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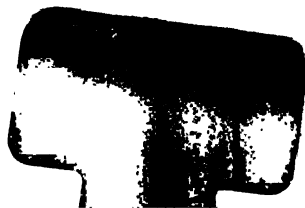
REPORT FOR THE DIRECTOR
OF THE INSTITUTE
CRITICAL REVIEW OF THE DOCUMENT

"REACTIVATING AGRICULTURE

A STRATEGY FOR DEVELOPMENT"

By: MARIO B. FRANCA
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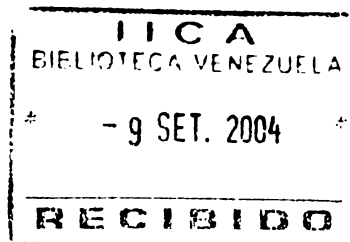


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PLAN OF ACTION FOR THE REACTIVATING OF AGRICULTURE
IN LATIN AMERICA AND THE CARIBBEAN

1. THE STARTING POINT

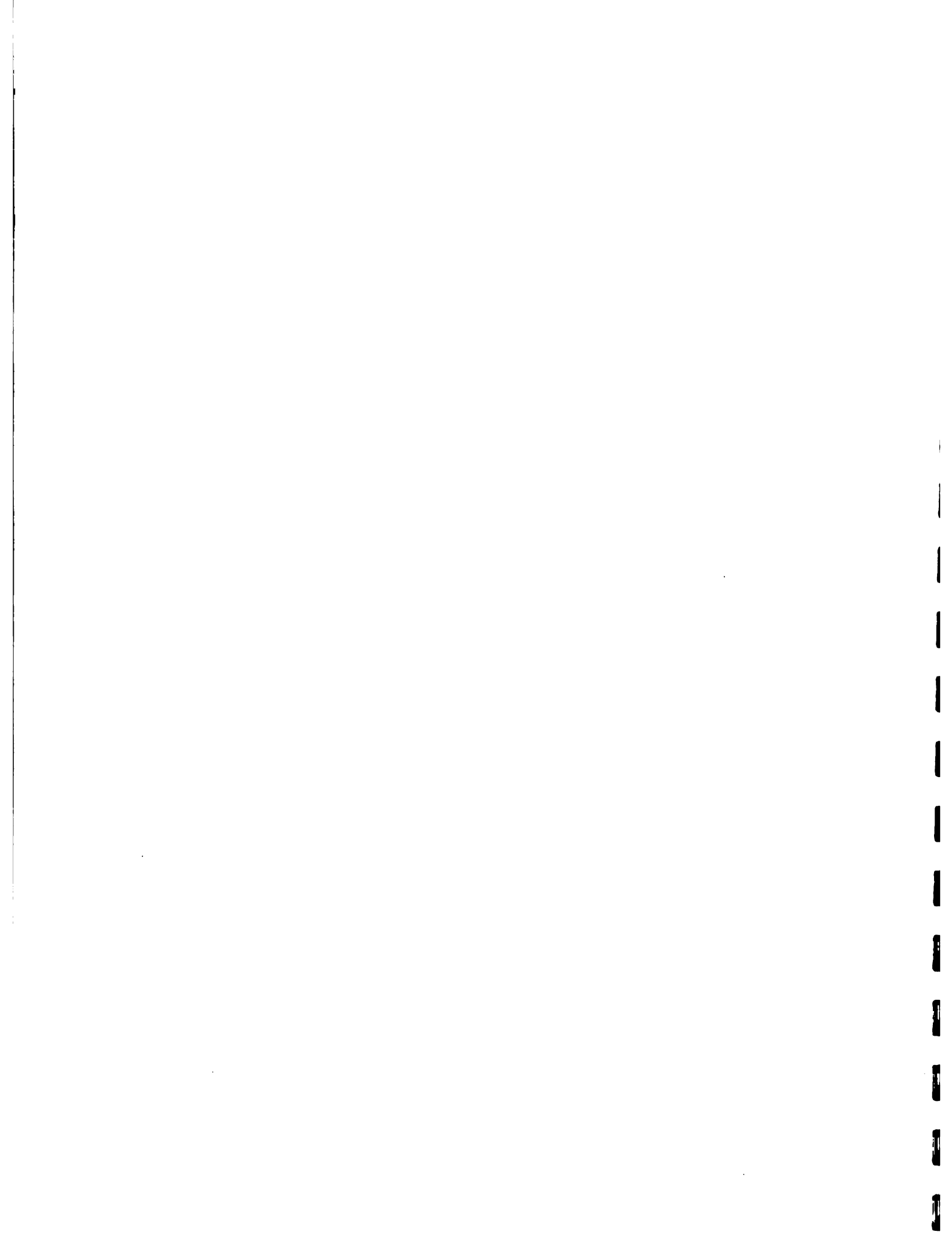
- 1.1. The Inter-American Conference of Ministers of Agriculture, took place from August 31 to September 2, 1987 in Ottawa, Canada, reached a broad consensus of a conceptual declarative nature, which must now be translated into concrete action that will help reactivate the economy and spur the development of the region.
- 1.2. The ICMA charred IICA, as the specialized agency in agriculture of the Inter-American system, to draft a "Strategic Plan of Joint Action for Agriculture Revitalization in Latin America and the Caribbean.
- 1.3. The IICA was also instructed to procure the external resources to finance the preparation of this Plan.
- 1.4. The Plan of Action was also supported by the Ministers of Foreign Affairs, held in Washington October 1987, where a resolution backing these initiatives was unanimously approved.
- 1.5. The General Framework and Identification of Possible Actions for the Plan will be presented into consideration of the regular meeting of the Executive Committee, scheduled for August 1988.

2. AGRICULTURAL BACKGROUND: The Approach of the Document

- 2.1. The majority of our countries are presently facing an economic crisis (foreign debt, deterioration of international markets for our primary exports, fiscal deficit and domestic inflation).



- 2.2. To deal with this crisis, we have to make profound changes in the traditional concepts concerning economics and development that have prevailed in our countries for many years.
- 2.3. In the context in which our economies operate today and will continue to operate in the future, agricultural modernization and diversification must constitute a key element of strategies for economic revitalization and development for our countries.
- 2.4. Numerous specific actions and changes are required if this strategy is to be implemented and to prove successful! It is generally agreed that these actions and changes must involve factors both external and internal to the region.
- 2.5. If agricultural production and exports are to be increased, it will be essential to restore the flow of investment into the region and encourage a more transparent market environment that will provide the most efficient producers with preferential access to this capital.
- 2.6. The adoption of a strategy for economic reactivation based on the revitalization and modernization of the agricultural sector requires action in certain key areas:
 - 2.6.1. Macroeconomic Policies
 - 2.6.2. Modernization of the Public Agricultural Sector
 - 2.6.3. Access to Technological Innovations
(Genetic, Chemical, Mechanical)
 - 2.6.4. To struggle Rural Poverty
 - 2.6.5. To increase the Flow of Financing toward the Region
 - 2.6.6. Regional Integration and International Cooperation
must be intensified



3. NATURE OF THE DOCUMENT

// The Document intend to present alternative ideas of point of action to reactivate the agricultural sector. //

3.1. External Support

3.1.1. A change in international conditions, including the reduction of agricultural proteccionism to faciliate market access for products from Latin American and Caribbean countries

