 per cent of the total number of farms and total farm area respectively were relatively unimportant. About one-third of the total area under communal tenure was individually operated by community members and the remaining area was collectively used mainly for pasturing cattle. Most of the larger holdings under the communal tenure were almost under collective use and the larger holdings individually operated by community members were often hilly tracts suitable only for grazing. With increasing population pressure on a fixed amount of communal land, the lands set aside for common use in many communities started disappearing due to their distribution among members for individual use. As a result, commonly used holdings

did not exist in more than 66 per cent of the communities [Bourque and Palmer, 1975, p 204].

The extreme polarisation in the distribution of land had a direct bearing on land utilisation pattern characterised by over-utilisation of land in small farms and under-utilisation of land in large farms. Table 1 indicates clearly the strong inverse relationship between farm size and the proportion of farm area under cultivation. While small farms cultivated about 65 per cent of their farm area, the large farms cultivated only 6 per cent of their farm area. Also, while small holders devoted 72 per cent of their cultivated area to temporary and food crops, owners of larger farms devoted only 47 per cent of their cultivated area to temporary crops. Consequently, agricultural productivity stagnated due to declining land and labour productivity in small farms caused by soil erosion and exhaustion and lower land productivity in larger farms caused by under-utilised land resources.

The agrarian structures evolved around a land tenure pattern dominated by *latifundio-minifundio* (large holding-small holding) system displayed, however, marked qualitative variations across the three geographically and ecologically distinct areas of Peru, i.e., the *costa*, the Pacific coastal strip with arid climate requiring irrigation; the *sierra*, the mountainous region covering the Andean highlands; and the *selva* consisting of the eastern slope of the Andean mountain and humid Amazonian marshy low lands adjoining Columbia and Brazil. The modern, export-oriented, and highly capital-intensive coastal system has specialised in the production of sugar, cotton, and rice. The sugar zone accounting for the most fertile and irrigated land of the coast was dominated by modern sugar plantations and refineries worked by salaried workers and owned by landed corporations and foreign interests. On the other hand, the cotton zone was dominated by transitional *haciendas* (estates) with wage-labour system. Family and medium farms and farms work-

ed by sharecroppers were common in the rice zone and also, to some extent, in the cotton zone. The Indian communities and traditional *haciendas* worked by service tenants<sup>2</sup> which characterised the agrarian structure of the *sierra* were virtually absent in the coastal system. Even though the highly productive coast accounted for 40 per cent of the national agricultural output, 75 per cent of the total agricultural credit, and 90 per cent of the total area under irrigation in 1968, the coastal system employed only 4 per cent of the total agricultural labour [Paige, 1975, p 128].

The traditional, subsistence-oriented, and labour-intensive *sierra* system produced mainly maize, potato, beans, fruits, and livestock. The *sierra* system presented the most complicated and iniquitous tenure pattern characterised by the domination of the feudal-like traditional *haciendas* owned mostly by absentee owners and worked by various kinds of service tenants. The ubiquitous presence of the land-starved Indian communities added yet another dimension to the iniquitous agrarian structure of *sierra*. Unlike the coastal agriculture, the production system of *sierra* was based more on the exploitation of labour than the utilisation of land thanks to the unlimited supply of cheap labour provided by the vast majority of landless and land-short peasants including the community members. However, capital intensive transitional *haciendas* with a wage-labour system were found in the advanced enclaves around the urban centres of the *sierra* region like Caja Marca and Arequipa as well as in the sugar and cattle zones of Huanuco department.

The isolated *selva* region representing the agricultural frontier of Peru has specialised in the production of coffee, coca, fruits, and forestry products. Even though the *selva* has vast land resource potential, less than 10 per cent of the land area in this region could be utilised in view of the ecological constraints and lack of dependable transport network to incorporate this region with the rest of Peru. Although the *selva* followed the same pattern of land concentration, the magnitude of inequality was relatively lesser here as compared to the other regions due to the presence of large number of medium and family farms fostered by the economic viability of family and medium farms in the production of fruits, coffee, and coca.

The agrarian structure in Peru was not conducive to balanced development of agriculture. Even though coastal agriculture was very productive, its external focus and meagre labour absorption prevented its effective integration with the national economy. The coastal system also became more and more vulnerable to the fluctuations in the international price of sugar. Broad-based industrial development was also stifled by both the demand and supply constraints created by the iniquitous and traditional agrarian structure. The most skewed distribution of rural income and the bi-polar social system engendered by the ex-

treme concentration of land did not permit the emergence of a dynamic rural middle class capable of providing both an expanding domestic market for industrial products as well as political underpinning to autonomous industrial development. The subsistence and unproductive nature of *sierra* agriculture was not responsive enough to meet the food and other agricultural needs of the urban areas and the resultant food shortage induced increasing food imports. Moreover, the rural problems of landlessness, unemployment, and poverty produced by the iniquitous agrarian structure especially in the *sierra* got themselves manifested in the urban centres due to distress migration representing almost 13 per cent of rural population [Barráclough, 1973, p 13]. In addition to economic problems, the Peruvian agrarian structure also created serious political problems challenging the status quo. While labour strikes and demonstrations organised by left-leaning labour unions dominated the coastal agriculture, the *sierra* remained an epicentre of violent peasant uprisings and a fertile ground for leftist and guerrilla activities.