3.1.2. Generation of a positive flow of investment funds toward the agricultural sector

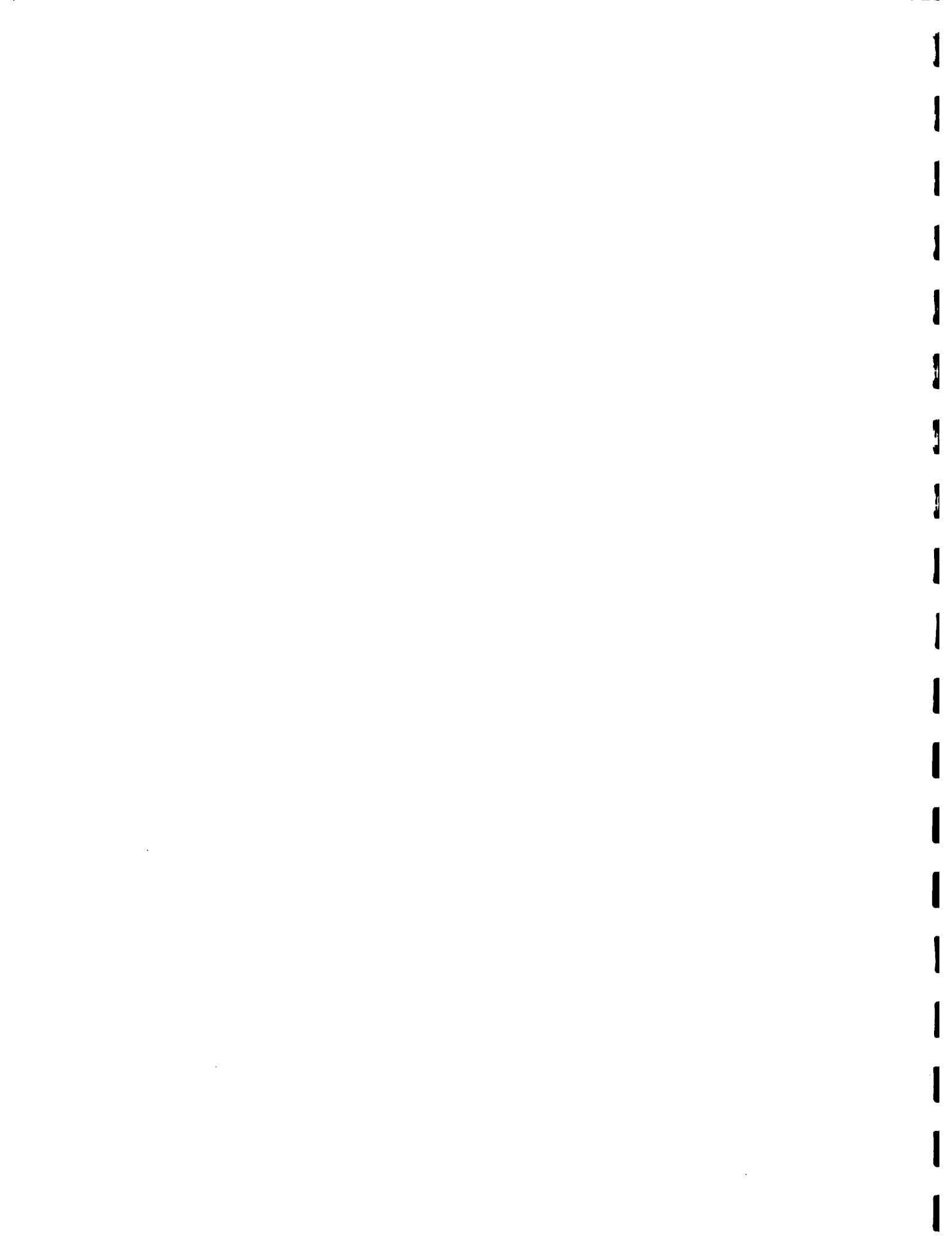
3.1.3. A large-scale process of transferring technological capabilities

3.1.4. Setting high priority on multinational actions agreed to in advance and coordinated by groups of countries

3.2. Regional Support

3.2.1. The Regions' commitment concerning reforms, changes and coordination of actions

3.2.2. Identification of national resources that can be mobilized to this end.

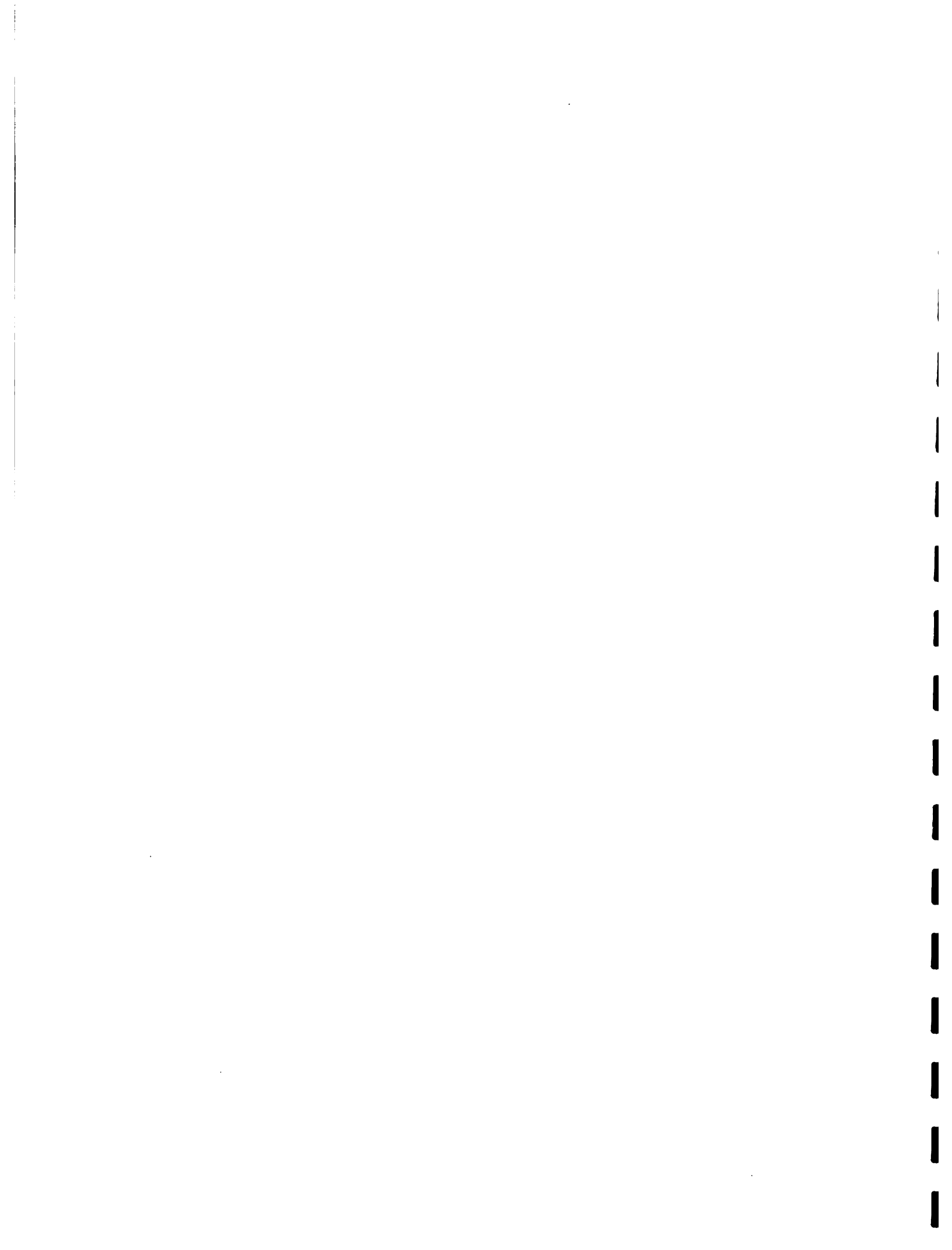


4. OBJECTIVES

- 4.1. To foster an understanding of general problems of agricultural development and alternative solutions
- 4.2. To identify and propose an ensemble of actions to be conducted by individual countries and groups of nations.
- 4.3. To ascertain the needs and opportunities for external cooperation in implementing these proposals

5. DEVELOPMENT OF A GENERAL FRAMEWORK AND IDENTIFICATION OF POSSIBLE ACTION

- 5.1. Foundations of a Strategy for Reactivation and Modernization of Agriculture
- 5.2. Investment and Agricultural Reactivation
- 5.3. External Markets for Agricultural Products
- 5.4. Technology Generation and Transfer (especially for work with small-scale producers)
- 5.5. Modernization of the Public Agricultural Sector
- 5.6. Specific Policies for Tackling Rural Poverty
- 5.7. Agroindustrial Development
- 5.8. Health Programs
- 5.9. Coordination of Agricultural Policies



6. EXTRACT FROM THE DOCUMENT:

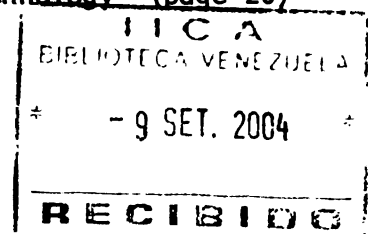
"REACTIVATING AGRICULTURE" (A STRATEGY FOR DEVELOPMENT)