### III

#### Peasant Movements and Earlier Attempts

Although land reform measures were often met with stiff opposition from the ruling groups including the military, the intensity of rural unrest especially since the early 1950s forced the government to pass some kind of agrarian reform legislation. Given the prevalent political power structure, most of these efforts were make-believe in nature aiming at confusing the peasants. The first such effort was the creation of the Commission for Agrarian Reform and Housing in 1956 which submitted its report along with a draft agrarian reform law in 1960.<sup>3</sup> Even though the commission's concern over productivity completely protected the coastal agriculture and its exemption and other loopholes left the *sierra* virtually intact, the Congress dominated by landed interests totally rejected the draft reform programme and ratified instead a land colonisation programme. The Congress, however, approved the recommendations of the commission such as the earmarking of 3 per cent of national revenue for agrarian reform (i.e. colonisation) and legalisation of peasant and labour unions. Also, an initial administrative base was created with the establishment of National Institute of Agrarian Reform (NIAR) in 1959 and Agrarian Investigation and Promotion Service (AIPS) in 1960.

The draft reform programme of the commission did not, however, fail to signal the landowners especially in *sierra* to initiate parcelisation and decapitalisation of their estates. The resultant evictions of permanent workers, service tenants, and sharecroppers as well as the very deceptive nature of the 1960 law flared up a new wave of organised land invasions in *sierra* in which both

peasants and members of the Indian communities participated. For instance, in the La Convencion and Lares provinces of the Cuzco department, highly organised peasants led by Hugo Blanco, a syndicalist-turned-guerrilla, had successfully invaded and controlled 80 *haciendas* and implemented their own land redistribution.<sup>4</sup> These invasions were also followed by general strikes by peasants<sup>5</sup> of all the other *haciendas* in the two regions. Besides, other areas in *sierra* also witnessed spontaneous land invasions in which mostly members of those Indian communities with age-old land disputes with the neighbouring *haciendas* participated.

The elected president Manuel Prado could not pacify the peasants even after his presidential decree to abolish the practice of unpaid services. This large-scale rural insurgency was the major reason for the military coup that ousted president Prado in July 1962 [Nehemkis, 1964, p 93]. Having failed to quell the rebellious peasants and having sensed the possible escalation of land invasions in other areas of *sierra*, the military itself was compelled to pass a special Agrarian Reform Law 14444 in March 1963 applicable only to the La Convencion and Lares regions. What the special law did basically was to legalise the peasants' *de facto* control over the invaded lands by stipulating them to pay compensation extending over a period of 20 years. The junta also undertook politically prudent and strategically located colonisation projects through NIAR to augment its strategy of bringing a renewed social equilibrium in the violence-torn zones. Even though the special law also provided for expropriation, the land distribution through expropriation under this law was insignificant as only 260 out of the 16,000 landless peasants in the La Convencion region who applied for land actually received land [Petras and LaPorte, 1970, p 49].

Even though the special law did succeed in demobilising the peasant movements of the La Convencion and Lares regions, it signifies the powerful role of the Peruvian peasant movements in moving the political balance towards a direct land redistribution albeit at a regional level. The law did instigate further land invasions in other parts of *sierra* as the peasants were encouraged by the government's approval of the *de facto* reform in La Convencion and Lares. Thus, just before the 1964 election, there were 306 land invasions in which nearly 3,00,000 peasants and community members participated [Paige, 1975, p 165].

The escalating land invasions and rural unrest forced the newly elected president Belaunde Terry to pass the Agrarian Reform Law 15307 in 1964 applicable to the whole of Peru. The 1964 reform law provided for expropriation with compensation subject to a maximum exemption limit of 150 ha of irrigated land or 1,500 ha of dry land or pasture land. Since the law allowed maximum permissible exemption for each

member of the landed corporations, it effectively excluded all the coastal sugar and cotton estates as well as the modern and transitional estates of *sierra* from expropriation. Moreover, the compensation specified was very close to the market value of the expropriated land. Although the law attempted to give legal titles to the plots operated by the service tenants, sharecroppers, and permanent workers, it had, in practice, the opposite effect of large-scale evictions and intimidations as the law that specified penalty against the invading peasants did not specify any penalty against the evicting landlords.

In addition to the legal loopholes, there were also other built-in sabotage mechanisms that inhibited the effective implementation of even the limited expropriation provisions of the law. Since, the Agrarian Reform Council (ARC), the highest decision-making body regarding the financing and implementation of the reform programme, was dominated by landed interests, the Agrarian Reform Financing Corporation (ARFC) was deliberately left to starve for funds to carry out expropriation. For one thing, the actual sanction of funds never reached 3 per cent of the total national revenue as stipulated by the 1960 law and for another, only 68 per cent of the amount sanctioned was ever realised by ARFC during 1964-68 and a substantial portion of the amount realised was diverted to colonisation projects [Fedder, 1971, pp 217-18]. Further, the financial aid for agrarian reform promised under the Alliance for Progress never materialised as US law forbids financing the expropriation of private properties. As an inevitable outcome of the legal loopholes, and administrative and financial bottlenecks, the accomplishment of the 1964 law was only marginal.

Given that there were about 1 million landless and land-short families and assuming 6.5 ha per family in the coast and *sierra* and 30 ha in the *selva*, an effective land reform required the expropriation of at least 9.7 million ha. But, only 18 per cent of the projected minimum area to execute an effective reform was made expropriable by the 1964 law and just 0.8 per cent of the land required for an effective reform was actually expropriated as of 1968 [Petras and LaPorte, 1970, p 257]. Even though most of the reform finance was diverted to colonisation projects in the *selva*, these projects failed to make much dent on the problem of landlessness. Due to the longer gestation period and heavy financial and infrastructural requirements of the colonisation projects, the number of families settled during 1964-68 were only 1200 per annum [Dozier, 1969, pp 88 and 113]. By 1969, the law expropriated only 4 per cent of the total farm lands and benefited no more than 1 per cent of the rural families including those settled in colonised lands [World Bank, 1978, p 278]. The impact of the 1964 law on land tenure was negligible as the land ownership pattern that obtained in 1969 was not very

different from that found in 1961 by ICAD [Eckstein, 1983, pp 355-56].

#### IV

#### Agrarian, Reform under Military, 1969-78

To cap the failure of president Belaunde Terry on the agrarian front, the *Acta del Talara*<sup>6</sup> scandal occurred in 1968. Seizing this opportunity, the military under general Juan Velasco Alvarado staged a coup on October 3, 1968 and ousted president Belaunde Terry. This military coup is so unusual in the South American context because not only was it devoid of the usual post-coup political repressions but was also followed by a series of positive reform programmes. The Agrarian Reform Law 17716 of June 1969 formed an integral part of the junta's comprehensive reform programme for the economic and political modernisation of Peru. The main aim of the reform law was the elimination of the traditional system of excessively large and small holdings, concomitant promotion of commercially viable and technologically responsive family and medium-sized farms with wage-labour system, and group operation for large units where economies of scale would suffer from subdivision. The law aimed to create favourable conditions for autonomous industrial development by both helping to transfer the capital still tied with land, promoting an expanding rural market for industrial products, and enhancing marketable surplus especially of food crops.

Like the earlier reform laws, the 1969 agrarian reform law was also a law for the purchase and sale of lands on a long-term basis. But, unlike the earlier laws, the new law was not only comprehensive and direct but also was packed with the much-needed political determination to implement it effectively. The exemption limit specified by the 1969 law varied with regions and types of exploitation. For irrigated land, the exemption limit was 150 ha in the coast but only 15-55 ha in the *sierra* and in the case of dryland, the exemption limit was twice that allowed for irrigated land in both the regions. However, basic exemption could be

denied if the land in question was needed to meet the claim of the peasants and community members and also when the landowner did not comply with the labour laws.

The effectiveness of exemption provisions was, however, diluted by Article 181 of the law that allowed parcelisation on private initiative with the intention of both generating capital for industrialisation as well as to create commercially-oriented family and medium farms to enhance marketable surplus and promote rural market. However, due to mounting opposition from the evicted permanent workers of many parcelled haciendas especially in the *sierra*, the military later amended the parcelisation provision to require that each permanent worker of the estate should be assigned a family farm and then parcels of two to 15 family farms and one larger parcel within the legal minimum could be formed. The military also established penalty for the evicting landowners which was 50 per cent of the value of the expropriated land.

The amount of compensation and its mode of payment were also considerably rationalised under the new law. The compensation for expropriated land was determined simply on the basis of the value declared for tax purposes to catch the landowners in their own trap of undervaluation. However, higher compensation was allowed for the expropriation of properties below the legal minimum. While immediate cash compensation was paid for cattle and installations, the expropriated lands were largely paid by agrarian bonds carrying 3 per cent interest and redeemable over a period of 20 to 30 years. Even though the bonds were non-negotiable, the law provided that if a landowner makes an investment in an approved industrial undertaking and supplies 50 per cent of that investment in cash, the Agricultural Development Bank would redeem his bonds on their face value to supply the remaining 50 per cent of the investment. This provision aimed to move both the cash payments for cattle and installations as well as the amount paid in agrarian bonds to the industrial sector.

In addition to Reform Law 17716 and its subsequent amendments, the junta also passed other supportive legislation having

TABLE 1: LAND TENURE AND LAND USE PATTERN: PERU, 1961

Size Groups (ha)	Private Units		Units under Indian Communities				Land Use Pattern	
	Number	Area	Units under Cultivation		Units under Collective Use		Per Cent of Total Farm Area under Cultivation	Per Cent of Cultivated Area under Temporary Crops
			Number	Area	Number	Area		
Upto 5	83.3	6.1	82.2	10.0	0.0	0.0	64.4	72.7
6-99	15.4	10.6	16.1	15.9	50.4	1.0	44.4	48.1
100-999	1.1	14.8	1.6	33.2	26.0	4.9	15.8	58.2
Over 999	0.2	68.5	0.1	40.9	23.6	94.1	5.8	47.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	13.7	53.6

Source: Barraclough [1973, Tables 11.1, 11.11 and 11.12, pp 253, 255 and 277].

significant implications. The most important among them was Law 17752 which declared water as the national resource and created a body to plan for better utilisation of water resources. With this law, the military not only established a mechanism to deal with inter-regional water sharing conflicts but also eliminated the private control of streams and other water sources by hacienda owners. Law 19977 was promulgated to abolish sharecropping, leasing, and all other forms of indirect cultivation to eliminate exploitative agricultural contracts and absentee ownership of agricultural land. Law 19973 was passed to assure the non-expropriation of farms within the exemption limits and also to establish fiscal incentives to encourage family and medium farmers who directly cultivate their farms with wage-labour.