6.1. ANTECEDENTS AND CONCEPTUAL FRAMEWORK

- 6.1.1. "A reactivation of the Agricultural sector, through
 - increases in productivity and efficiency" (page viii)
- 6.1.2. "Agroindustrial Development represents a Key element of
 - this strategy" (page viii)
- 6.1.3. "The drastic fall in agricultural income caused
 - 3.1. plummeting raw materials price
 - ? 3.2. the transfer of income from agriculture
 - 3.3. chaotic urbanization" (page 12)
- 6.1.4. "The decline of the agriculture in the Americas is in
 - + large part a reflection of external conditions" (page 12)
- 6.1.5. "The region was transformed from a net importer to a net
 - # exporter of capital" (page 12)
- 6.1.6. "International prices depend increasingly on the agricul-
 - ? tural policies of developed countries" (page 13)
- 6.1.7. " The role of agriculture in economic reactivation of
 - ! L.A.C. countries and the alternatives for playing this role vigorously thus hold great importance" (page 14)
- 6.1.8. "Agriculture can play a critical role in revitalizing the
 - # economy" (page 15)

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- 6.1.9. # "The long-term effect of agricultural modernization is that this sector can become a new engine of economic growth" (page 15)
- 6.1.10. # "There is, then, a definite possibility of acquiring a major source of accumulation by revitalizing agriculture" (page 16)
- 6.1.11. . "High priority should thus be attached to ensuring that sectoral policies are consistent with macroeconomic policies" (page 17)
- 6.1.12. ? "International technical cooperation organizations must play an active role in implementing these changes" (page 17)
- 6.1.13. ? "Public investment must be viewed as a priority and serve as a guide and incentive for private investment in order to reverse the decapitalization process in the agricultural sector" (page 17)
- 6.1.14. + "In order for these adjustment program to truly promote development. They must be designed with a more integrated vision of the dynamics of the socio-economic systems in the countries" (page 18)
- 6.1.15. ? "In general the peasant farming subsector participates less in the market and has less access to factors of production" (page 19)
- 6.1.16. # "The public sector will continue to play a vital role in the generation and transfer of technology" (page 20)





6.1.17. "The public sector has an important role to play in
the generation of appropriate technologies" (page 21)

6.1.18. "The international technical cooperation organizations
? can and should play a major role in revitalizing the
agricultural sector in the region" (page 23)

6.2. RECENT TRENDS, OUTLOOK AND POTENTIAL FOR AGRICULTURE IN THE
AMERICAS IN THE INTERNATIONAL ECONOMIC CONTEXT.

- 6.2.1. "The chief economic and social indicators for 1982-1986 period show that the situation is much worse than in the 1960's and 1970's.
- a. The growth of the Gross Domestic Product (G.D.P.) fell from five percent per year to zero;
 - b. The per capita G.D.P. is the same today as it was more than ten years ago;
 - c. Investment levels have dropped below those of the 1960's;
 - d. Average inflation over the five-year period has been from three to seven times greater than in the 1960's and 1970's;
 - e. Recession and inflation (stagflation) have caused a sharp drop in employment levels;
 - f. Fiscal pressures -expressed as a percentage of G.D.P. - have increased, and no progress has been made in reducing the swollen fiscal deficits;
 - g. The great debt service burden and the deterioration of the terms of trade have had a negative impact on the balance of payments" (page 32)



- 6.2.2. # "The need to design economic policies that will take advantage of these strengths of agriculture and allow the sector to play its essential role in reactivating the overall economy" (page 35)
- 6.2.3. + "Migration of the large cities" "This phenomenon is part of the long-term trend towards industrialization, a normal occurrence in the great majority of contemporary economic development processes" (page 38)
- 6.2.4. ? "Poverty is much more marked in rural areas than in the urban sector" (page 39)
- 6.2.5. § "American countries, where 70 percent of the 12 million inhabitants have income below the poverty line" (page 39)
- 6.2.6. % "The rural population has not shared in the benefits of the modernization process" (page 39)
- 6.2.7. # "It would appear timely to adopt a long-term view of the role of agriculture in reactivating the overall economy" (page 40)
- 6.2.8. ? "The share of agricultural commodities in world trade is due to the peculiar nature of the process of development and industrialization in the world economy" (page 41) (Table 1.1 and 1.2)
- 6.2.9. + "It should be noted that towards the end of the 1970's more than 50% of LAC exports consisted of agricultural commodities, both foodstuffs and raw materials" (page 43)



- 6.2.10. "The international trade in agricultural commodities
? is losing importance, and the developed countries have
increased their share in this trade of the expense of
developing countries" (page 44)
- 6.2.11. "A considerable effort was made during the period 1970-
1980, to boost the physical volume of the most important
+ commodities exported; thus showing that the agricultural
sector of the region has the capacity to respond over the
medium and long terms" (page 47)
- 6.2.12. "The failure of this considerable effort to be reflected
+ in export values points to an adverse price situation"
(page 47)
- 6.2.13. "The influence exercised worldwide by the transnational
+ corporations" (page 49)
- 6.2.14. "During the period 1970-1985 the region made an extraordi-
nary effort to increase the volume of agricultural exports.
? The failure of that effort to bring about a proportional
increase in export values can be attributed to adverse
price trends at least for a significant number of the
commodities considered" (page 50)
- 6.2.15. "The cost of price support programs and export subsidies.
Main characteristics
a. Artificial promotion of domestic production and export
subsidies;
+ b. Trade discrimination
- General tendency to increase tariffs on more processed
products
- Health regulations
- Quotas Policies
c. Impact and Prospect" (page 56 to page 62)



- 6.2.16. "Argentina and Brazil, as another example, are countries which have managed to reduce the vulnerability of their trade balance by diversifying their selection of agricultural exports and by making major quality gains in non-agricultural exports" (page 64)
+
- 6.2.17 "The outlook for the immediate future is not encouraging"
* (page 64)
- 6.2.18. "There is no question that one of the key issues to be considered is the possibility of beginning to eliminate protectionism from international agricultural trade"
% (page 66)
- 6.2.19. "There is no question that, if there is to be a greater liberalization of agricultural trade, there must be also
% be a greater liberalization of world trade in general and, consequently, a greater spirit of multilateralism and interdependence in political and economic relations throughout the world" (page 67)
- 6.2.20. "The countries have not yet completed the stage of evaluating past models, to begin making new proposals.
* At least, there is no consensus on new proposals" (page 69)
- 6.2.21. "The role of the sector was basically to transfer resources for industrial development via low prices and taxes, but
? today it is clearly understood how closely the sector is interwoven with the rest of economy activity and how strongly its performance is affected by macroeconomic policies" (page 69)



- 6.2.22. "Some of the specific objectives to which the sector should make a decisive contribution at this time are the following: increase the level of activity and employment; reduce inflation and fiscal deficit; improve the trade balance; and raise income levels and improve income distribution to reduce poverty" (page 70)
- 6.2.23. "Agriculture currently has considerable weight in the economic activity of Latin America and the Caribbean. They also reflect its capacity to play a significant role in the economic reactivation of the region" (page 71)
- 6.2.24. "Agriculture will play a significant role only if it greatly intensifies the process of technification, becomes more diversified and efficient..." (page 72)
- 6.2.25. "If agricultural production uses higher levels of technology, it will increase its demand for industrial inputs" (page 75)
- 6.2.26. "The external debt constitutes one of the major constraints on the economic development of Latin American and the Caribbean at present" (page 77)

6.3. INCENTIVE POLICIES FOR AGRICULTURAL MODERNIZATION

- 6.3.1. "The sector may come to play a more critical role in economic development" (page 95)
- 6.3.2. "A price system acts as the principal mechanism for determining the absolute and relative profitability of different production sectors and of different products within each sector" (page 96)



- 6.3.3. "It is consequently important to understand price system in order to evaluate how state intervention,
* which is aimed at meeting very specific objectives, changes the operations of this complex system" (page 97)
- 6.3.4. "The state has a central and fundamental responsibility to direct the operation of the system through regulations
* that will create favorable conditions and correct deficiencies in the system by taking prompt temporary action" (page 97)
- 6.3.5. "The level and structure of production, as well as the utilization of resources in the sector, are closely tied to variables such as:
- consumer incomes and preferences;
- the prices of industrial inputs and fuel;
- interest rates;
- duties, taxes or restrictions on the import and export of agricultural and other products; and
+ - exchange rates
- These variables affect agriculture not only through their impact on the sector's prices and production costs, but also through their decisive influence on relative profitability from one sector to another, and consequently, on agriculture's capacity to attract resources that could have gone into other sector" (page 97-98)
- 6.3.6. "The management of tax revenues and expenditures becomes a key factor for maintaining consistent financing of government
* participation in the management of price policy, and is a supplement to public investment policies" (page 98)