On the administrative side, the junta not only reorganised the NIAR and AIPS into the Directorate of Agrarian Reform (DRA) and Directorate of Agricultural Promotion and Cooperation (DAPC) but also placed military officials in every crucial executive position to see to the strict implementation of the reform programme. The ARC that sabotaged the implementation of the 1964 reform law was dissolved by the military immediately after the promulgation of the reform law. Regarding the financial aspect of the reform programme, while cash compensation for cattle and installations was paid through the Agricultural Development Bank, the ARFC was authorised to issue eight billion soles worth of agrarian bonds against its previous limit of six billion soles. The adjudication procedure based on a regional approach rather than the 'estate-to-estate' approach of the 1964 law was considerably simplified to expedite reform implementation. Under the new law, once a region was declared an agrarian reform zone, all farms above the legal minimum size automatically came under the purview of expropriation. To reduce the delay involved in legal battles, the military also established the Agrarian Tribunal to deal with any dispute concerning expropriation and compensation.

As a major departure from the past, the new law first affected coastal agriculture especially the sugar estates where the foreign influence was more.<sup>7</sup> The immediate and sudden affectation of the coast not only created a pro-reform political climate but also provided very little time for the coastal oligarchy to solidify its opposition. Although some of the most productive estates in the *sierra* region were also affected immediately, the junta concentrated most of its effort in the first two years in transforming coastal agriculture. Each of the immediately affected estates both in the coast and *sierra* was transformed into an Agricultural Production Cooperative (APC). Under the APC arrangement, all the land and capital assets therein should not be split but be collectively owned by the clerical staff, technicians, and permanent workers of the transformed estate. However, the

workers were allowed to cultivate their own individual plots as existed before the reform. The profit of the cooperatives should be distributed among the members only after having paid the annual instalments towards compensation. All the APCs were placed under the general direction of the Advisory and Control System for the Agricultural Production Cooperatives. The sugar refineries and other processing units which were not affected immediately were nationalised subsequently in view of their indivisibility with the sugar plantations. The sugar-based APCs were organised under a separate system known as the Sugar Cooperatives of Peru to better coordinate sugar production. While the sugar zone was completely transformed into APCs, the coastal cotton and rice zones dominated by family and medium farms were not affected much by the 1969 law except for the parcelisation of large transitional estates and limited cooperativisation attempts of a few large cotton estates.

Despite the immediate expropriation of the modern cattle and sheep ranges in Junin and around the lake Titica, the main focus of the law in the *sierra* region could be seen only after two years. This strategic delay provided substantial time for the owners of large estates to quickly carry out parcelisation and decapitalisation. Since the parcelisation provision was modified only by the end of 1971, the landowners parcelled out their estates before 1971, escaped the modified provision requiring the assignment of family farms to their permanent workers. One exception to this was the Canete valley where stiff opposition from the permanent workers forced the military to annul all parcelisation carried out in this region after the promulgation of the 1969 law. While the military transformed the most modern estates into APCs, the traditional and transitional estates were transformed into another cooperative form known as Agricultural Society of Social Interest (ASSI).<sup>8</sup> The ASSIs were organised as follows. The former permanent workers or the service tenants of the transformed hacienda formed a service cooperative. They could, however, retain the independent cultivation of their small plots as in the pre-reform period. Along with these workers who actually work the estate, each adjoining community entered as a single member into the ASSI. Thus, the members of ASSIs are not individual workers but an association of workers and the adjoining communities. It was specified that each community should be given 5.82 per cent of the divisible income of the ASSI and that amount should not be distributed but only be utilised for investment in community development projects. The idea behind the incorporation of the Indian communities into the ASSIs was to eliminate their age-old land disputes with the transformed estates.

In an effort to address the problem of uneconomic and fragmented landholding system within the Indian communities, the

new law also tried to extend the cooperative concept to all the recognised Indian communities. The law provided for the transformation of the communities into cooperatives managed by the elected members of the Administrative and Control Board in each community. The law established that only those members who obtain the major portion of their income either from cultivation or from employment within the community could qualify for community membership. The aim of this provision was to enhance the land per capita to the members by eliminating those members obtaining the major part of their income from urban and industrial employment. Even though the communities were accustomed to the concept of co-operation, the time and the manner in which the reform was implemented in the Indian communities produced more violence and conflict rather than co-operation among the members. The traditional co-operative tendency in the Indian communities was seriously eroded due to the ongoing penetration of capitalism as well as the absence of commonly used lands in most of the communities. This was especially so in the crop producing regions of *sierra* where the Indian communities appeared very much like a group of independent holders. Moreover, the qualification established by the law for community membership was met with violent opposition from the most prosperous members of many communities. Despite the superficial nature of the reform with respect to the Indian communities, a number of Indian communities without commonly held lands were organised under another form of land tenure system known as 'peasant groups'.

Even though the reform programme was a 'reform from above' implemented in an essentially non-bargaining political climate, the implementation of the reform was not, however, smooth. The military was subjected to political pressures both from the workers, peasants, and landowners. The response of the military ranged from outright oppression to quick yielding to pressure. The workers of the sugar estates who were initially caught by the revolutionary image of the reform programme resorted to strikes and demonstrations when they realised that their share was affected by the annual instalment payments and their secondary role due to domination of technicians and clerical staff in decision-making. Although the military's initial response was the ban on strikes and demonstrations and arrest of violating workers, the tenacity of the workers forced the military to subsequently raise their wages. The military responded to the violent opposition from the evicted permanent workers of the haciendas by modifying the original parcelisation provision aimed to benefit the landowners. Yielding to political pressure from the landowners, the military established the Agrarian Tribunal and allowed landowners to settle their expropriation and compensation disputes. While the military passed a legislation to assure the

non-expropriation of farms below the legal minimum employing waged labourers, it also passed legislation requiring such farms to distribute 50 per cent of their divisible income among the workers.

Violent land invasions also occurred in *sierra* carried out by landless rural groups such as temporary and casual agricultural workers of the estates. This was due to the nature of the new law that benefited only those who had some kind of access to the hacienda land either as service tenants or permanent workers or sharecroppers but excluded those who did not have that access. The most outstanding case among the 80 land invasions reported after 1969 was the one that occurred in Andahuaylas where 20,000 peasants invaded some 50,000 ha prompting the military to kill 20 peasants in its effort to crush the rebellion [Monahan, 1975]. These land invasions forced the military to devise new schemes to benefit the hitherto neglected rural landless groups. The result was the creation of the Integral Rural Settlement Projects (PAIRs) and Integral Development Projects (PIDs) to incorporate the hitherto neglected groups into the reform process. These regional structures comprising the ASSIs and APCs of a given geographic region were aimed to transfer at least a part of the profit of the cooperatives to the temporary workers and other landless rural groups in an indirect way. However, the military's attempt to create regional cooperatives were met with severe opposition from the members of both the ASSIs and APCs. In addition to these efforts, the military also speeded up its land colonisation programmes in the *selva* to settle the landless families not benefited so far.

The junta headed by Velasco Alvarado that carried out 91 per cent of the total land expropriated during 1962-80 was viewed as too responsive to the pressures from below [Alberts, 1983, p 267]. Fearing that the reform process would go beyond the originally planned limit, the physically indisposed general Velasco Alvarado was ousted by a relatively conservative general Morales Bermudes in a coup in 1975. With the change in political leadership, the land reform programme lost its dynamism. The area adjudicated during the 1976-78 period was essentially from land expropriation initiated by the earlier regime or from land colonisation.

## V

### Evaluation of 1969 Agrarian Reform

While Peru had an estimated 7,00,000 landless families by 1969, the new law envisaged an initial target of adjudicating 11.4 million ha of land and benefiting 2,42,088 by 1975 [USAID, 1969, p 140]. Table 2 shows the progress of agrarian reform during 1969-78. Since the military concentrated its effort in the coast and the most modern segments of the *sierra* in the initial period, over 65 per cent of the families that

benefited during 1969-73 were those of the permanent workers, technicians, clerical staff of the sugar estates in the coast and livestock enterprises in *sierra*. The beneficiaries during 1969-73 also included some 26,188 families settled in 582,000 ha of colonised land in the *selva*. When the focus of reform shifted to *sierra*, there was an acceleration both in the area adjudicated and families benefited partly through land expropriation and partly through parcelisation. However, the sharp acceleration tendency after 1975 was mainly due to the inclusion of communities and groups of small holders who were simply organised under some form of superficial regional co-operatives. Since land expropriation was brought to a halt after 1975, the lands adjudicated during 1976-78 were mainly from colonisation or land expropriation initiated during 1974-75. However, colonised lands represented only 10 per cent of the total land adjudicated during 1969-78 and the rest of the area was from land expropriation.

Since more families were accommodated with reduced expropriation, the average area

adjudicated per family declined from 66 ha during 1969-70 to 22 ha during 1976-78. However, the extent of reform benefit varied markedly between regions, mode of adjudication, and enterprises within each region and adjudication mode. This is evident in Table 3 showing the institutional breakdown of the reform sector as of 1978. The dominant trend in adjudication was towards co-operative and other associative forms of ownership like peasant groups rather than individual ownership. Of the total 7.4 million ha of land adjudicated under the reform, 37 per cent was accounted by the ASSIs, 29 per cent by the APCs, and 21 per cent by the peasant groups. Even though ASSIs had a higher share in the adjudicated land as compared to the APCs, the former had a lower share both in terms of total beneficiaries as well as total value of adjudications as compared to the latter. This is due to the fact that while the lands assigned to the ASSIs are of poor quality suitable mostly for extensive cultivation, lands assigned under the APCs are highly capitalised and irrigated. For instance, the

TABLE 2: AGRARIAN REFORM UNDER MILITARY: PERU, 1969-78  
(Cumulative Figures)

Year	Area Adjudicated		Families Benefited		Average Area Per Family (ha)
	Area (000' ha)	Per Cent of Total Farm Area	Number (000)	Per Cent of Rural Families	
1969-70	1527	5	23	1	66
1971	2310	7	59	3	39
1972	3226	10	87	5	37
1973	3600	11	166	9	22
1974	4768	14	202	11	23
1975	5839	18	240	13	24
1976-78	7406	23	334	19	22

Sources: World Bank [1973, Table 19, p 48], United Nations [1976, p 115], and Centro de Investigacion Y Capacitacion [1980, Tables 1 and 2, pp 107 and 110].