- 6.3.7. "This has resulted in the decapitilization of agriculture,
? the migration of human resources, the systematic reduction
in private investment and the erosion of natural resources"
(page 98)
- 6.3.8. "The basic purpose of price policy in the current context
* should be to encourage the transfer of resources towards
the agricultural sector" (page 98)
- 6.3.9. "There are many shortcomings in the process of setting these
? prices, particularly when they are based on average production
costs, which may vary substantially among regions and among
production units and may not reflect real costs" (page 101)
- 6.3.10. "It is equally important to recognize the extremely significant
role of prices in the generation of technology when the poten-
tial for innovation exists and when the desire is present to
invest in development" (page 101)
- 6.3.11. "The use of consumer subsidies has been a common practice
+ with serious consequences" (page 101)
- 6.3.12. "Price subsidies on fertilizers have been proven effective
+ for encouraging more farmers to begin using fertilizers, but
they may introduce a bias toward the use of imported inputs"
(page 102)
- 6.3.13. "Indiscriminate commercial promotion of insecticides and
+ fungicides may foster dependence on agro-chemicals and lead
to irreparable ecological damage and biological inbalance"
(page 102)



- 6.3.14. "It is now widely recognized that protection of industry or of other sectors may penalize both the producers of exportable agricultural items and producers of good that can be replaced with imports" (page 106)
*
- 6.3.15. "The present and future role of price policies in determining fiscal revenue is an important matter for discussion" (page 106)
o
- 6.3.16. "International prices do not represent 'efficiency prices' they do reflect the opportunity cost of decisions to buy or sell domestically or on the international market" (page 106)
+
- 6.3.17. "Prices for major export commodities are particularly unstable, more so than the prices of manufactured goods. This situation can be expected to continue" (page 107)
+
- 6.3.18. "Although the impact of macroeconomic policies on agriculture is much discussed, it should also be recognized that many dislocations in the macroeconomy originate, to a certain extent, within agriculture itself" (page 108)
+
- 6.3.19. "It can also be concluded that the various price policy tools have different effects on overall prices, and certain alternatives are more compatible with macroeconomic constraints in each country. No recommendations can be applied universally ..." (page 109)
+
- 6.3.20. "Domestic agricultural policies for the countries of the region should include serious considerations of the prevailing conditions in international markets and macroeconomic farm and food policies in the industrial countries" (page 109)
+



- 6.3.21. "Controversy and confusion continue to surround
+ international assistance for agriculture and direct assistance
for food programs" (page 111)
- 6.3.22. "An important consideration in providing guidance for public
? investment is the role played by the state in market orien-
tation" (page 115)
- 6.3.23. "State orientation for consumption could be one of the most
§ effective ways of helping to increase the added value of
agricultural production by creating consumer habits consistent
with production development policies" (page 115)
- 6.3.24. "Special consideration should be given to the existence of
+ international research centers, the international system of
private companies for the marketing of technology and the
network for cooperation and exchange of know-how" (page 115)
- 6.3.25. "Investments made in agriculture by industrial groups esta-
blished in the urban sector are showing great promise.
+ They are an effective form of multisectoral integration and
can be understood in a microsense as the vertical integration
of companies" (page 119)
- 6.3.26. "Investments made by the private agricultural sector are
? financed by individual resources, loans from agricultural
development banks and commercial banks or, more recently and
with great emphasis, by agroindustrial or agroexport groups
wishing to enter into joint ventures with farmers" (page 120)



- 6.3.27. "Modernization and recapitalization of agricultural units will be possible only through suitable financing conditions, reflected in the quality of credit and other banking services, the amounts required, repayment periods consistent with the characteristics of the investment and interest rates consistent with prices paid for inputs and received for products, as well as real net income" (page 120)
- 6.3.28. "Adapting agriculture to new market conditions by introducing greater competitiveness and more technology..." (page 122)
- 6.3.29. "They also seek to reduce state intervention in the economy and ensure free operation of price and market mechanisms and of the private sector" (page 123)
- 6.3.30. "...Each country selects objectives and establishes priorities for them, in accordance with its historic and social conditions and a specific international environment" (page 125)
- 6.3.31. "The role of the public sector as a protagonist in the development process has come into question in recent years, especially its direct participation in economic activities" (page 131)
- 6.3.32. "There are a number of areas, such as marketing and technology generation and transfer, in which considerable benefits could be derived from joint activities that take advantage of the complementary strengths of the two sectors" (page 132)
- 6.3.33. "Another important consideration, which has received less attention, is the modernization of the government itself" (page 132)



6.3.34. "It is especially important if the purpose is to provide
all agricultural producers, especially those who live
in rural poverty, with access to benefits of agricultural
reactivation and modernization" (page 133)

6.3.35. "Price policies for export products should generally keep
? domestic prices close to international market prices in
order to ensure that exports and the factors affecting
production costs are competitive" (page 134)

6.4. TECHNOLOGICAL INNOVATION FOR AGRICULTURE IN LATIN AMERICA AND THE
CARIBBEAN: PROBLEMS, OPPORTUNITIES AND ISSUES

6.4.1. "Technological change has also played an important role in
° several countries of Latin America, both in the aggregate
and for specific crops" (page 140)

6.4.2. "The highly dualistic structure of Latin American agriculture
? frequently impedes the reallocation of resources, and sig-
nificant segments of the rural population may therefore find
themselves geographic captives of regions and types of farms
with few economic opportunities in the new context" (page 143)

6.4.3. "The real cost of wages has been sharply reduced. The result
? is that those farmers using technologies with a low wage
requirement and a high import content have been penalized
by the realignment of prices, while farmers with the opposite
cost structure have benefited" (page 144)

6.4.4. "Family farms with labor intensive technologies and farming
systems and with low implicit wage costs have often been the
main beneficiaries of price adjustments" (page 144)



- 6.4.5. "High real interest rates will force the sector to adopt
? new technological options with low capital costs, and more
intensive use of labor and natural resources" (page 144)
- 6.4.6. "Another factor affecting agriculture, directly related
? to the current context created by economic crisis, is the
sharp decline in public budgets for the sector" (page 144)
- 6.4.7. "The agricultural sector must play as a source of economic
growth" (page 144)
- 6.4.8. "Agriculture is a key factor for the long-term restructuring
and growth of the economics of the region. Agriculture will
play this role in part, as a major source of foreign exchange"
(page 144)
- 6.4.9. "Still more important are the multiplier effects on the
overall economy that agricultural modernization can exercise
through backward and forward linkages and its effect on final
demand" (page 144) MULTIPLIER EFFECTS.
- 6.4.10. "The public sector plays a key role in the generation and
transfer of agricultural technology" (page 146)
- 6.4.11. "Biotechnology, together with microelectronics, and new materials,
+ constitutes one of the cornerstones of an emerging new techno-
logical paradigm" (page 150)
- 6.4.12. "The chemical/pharmaceutical industry is composed mainly of
TNC subsidiaries and little research is done in the region"
(page 157)



- 6.4.13. "Most countries of Latin America will depend on technology transfer, mainly by NCs, and from this standpoint much more consideration should be given to the management of the transfer process, focusing less on efforts to create scattered self-sufficiency projects" (page 160)
- 6.4.14. "Agricultural modernization, with its concomitant industrialization processes, converts on-farm production into an ever smaller component of sectoral production; backward (input) and forward (processing/marketing) linkages assume greater importance" (page 173)
- 6.4.15. "As agriculture and industry grow increasingly interdependent it becomes necessary to consider agricultural policies in the context of policies for industry and other sectors" (page 174)
- 6.4.16. "Latin America over the last 30 years has been characterized by a highly dualistic land tenure system and lack of employment opportunities in the urban-industrial sector. Under these conditions, the number of small farms has about doubled during the period, with the average size declining" (page 175)
- 6.4.17. "It is clear that research on farming systems is much more complex than research on commercial crops" (page 176)
- 6.4.18. "Small farmers generally lack an effective lobby, and, as a result, research budgets for FSR are less than generous" (page 176)
- 6.4.19. "The direct transfer of technology from abroad has also tended to discourage innovation" (page 178)