TABLE 3: AREA AND VALUE OF LAND ADJUDICATED AND FAMILIES BENEFITED BY THE MODE OF ADJUDICATION: PERU, 1978

Mode of Adjudication	Land Adjudicated		Number of Families Benefited	Area Per Family (ha)	Value Per Family (000' Sols)
	Area (ha)	Value (000' Sols)			
ASSIs	2773435 (37)	1544062 (14)	60990 (18)	45	25
APCs	2127166 (29)	8625010 (77)	103699 (31)	20	83
Coast					
Agro-industry	139175 (2)	4085098 (36)	29067 (9)	5	141
Others	634977 (9)	3901667 (35)	42432 (13)	15	92
<i>Sierra</i>	1211116 (16)	532750 (5)	28126 (8)	43	19
<i>Selva</i>	141898 (2)	105495 (1)	4075 (1)	35	26
Peasants groups	1586363 (21)	604019 (5)	43922 (13)	36	14
Indian communities	728227 (10)	172243 (2)	109709 (33)	7	2
Individual	190317 (3)	199168 (2)	15878 (5)	12	13
Total	7405508	11144502	334108	22	33

Source: Centro de Investigacion Y Capacitacion [1980, Tables 1 and 2, pp 107 and 110].



APCs accounted for 77 per cent of the total value of adjudications as against the poor share of 14 per cent by the ASSIs. Within the APCs, those located on the coast accounted for 71 per cent of the total value as against only 6 per cent by the APCs located both in the *sierra* and *selva* regions.

While both types of co-operatives in the *sierra* together accounting for 53 per cent of the adjudicated land had only 19 per cent of the total value of adjudication and 26 per cent of the beneficiaries, the coastal co-operatives with only 11 per cent of the total land adjudicated and 29 per cent of the beneficiaries accounted for 75 per cent of the total adjudicated value. Obviously, the peasant groups, communities and individuals are only marginally benefited with just 9 per cent of the total value of adjudications under the reform. The most notable aspect in Table 3 is that the Indian communities with just 10 per cent of the adjudicated area and 2 per cent of the adjudicated value accounted for one-third of the reform beneficiaries. The Indian communities who benefited from both land distribution as well as from their membership in ASSIs represented only 10 per cent of the total communities in Peru. Also, the individual adjudication covers not only the sharecroppers but also the members of the co-operatives received title for the small plots they cultivated in the pre-reform period.

Overall, the reform has benefited roughly 33 per cent of the rural families with 50 per cent of the agricultural land. Most of the reform beneficiaries were essentially those who already had some kind of direct access to land in the pre-reform period. The reform did not benefit the holders of uneconomic and fragmented units known as *parcelarios* and the landless labourers representing roughly 40 per cent of the rural families and the 50,000 sharecroppers who benefited from the reform represented just 5 per cent of the rural families [Rojas, 1978]. The regional co-operatives attempted by the military to benefit the hitherto neglected groups in the *sierra* actually turned out to be a political ploy to pacify the landless rural groups as very few co-operatives of the *sierra* had any substantial divisible income. Despite the poor show of the reform in terms of its inability to solve the problem of landlessness and its unequal impact across regions and rural social groups, the reform programme has definitely produced significant qualitative changes in the agrarian sector. The impact of the 1969 agrarian reform can be evaluated on the following counts.

#### CHANGES IN AGRARIAN STRUCTURE

Regarding the tenurial changes, Table 4 clearly shows that only the large farms were reduced both in numbers as well as in area. On the other hand, the family and medium farms, though reduced in numbers, had more or less the same area as before. This can be expected in view of the objective of the law to promote family and medium

farms both by exempting from expropriation those which already existed before the reform but also creating more of them through parcelisation. Notably, although the small holding declined in numbers, it had the same share in the total farm area. While the average size of the small and family holdings remained the same, the average farm size in the medium and large category has declined substantially after the reform. The major impact of the reform on land tenure pattern has been the transfer of the area under the large farms into the reform sector dominated by group operation. The group operation was designed to resolve the conflicting objective of effecting land distribution while maintaining land concentration.

The tenurial changes that occurred seem to be more conceptual and institutional rather than structural in nature. This is because the co-operative systems were simply superimposed on the former hacienda system and the conversion of service tenants and sharecroppers into the owners of the small plots actually perpetuated the problem of uneconomic and fragmented holdings. The most important factor that produced a significant impact on the problem of land concentration has been the parcelisation of large estates with the attendant emergence of family and medium farms. However, no one can deny the fundamental changes engendered by the reform in the realm of agrarian relations. The co-operativisation, parcelisation, and the conversion of service tenants into owners have all resulted in the complete liquidation of the hacienda social system along with the elimination of unpaid labour and other exploitative agrarian contracts as well as absentee ownership. In the coastal system, the reform has effectively

eliminated not only the land ownership by landed corporations and foreign interests but also the practice of sharecropping, leasing, and other forms of indirect cultivation. Despite the co-operativisation of the sugar zone, the private character of agriculture was fully maintained in the cotton and rice zones of the coastal area. Moreover, the impact of the reform on the communal tenure structure was only superficial in nature as there was not any restructuring of community land.

The post-reform agrarian structure in Peru was dominated by the agrarian co-operatives and the group of small, family, and medium farms owned and operated directly by the former service tenants, permanent workers, and the former hacienda owners with the wage-labour system. Although the wage-labour system replaced the earlier exploitative system of unpaid labour, it is not going to solve the problems of agricultural workers as the agricultural wage is bound to be depressed by the higher farm labour supply potential represented by the landless rural groups as well as the land-short community members not benefited under the reform.