6.5. THE TRADE CRISIS AND AGRICULTURAL DEVELOPMENT: OPTIONS FOR INTERNAL COOPERATION AND REGIONAL INTEGRATION

- 6.5.1. "In order to identify likely guidelines for agricultural policy, it should be borne in mind that for the next ten years the bulk of agricultural exports from the developing countries will consist of traditional products. It should also be taken into account that the changes required in the composition of non-traditional exports cannot be introduced in the short term" (page 192)
- +
- 6.5.2. "The crisis in the world agriculture commodities market naturally falls within an even broader context" (page 192)
- +
- 6.5.3. "The global system of trade preferences among developing countries is an instrument designed to promote trade, production and employment in the developing countries and is the cornerstone of the Economic Cooperation Program in these countries" (page 195)
- ⊗
- 6.5.4. "In addition to the creation of a protected market, with preferential treatment granted to the industrial sector and based primarily on import substitution of final consumer goods, the countries in the region continued to pursue a policy of exporting traditional products to foreign market, taking into account historical trends in exports and imports of raw materials and capital goods required for industrialization and agricultural development" (page 199)
- +
- 6.5.5. "Current preferences are highly specific and are negotiated to achieve a balance between signatories of bilateral agreements" (page 200)
- +



- 6.5.6. "The agricultural sector was not included in the negotiations
+ of the majority of the principal subregional economic
integration schemes" (page 202)
- 6.5.7. "In the 1960's, for example, and up until the mid-1970's the
sector was faced with a relatively dynamic world market which,
nevertheless, bred the restrictive factors that cause the
crisis today" (page 203)
- 6.5.8. "Increased regional trade in agricultural commodities should
! be set as a major objective of new Latin American economic
cooperation schemes" (page 205)
- 6.5.9. "Available information would suggest that efforts to reduce
o tariffs and increase regional tariff preferences may be
less effective than a reduction in freight rates, given their
impact on the price of the good and the repercussions for
intra-regional trade!" (page 208)
- 6.5.10. "Traditionally, the agricultural sector has played a key role
? in the generation of foreign currency, which has served to
finance global development to a large degree" (page 210)
- 6.5.11. "If we support the premise that the agricultural sector is
? vital to the economic recovery of LAC, then we ought to ask
ourselves what types of actions can be carried out in the
realm of regional and international cooperation to ensure
the success of agriculture's new role" (page 210)
- 6.5.12. "In the specific area of agroindustrial cooperation and
! development, available figures reveal that there is still a
long way to go, despite the progress achieved to date"
(page 215)



- 6.5.13. "To varying degrees, the LAC countries have started to
° diversify their exports to third countries" (page 216)
- 6.5.14. "Economic recovery and adjustment policies naturally call
° for reconsideration of institutional organization schemes
and the design of a new policy for training human resources"
(page 217)
- 6.5.15. "The new role of the international technical cooperation
+ organizations is a product of the changes taking place in
the countries themselves and in the world about them"
(page 220)

7. THE OTTAWA DECLARATION

- 7.1. "In the context in which our economies operate today and will
° continue to operate in the future, agricultural modernization
and diversification must constitute a key element of strategies
for economic revitalization and development in our countries"
(page 226)
- 7.2. "The agricultural sector must be given high priority in each
country" (page 226)
- 7.3. "It is vitally important to develop new alternatives for solving
% the foreign debt problem and to achieve an international con-
sensus that will substantially remove restrictions and disto-
rations of agricultural trade and allow our countries to reap
the benefits of their greater comparative advantages in agri-
cultural production" (page 226)
- 7.4. "Macroeconomic policies are effecting agriculture to an ever-
! increasing degree" (page 227)

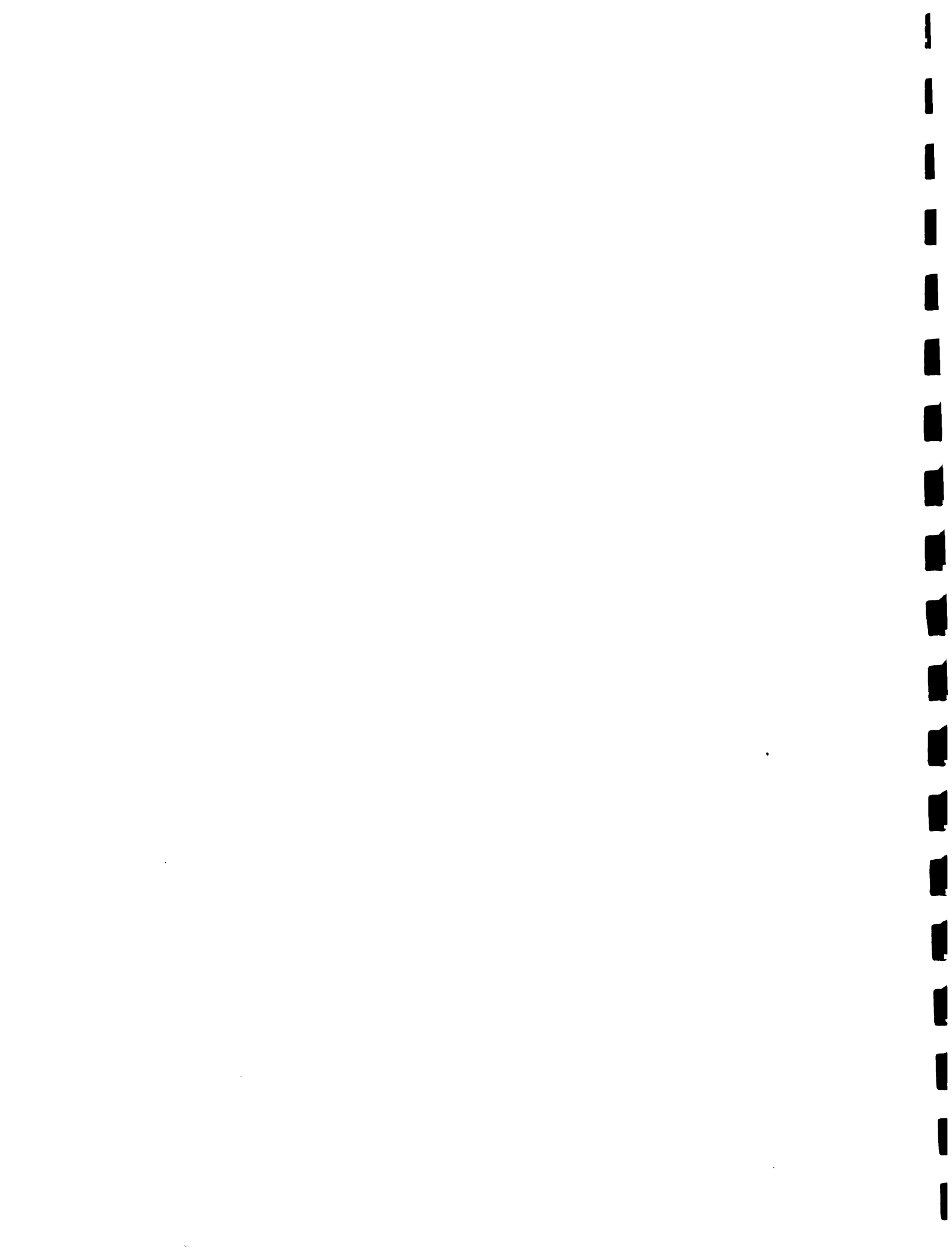


- 7.5. "The modernization of the public sector is a necessary condition for agricultural modernization in many of our countries" (page 227)
?
- 7.6. "We must deepen horizontal cooperation among our countries and with the international technical cooperation agencies and systems so as to ensure more efficient, coordinated use of available resources" (page 228)
o
- 7.7. "The elimination of poverty, especially in its most extreme farms, also requires specific measures aimed at increasing the food security of broad segments of the population, in the sense of ensuring continuous access to an adequate diet and proper nutrition" (page 229)
?
- 7.8. "International financial organizations should be encouraged to strengthen their contribution to the development of agriculture by increasing the flow of different types of financing" (page 229)
?



8. RECOMMENDATIONS

- 8.1. Modernization of the Public Agricultural Sector
- 8.2. Sectoral Adjustment Programs
- 8.3. Support for national systems of research and technology transfer
- 8.4. Horizontal cooperation and international transfer of technology
- 8.5. Activities of the consultative group on international agricultural research system and other international research centers in Latin America and the Caribbean
- 8.6. Development of biotechnology in Latin America and the Caribbean
- 8.7. Technological support for the relatively less-developed countries
- 8.8. Support for regional integration and trade negotiations
- 8.9. Study on agricultural modernization strategies
- 8.10. Strategic plan of joint action for agricultural revitalization in Latin-America and the Caribbean.



9. CRITICAL REVIEW OF THE DOCUMENT

9.1. DEFINITION OF THE CATEGORY OF MODERNIZATION
FROM THE PROPOSAL

9.2. STRATEGY OF THE PROPOSAL

9.3. ANALYSIS OF AGRICULTURAL SECTOR IN LAC COUNTRIES

9.3.1. THE HISTORICAL ROLE PLAYED BY THE
AGRICULTURAL SECTOR

9.3.2. THE CHARACTERISTICS OF AGRICULTURAL SECTOR

9.4. THE CONSTRAINTS OF THE PROPOSAL

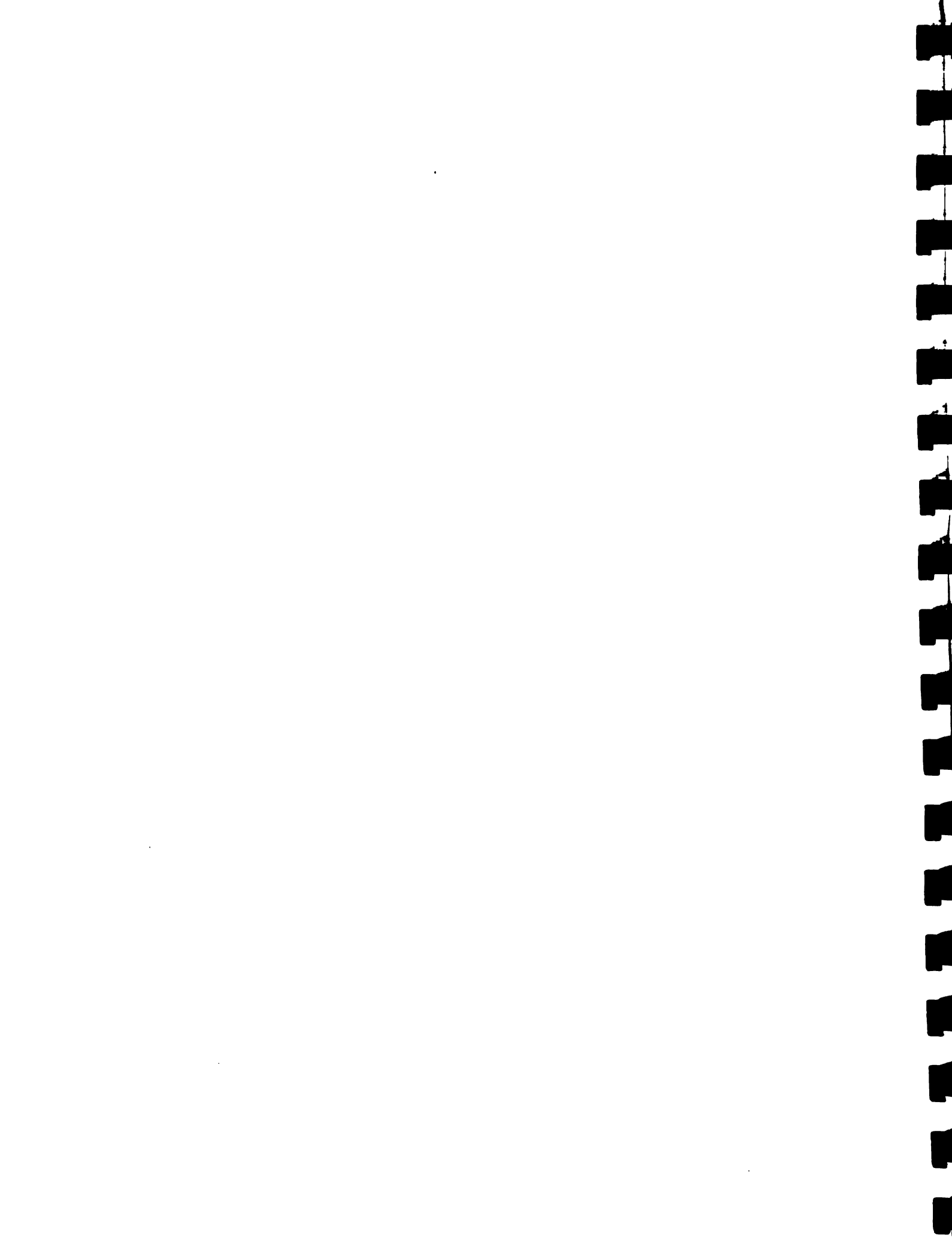
9.4.1. THE TEXT

9.4.2. REFLECTIONS ON THE PROPOSAL



9.1. DEFINITION OF THE CATEGORY OF MODERNIZATION FROM
THE PROPOSAL

- 9.1.1. "It outlines an alternative proposal that re-evaluates the role that agricultural reactivation and modernization can play in the economic development of the region" (page vii)
- 9.1.2. "The thesis that a reactivation of the agricultural sector, through increases in productivity and efficiency, is consistent with current limitations" (page viii)
- 9.1.3. "The increase of intersectoral links generated by the process of agricultural reactivation and modernization allows for new forms of cooperation between agriculture and industry" (page viii)
- 9.1.4. "This will be made possible only by emphasizing modernization, improving efficiency, stepping up to diversification process, and tapping and strengthening the multiplier effects resulting from closer ties between agriculture and other sectors of the economy" (page 11)
- 9.1.5. "It is necessary to introduce changes in sectoral policies, especially for technology and incentives as a way of modernizing agriculture to play its proper role" (page 16)
- 9.1.6. "Modernization of the region's agricultural sector calls for implicit transformation and adjustment in production and marketing processes" (page 17)



- 9.1.7. "Basic components of this modernization process include: redefining high priority areas for direct action, concentrating on those areas which are either strategically important or inadequately covered by private sector..." (page 18)
- 9.1.8. "Technological change will become even more important in the future, as productivity and comparative advantages for agricultural production will depend more and more on the level of technology rather than natural resources. The capacity to ensure an acceptable level of technological generation and adoption is a major step towards agricultural modernization and economic recovery in the LAC countries" (page 20)
- 9.1.9. "Revitalization of the agricultural sector should be promoted, as a key to economic recovery in the LAC countries, through such mechanisms as international cooperation and regional integration" (page 22)
- 9.1.10. "Modernization and recapitalization of agricultural units will be possible only through suitable financing conditions reflected in the quality of credit and other banking services, the amounts required, repayment periods consistent with the characteristics of the investment and interest rates consistent with prices paid for inputs and received for products. as well as real net income" (page 120)
- 9.1.11. "Efforts to modernize and revitalize agriculture, are directly correlated with government activity" (page 132).



- 9.1.12. "The modernization of the public sector is a necessary condition for agricultural modernization in many of our countries" (page 227)

9.2. STRATEGY OF THE PROPOSAL

- 9.2.1. "We must define a development model adapted to current circumstances" (page viii)
- 9.2.2. "It has become necessary to develop new growth strategies tailored to present conditions" (page 15)
- 9.2.3. "There is a definite possibility of acquiring a major source of accumulation by revitalizing agriculture" (page 16)
- 9.2.4. "Economic strategies should attach high priority to agriculture and to its intersectoral linkages" (page 16)
- 9.2.5. "Structural changes must be borne out by different participants in economic activity" (page 17)
- 9.2.6. "Public investment must be viewed as a priority and serve as a guide and incentive for private investment in order to reverse the decapitalization process in the agricultural sector" (page 17)
- 9.2.7. "The current focus on policy measures and rapid disbursement should be reconsidered and coupled with investment and technological cooperation resources. This will allow structural policies, which tend to favor agricultural growth, to play a major role in revitalizing the economy as a whole" (page 18)



- 9.2.8. "The government must first be modernized itself as a prerequisite for modernization and increased competitiveness in the agricultural sector" (page 18)
- 9.2.9. "The public sector will continue to play a vital role in the generation and transfer the technology" (page 20)
- 9.2.10. "Horizontal cooperation, coupled with sufficient financial support from international agencies, is one way to ensure a healthy flow of technology in the small countries, where problems of scale make it impossible to meet even the basic investment requirements to finance a minimal critical mass of research" (page 21)
- 9.2.11. "The public sector has an important role to play in the the generation of appropriate technologies and the development of working methods" (page 21)
- 9.2.12. "The international technical cooperation organizations can and should play a major role in revitalizing the agricultural sector in the region" (page 23)
- 9.2.13. "This study, the first in a series of working documents, puts forth the basic agreement that agriculture can and must provide a central core for growth and capital accumulation, given the present context of economic activity in most LAC countries and the prospects for the immediate future" (page 27)
- 9.2.14. "There is no question that one of the key issues to be considered is the possibility of beginning to eliminate protectionism from international agricultural trade" (page 66)