#### DISTRIBUTIVE EFFECTS

The income redistribution profile can be studied both in its vertical (within each productive sector) and horizontal (between productive sectors) dimensions. Despite the compensation payment that reduced the vertical income distribution potential of the reform, substantial vertical distribution of income did occur thanks to the fact that compensation was in most cases far less than the market value of the adjudicated lands. Moreover, in view of perennial hyperinflation witnessed in post-reform Peru, the

TABLE 4: CHANGES IN FARM SIZE DISTRIBUTION AND LAND TENURE: PERU, 1969-79\*

Size Groups (ha)	1969		1973		1979		Average Size	
	(Pre-Reform)		(Mid-Reform)		(Post-Reform)		(ha)	
	Number	Area	Number	Area	Number	Area	1969	1976
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Private sector</i>								
Upto 5	83.3	6.1	66.0	6.0	59.0	6.0	1.5	1.5
6-99	15.4	10.6	12.1	10.0	11.2	10.0	14.0	14.0
100-999	1.1	14.8	0.8	12.0	0.7	10.0	286.0	168.0
Over 999	0.2	68.5	0.1	44.0	0.1	24.0	6136.0	3621.0
<i>Reform sector</i>								
Independent	—	—	4.0	3.0	5.0	5.0	—	16.0
Groups	—	—	17.0	22.0	24.0	45.0	—	13.0

\* Figures in cols 1 to 6 are percentages.

Sources: World Bank [1978, Table 2, p 30], Centro de Investigacion Y Capacitacion [1980, Tables 1 and 2, pp 107 and 110], and Eckstein [1983, Table 11.2, pp 355-56].

TABLE 5: STRUCTURE OF POST-REFORM AGRICULTURAL OUTPUT: PERU, 1981

Rural Groups	Urban	Export	Subsistence	Total	Labour Force
	Percentages				(000')
Small farms	34	1	65	30	1024
Medium farms	54	40	6	43	464
Co-operatives	65	29	6	27	434
Total	53	27	20	100	1922

Source: Adopted from Webb [1989, Table 1, p 40].

effect of compensation payment on the long-run vertical distribution profile will be negligible.<sup>9</sup> However, the pattern of income distribution varied considerably between different groups within the reform sector (see Table 3). While members of co-operatives benefited more than others, within the co-operatives, it is the members of the APCs who benefited more as compared to the members of the ASSIs. Again, within the APCs, the members of the 12 agro-industrial APCs located in the coast benefited more as compared to those of other APCs. The members of the communal holdings benefited only indirectly through their membership of the ASSIs most of which had very low divisible income. Overall, the land reform has benefited only the upper three quartile of the rural society but virtually neglected the lowest quartile consisting of landless labourers and Indian community members [Webb, 1983, pp 103-105]. That is, the reform has segmented the rural sector by a deliberate strategy of unequal distribution of reform benefits so that the income effects of the reform is not diluted. This is not surprising in view of the reform objective of creating a market-oriented rural middle class.

Although compensation payment reduced the potential for vertical income distribution, nevertheless, it facilitated horizontal income distribution. The land-based agrarian capital released by the reform of 11.1 billion soles has already found its way into the industrial sector due to the combined effect of a variety of factors. The provision of the law for the immediate redemption of agrarian bonds due to inflation have provided an excellent condition for the quick transfer of the agrarian capital to the industrial sector. From a short-run perspective, the agricultural development programmes implemented in the wake of the reform brought substantial capital into the agricultural sector especially in the form of agricultural credit and investment in irrigation schemes. For instance, the amount of agricultural loans has increased from 2.8 billion soles in 1968 to 30.9 billion soles in 1977 signifying almost 11 times increase [CISE, 1981, p 19]. However, the allocation of funds within the agricultural sector still favours the dominant rural groups and regions. For instance, even after the reform, the share of the small and family farms was just 6 per cent of the total institutional credit [de Janvry and Saadoulat, 1989]. Similarly, the coast still monopolises the irrigation investment as this region accounted for almost all of the 6,00,000 ha of additional land brought under irrigation after 1969 [FAO, 1987].

#### EFFECTS ON PRODUCTION AND PRODUCTIVITY

Even though intervening factors like climatic failures and the unavailability of consistent and comparable data preclude any conclusive analysis in this respect, it is,

nevertheless, possible to broadly indicate the effect of the reform on agricultural production and productivity. The average growth rate of crop farming, livestock, and forestry sub-sectors rose to 2.4 per cent during 1970-75 as against 1.5 per cent during 1965-69 [United Nations, 1975, p 329]. Food production continued to improve even after 1975 as the food production index (base = 1979-81) has increased from 106 in 1975 to 130 in 1986 [FAO, 1987]. Even though the index of cotton production declined continuously, the index of sugar production (base = 1965-69) rose to 111.5 during 1975-76 [Thorpe, 1975, p 43]. The outstanding case of dramatic increase in production was rice which was imported till 1970; not only was self-sufficiency achieved but also surplus for export was produced. This was achieved partly through a favourable price policy and partly through a government policy of directing the co-operative members to devote their entire individual plots and the cotton farmers to allocate 40 per cent of their farm area to food crops.