- 9.2.15. "The management of the tax revenues and expenditures become a key factor for maintaining consistent financing of government participation in the management of price policy, and is a supplement to public investment policies" (page 98)
- 9.2.16. "An important consideration in providing guidance for public investment is the role played by the state in market orientation" (page 115)
- 9.2.17. "State orientation for consumption could be one of the most effective ways of helping to increase the added value of agricultural production by creating consumer habits consistent with production development policies" (page 115)
- 9.2.18. "Investments made in agriculture by industrial groups established in the urban sector are showing great promise. They are an effective form of multisectoral integration and can be understood in a micro sense as the vertical integration of companies" (page 119)
- 9.2.19. "Adapting agriculture to new market conditions by introducing greater competitiveness and more technology" (page 122)
- 9.2.20. "They also seek to reduce state intervention in the economy and ensure free operation of price and market mechanisms and of the private sector" (page 123)
- 9.2.21. "As agriculture and industry grow increasingly independent it becomes necessary to consider agricultural policies in the context of policies for industry and other sectors" (page 173/174)



9.2.22. "Increase regional trade in agricultural commodities should be set as a major objective of new Latin America economic cooperation schemes" (page 205)

9.2.23. "In the context in which our economies operate today and will continue to operate in the future, agricultural modernization and diversification must constitute a key element of strategies for economic revitalization and development in our countries" (page 226)

9.3. THE ANALYSIS OF THE AGRICULTURAL SECTOR IN LAC COUNTRIES

9.3.1. The Historical Role played by the Agricultural Sector

- a. Is the source of generating foreign currency.
- b. A transfer of income to favor industrialization processes.
- c. To transfer resources for services and Industrial sectors through low price of agricultural products, taxes, low rural wages, high price of industrial inputs, high price of services, high cost of credit, etc.
- d. At the beginning of Modernization of the Agricultural Sector, ever since the 60 decade, the incentives were guided to the Agricultural Export Subsector which plays the role of generating foreign currency.
- e. In the meantime the small farmers and peasant economy which represent the Agricultural Foodstuff Production Subsector, never received the benefits of incentives. It plays the role of producing cheap foodstuff for the industrial urban complex. If it does not play this role, the industrial and service sectors will have to increase the wages of the industrial urban sector.



- f. The modernization of the Agricultural Sector has been defined and stimulates the increase of sazonal labor force in the Agricultural Sector. The sazonal labor force is the manpower that comes from small farmers working in the Agricultural Export Sector.

- g. The results of Modernization of Agricultural Sector give the benefits to the industrial sector as a whole. In the first place it appropriates the foreign currency generated by the Agricultural Export Subsector via developed economic policies and secondly penalizes the Agricultural Foodstuff Production Subsector that should increase the journey of work, the productivity, the labor-intensive technologies, and has to purchase some industrial inputs in order to get conditions to put some quantity of its production in the marketing. But all these big efforts are appropriated by the industrial Sector, if one considers that the price of foodstuff is administrated by the Public Sector.

9.3.2. Some Characteristics of the Agricultural sector

- a. The Agricultural Sector is the less dynamic sector of economy.

- b. The productivity of agricultural labor force is lower than other sectors.

- c. The marginal efficiency of capital in the agricultural sector is lower than in other sectors.

- d. Because the Agricultural Sector is the less dynamic sector of economy its performance will be better than other sectors in times of crise-periods. (page 36)



e. The Agricultural Sector has a complementary function within the social and economic structure.

The categories of the Agricultural Sector, like consumption, investment, income, savings, price, etc., have a specific role to play according to the approaches and needs of the Industrial Sector.

f. The relationship between the Agricultural Sector and the other sectors is disfavoured to the primary sector. So, if it promotes productivity and efficiency in the Agricultural Sector, the benefits will be transferred to other sectors and increase the percentage of appropriation to the other sectors.

g. "Over the last 30 years the number of small farms has about doubled with the average size declining" (page 175)

h. The Agricultural Sector has a secondary function within the Social Aid and Economic Structure.

i. The performance of the Agricultural Sector will be better than other sectors in periods of Economic Crisis.

9.4. THE CONSTRAINTS OF THE PROPOSAL

9.4.1. The Text

a. The sum of the parts of the proposal does not represent the result of the whole Document. In general view, the parts did a good analysis of the Agricultural Sector of our Region, but if we consider the document as a whole, it is possible to leave out contradictions, untrue statements, imprecise statements, unclear ideas, etc.



- b. The text indicates that "we must define a development model adapted to current circumstances" (page vii). The reality is, that the document is a proposal, but it expresses "The countries have not yet completed the stage of evaluating past models, to begin making new proposals.
At least, there is no consensus on new proposals" (page 69)
- c. "The industrialist policies of past decades were harmful to agriculture, because, while they encouraged growth and industrialization in Latin-America and the Caribbean, they were biased against agriculture and economic openness." (page 15)
The proposal of the document is to accelerate the industrialization process.
But, the newness of the proposal is to open the economy, with the emphasis on regional integration.
This means that the developing countries will diminish the chances to growth, because the national industry of small countries of the region has no competition with the other more industrialized countries within the region.
- d. The text says: "The role of the Public Sector as a protagonist in the development process has come into question in recent years, especially its direct participation in economic activities" (page 131)
But in several parts it indicates the importance of the Public Sector:
- generation and transfer of technology (page 20/page 146)
 - generation of appropriate technologies (page 21)
 - intervention on price system (page 97)
 - management of taxes revenues (page 98)
 - market orientation (page 115)
 - orientation for consumption by creating consumer habits (page 115)



e. We should eliminate some statements from the text, such as:

- "It is essential to ensure equitable distribution of the benefits of this transformation" (page 11)

- "56 percent of all rural dwellers are still living below the poverty line" (page 12)

- "The decline of Agriculture in America is in large part a reflection of external conditions between the control of the countries of the region" (page 12)

It is a reflection of national conditions too.

It is necessary to classify external conditions from the Agricultural Sector, but within the region and outside the region, (high cost of credit, technology, internal agricultural protectionism, external agricultural protectionism, the sharp fall in agricultural prices on the world market).

"The price of rural labor and other inputs for agriculture consequently rise more than prices of agricultural production" (page 106).

(This is an imprecise statement)

The rural wages have not rise more than prices of agricultural products.

"This sharp fall in prices can be attributed on the demand side to such factors as consumption declines, due to slower economic growth in developing countries" (page 13)

C-f (Growth LAC)

(This is an untrue statement)

The consumption of developed countries is never a function of the growth of LAC.

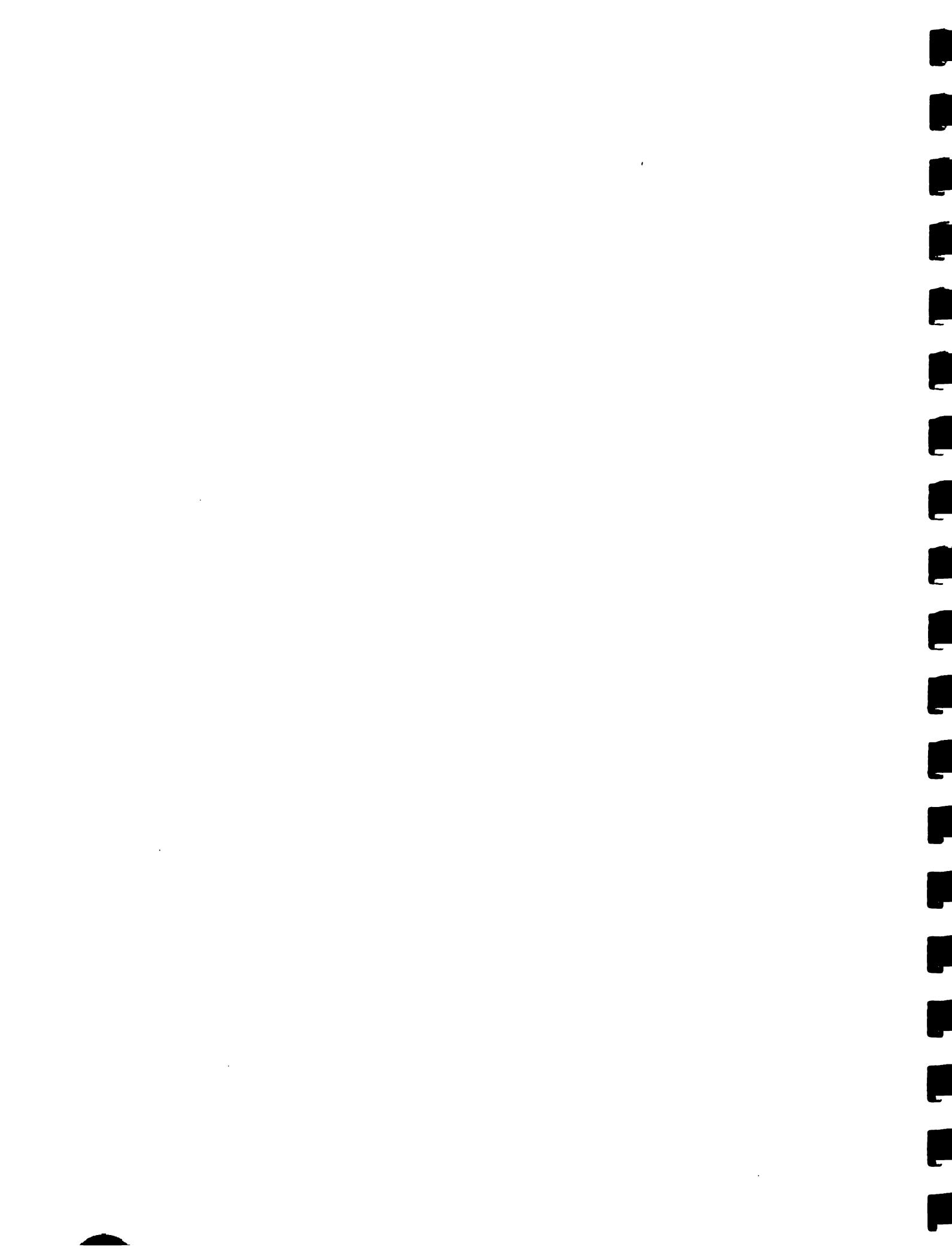
"Poverty is much more marked in rural areas than in the urban sector" (page 39)

"the rural population has not shared in the benefits of the modernization process" (page 39)



- f. Characterize an Analysis from the Agricultural Sector of Latin-American countries. The Caribbean countries are absent of Analysis.

- g. The Team Preparation should be increased with Technicians who know the Agricultural Structure of different Regions and Sub-regions.



9.4.2. Reflections on the Proposal

a. The category of Modernization appear with synonym of Reactivation, of Revitalization, of Transformation, of Recapitalization, of Diversification.

b. The definition of Modernization should present a clear idea about the stage of Modernization.

The category of Modernization of the Agricultural Sector has been applied since the 60 decade.

The documents presents with synonyms of Modernization Economic Integration Schems "were introduced in an effort to alter traditional development styles" which is a more appropriate technology indicates two stages:

First or Initial stage (1960/1970) and the Second Stage (Mid 1970).

Now the document talks about a different stage.

The document should explain the characteristics of the New Modernization. In general overview Modernization means industrialization or an intensification of Economic Integration Schemes.

c. Concerning the statement from the document that "the Agriculture can play a critical role in revitalizing the economy" (page 15) or "it will be a new engine of economic growth" (page 15), or "must provide a central core for growth and capital accumulation" (page 27).

The Agricultural Sector will never be a new engine of the economy, because the industrial sector is the motor of the economy and the quantity and quality of capital accumulation are appropriated by the most dynamic sector.



The document confirms this point of view.

"It is imperative to solve the external problems affecting the performance of the agriculture" (page 13)

"The outlook for the immediate future is not encouraging. It depends on a large number of exogenous factors" (page 64)

"The crisis in the world agricultural commodities market naturally fall within an even broader context" (page 192)

"It should be borne in mind that for the next ten years the bulk of agricultural exports from developing countries will consist of traditional products. It should also be taken into account that the changes required in the composition of non-traditional exports cannot be introduced in short term." (page 192)

The investment in the Agricultural Sector does not have a good return of capital.

d. Concerning the statement from the document: "agriculture revitalization has an important multiplier effect on the economy as a whole.." (page 15), it is necessary to clarify in the first place that the rate of investment is always established concerning the marginal efficiency of capital and secondly the multiplier effect is established between income and investment, with relationship to the total employment and the employment directly employed on investment. So the Agricultural Sector will never promote a multiplier effect on the economy as a whole.

e. The Modernization (Economic Integration Schemes) which has begun since the 60 decade, has not yet complete its development process.

Nowadays there is a great effort to reach a stage which is more advanced than this process.



g. The results of the Proposal

- Internationalization of Economic Integration Schemes
- Increase of the dependence of the Agricultural Sector from abroad
Transnational companies (page 157)
- Eliminate the small farms and peasant economy from the Proposal
- Available information shows us that the relationship between the Industrial Sector and the Financing System has begun to increase.
That means that the small farmers and the peasant economy are penalized twice because no guarantees exist as to receive capital loans.
- The mechanism for the improvement of the interaction between Public Institutions and the Private Sector means technological transfer from Public Research that will be appropriated by the Private Sector.
Again the small farmers and peasant economy will be out of the Modernization process.
- The Modernization will continue to promote
 - . The reduction of Agricultural Labor Force
 - . The increase of migration to the industrial urban-sector
 - . The increase of seasonal agricultural labor force
 - . The expulse of the foodstuff production marginal areas
 - . Modernization policies contemplate only the Agricultural Export and Agricultural Commercial Subsectors
 - . The technological Research contemplates only the Agricultural Export and Agricultural Subsectors
 - . Modernization policies continue to accelerate the poverty
- The proposal that the agricultural sector holds an important role in implementing the developing of the economy as a whole, is a misunderstanding of the historical role of the agricultural sector.



from the Member!

- The weakness of the proposal presents on one hand a childhood idealism where some alternatives of Planned Economy are presented. and on the other hand when it assumes the commitment with the ideas and proposals of internationalization of capital accumulation. This promotes a big damage for IICA's image which has defended the small farmers and peasant economy for many years and has fought against the poverty.
- Let's go back to reality.
It is impossible to request more from the Agricultural Sector than its historical role and characteristics have proved to be able to play.
The IICA would never present a document for external use which is a clear ideologic definition.
It will determinate the untrush from the countries, that IICA should help the agricultural shortcomings of the Agricultural Sector in LAC countries.
- The Agricultural Sector will never play a Critical Role in the Revitalization of the Economy and will never promote an important Multiplier Effect. This is a misunderstanding of the Historical Role and the Characteristics of the Agricultural Sector.
- It is impossible to request more from the Agricultural Sector than its Historical Role and Characteristics have proven to be able to play.

This was stated by the DG and suscribed by the IACMA !! Should we accept this comments like that?



9.5. The Role of the Assistance International Organization

1. More attention must be paid to policy analysis of social and economic structures.
Because the policy analysis shows us the desire of political and civil society and shows us which group is dominant and which kind of linkages exists among these groups within the social and economic society.
On the other hand gives it gives us a general overview about the project this group has for the society.
2. The international organizations will play different roles in several social and economic structures, because they are no economic agents, and should play the role that each specific social and economic structure will define for them. This will be a dependent role.
3. The limitations and restrictions on the agricultural sector market increase every day.
The bilateral policies between countries increase..For this reason it is not possible to make a general proposal for the Agricultural Sector.
4. The engine of the economy is the industrial sector within the region and outside the region. The agricultural policies are generated within the approach of the Industrial Sector and the goals and the objectives are made to create an impact on the industrial sector, beyond the approach toward the Agricultural Sector.
5. The international organization of technical assistance and financing historical appearance in the capitalism side post the Second World War. For this reason it has a defined and specific role to play below the system which was created. They never introduced, nor had they improved any socialized forms of production and marketing in the countries.

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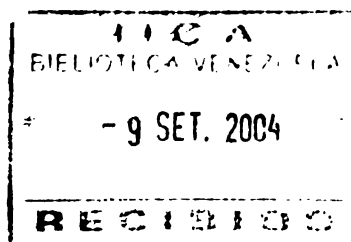
6. The principal role of the International Organizations is to know the real role in the World Economy.

- To criticize the proposal of agricultural packages as a whole, to prevent to become a mere instrument on the bond of the international economic system.

- To try to introduce advanced proposals on the agricultural packages to diminish the negative impact of the capitalism on the small farm system.

- To make a deep policy analysis of the economic system and to know the trends, outlook and potential of the role of agriculture.

* It is necessary to make an analysis and evaluation on the role which is being played by the States in our Region on capital accumulation;
What kind of relationship among the groups controls the State in each Society.





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