Substantial gains in productivity of both food and commercial crops were also achieved in the post-reform period. The overall productivity of cereals as a group has increased from 1,551 kg/ha during 1962-64 to 2,674 kg/ha during 1982-84 which was also the highest in South America [FAO, 1987]. Moreover, the average productivity of sugar rose from 144.8 metric tons in 1965 to 171.4 metric tons by 1974 [United Nations, 1975, p 319]. Peruvian agriculture also saw a favourable shift in crop pattern as the area under maize and rice increased while that of potato and cotton declined. However, improvement in the productivity of potato and cotton has more than compensated the decline in area under these crops as their total output has either remained the same or improved. The productivity levels of cotton and potato have also been the highest in South America [FAO, 1987].

More importantly, the structure of post-reform agricultural output has witnessed a remarkable change to favour the urban and domestic industrial needs rather than the export sector. Table 5 gives the structure of agricultural output and employment as of 1981. It is obvious that 80 per cent of the total output is marketed suggesting the favourable effect of the reform on marketable surplus. Notably, the urban sector accounted for 53 per cent of the agricultural output as against only 27 per cent by the export sector. The medium farms dominated not only in terms of their share in total output but also in marketable surplus. Similarly, the co-operatives accounting for 27 per cent of the total output marketed almost 94 per cent of their share. On the other hand, small farms with 30 per cent of the agricultural output spent almost two-thirds of their share for subsistence. However, in terms of farm employment, the small farms provided employment to over 60 per cent of the farm labour force. Table

5 clearly shows that the agricultural sector dominated by the highly productive medium farms and co-operatives has focused more on the domestic market in the post-reform period rather than the export sector as was the case before the reform.

## VI Conclusion

The Peruvian agrarian reform implemented by the military during 1969-78 can be considered a definite success in terms of its major objectives. Although it is a reform-from-above conditioned often by forces from below, the military never sacrificed the major objectives although they were compromised at times. The agrarian sector has been reorganised and modernised without sacrificing productivity while effecting a moderate but unequal income distribution pattern. The agrarian modernisation undertaken by the reform also tailored the rural class structure conducive for autonomous industrialisation. Through a judicious policy of co-operativisation, parcelisation, and the conversion of sharecroppers into owners, the reform has promoted a rural middle class capable of providing both an expanding rural market for consumer goods and an increasing agricultural surplus to the urban sector. The reform has succeeded not only in moving agrarian capital into the industrial sector but also in converting the coastal oligarchies and the hacienda owners of the *sierra* into an industrial bourgeoisie by cutting their links with land. More importantly, the agrarian reform implemented by the military represents the first ever successful attempt made in the history of Peru to systematically and structurally integrate the agricultural and industrial sectors. Despite its favourable effects, the reform has failed to solve the problem of landlessness in Peru. The reform programme that benefited only the relatively mobilised and prosperous rural groups with some kind of access to land in the pre-reform period has effectively excluded a majority of rural population consisting of landless labourers, the owners of uneconomic and fragmented holdings, and the land-short members of Indian communities. Thus, it seems that the reform that has finalised the demarcation of right over land has opened up the flood-gate of rural-urban migration. Given the demographic pressure and a relatively limited level of employment potential in the co-operatives and medium farms as well as the slow growth of industrial employment, the *de facto* wage rate will tend to be depressed by the excessive supply of farm labour contributing thereby to rural poverty and unemployment. Even though Peru is currently utilising only 3 per cent of its national territory for agricultural purpose as against the arable land resource potential of 27 per cent of the national territory, the problem of landlessness cannot be expected to be solved through land colonisation due to the



budgetary, logistic, and ecological limitations. Land colonisation policy can be only a supplement to a well-conceived policy of increasing rural employment through public investment in irrigation and transport as well as agricultural extension and credit policies. Therefore, the durability of the agrarian reform programme depends ultimately on the nature and magnitude of effects of the reform programme on the general process of economic development.

## Notes

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- 1 This is based on the sample survey data collected by the Inter-American Committee for Agricultural Development (ICAD) during 1961. To this day, the ICAD data remains the most comprehensive and oft-quoted source for any study on land tenure in Peru and other Latin American Countries.
- 2 The service tenants in the context of Peru and other Latin American countries are essentially peasants-cum-labourers. These tenants known variously as *feudatarios* or *colonos* or *vanaconos* have to provide 160 days of work in the landlord's estate along with additional unpaid services if required to the landlord in return for the right to cultivate a small plot of land located either within or outside the estate.
- 3 For an evaluation of this draft reform law, see Cohen [1964].
- 4 For a detailed account of the peasant movements in Peru, see Blanco [1972].
- 5 In the Peruvian context, peasant's strike means their refusal to pay the unpaid service to the hacienda owner.
- 6 An agreement between Belaunde's government and International Petroleum Company (IPC) which is highly pernicious to Peruvian national interest. But it was later annulled when IPC was nationalised by the military government.
- 7 The shares owned by foreign private interests in some of the expropriated sugar enterprises were as follows: Cartavio (99.99 per cent), Paramonga (99.85 per cent), Nepena (96.21 per cent), Casa Grande (73.51 per cent), Tuman (60.81 per cent), and Laredo (49.67 per cent). See United Nations [1976, p 113].
- 8 The major factor distinguishing an ASSI from an APC is the presence of the Indian communities as members in the former. For instance, 16 ASSIs created in Puno were later changed into APCs as they did not have any community members.
- 9 The average annual growth rate of the consumer price index has been 33.5 per cent during 1970-81 [see World Bank, 1984, pp 144-45].

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