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// PRESENTATION BY L. HARLAN DAVIS, DEPUTY DIRECTOR GENERAL
OF THE INTER-AMERICAN INSTITUTE FOR COOPERATION ON
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1. WELCOMING REMARKS
2. THE WORLD SCENARIO
3. OBSTACLES AND OPPORTUNITIES FOR CARIBBEAN AGRICULTURE
4. PLANLAC AND THE CASE FOR MODERNIZATION OF AGRICULTURE
5. THE FUTURE OF CARIBBEAN AGRICULTURE
6. CLOSING REMARKS

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Mr. Chairman,

Distinguished Ministers of the Government of Trinidad and Tobago,

Distinguished Representative of CARICOM,

Distinguished Representatives of Regional, International and National Agencies,

Your Excellencies, Guests, Ladies and Gentlemen,

I would like to begin by expressing my profound pleasure on being back in the beautiful twin island Republic of Trinidad and Tobago, to participate in a forum in which we seek to address the issues related to Caribbean agricultural development. I bring you the kind regards and greetings of our Director General, Dr. Martin Piñeiro, and on behalf of the staff of our entire Institute, I would like to welcome you to this meeting.

I am really pleased to meet again with members of the various national, regional and international agencies, but I am particularly happy to have with us this morning members of the press. The press has a very important role to play in facilitating communication with and involving the wider community in the process to modernize the agricultural sector.

The last time I was here with you, in Tobago, in fact, I addressed the Conference of the Caribbean Agro-Economics Society, and on that occasion, I reviewed briefly agriculture in the context of the new economic order. That was a year ago and yet in that short time our world has changed substantially, reflecting the dynamism and the ever-changing challenges of our times.



THE WORLD SCENARIO

These are historic times, and it appears that a new political and economic order is emerging. This order can be characterized in various ways.

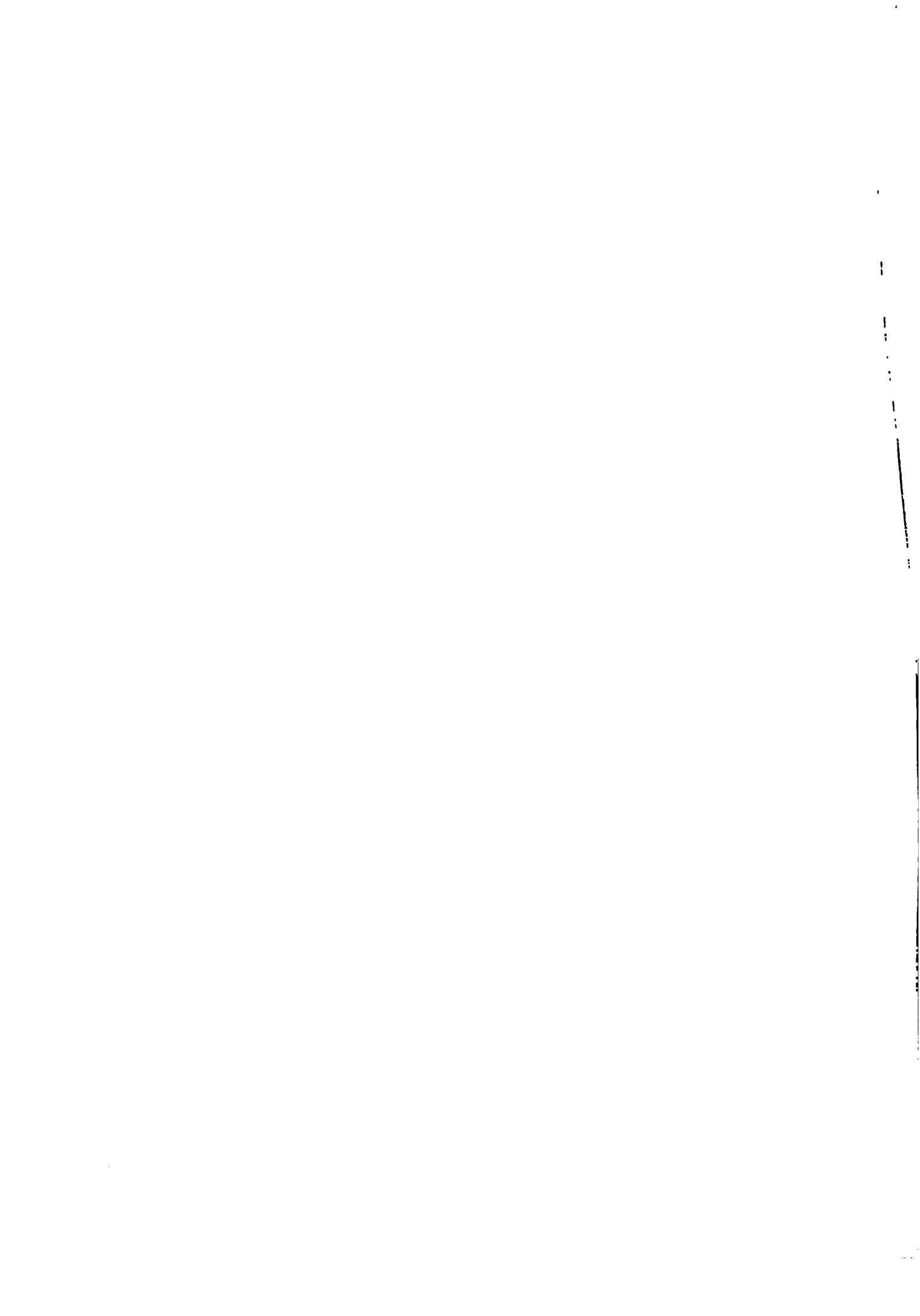
In the political context, the consequences of the war in the Persian Gulf, the internal instability of the Soviet Union, the unification of Germany, the democratization of Eastern Europe and the integration of Western Europe, are undoubtedly influencing the balance of power in the world.

In the economic context, the emergence of the mega-economic trading blocks of the European Economic Community, the United States/Canada/Mexico, Japan and the Pacific Basin countries and, more recently, the initiative of Brazil, Argentina, Chile, Uruguay and Paraguay to form a Common Market in the Southern Cone will change the modality of international trade and commercial relations.

In the more immediate future, the temporary breakdown of the GATT negotiations and the Initiative for the Americas (Bush Initiative) offer both challenges and opportunities for Latin America and the Caribbean, the actual dimensions of which are yet to be determined.

These profound changes will undoubtedly influence the approaches and the strategies which we in Latin America and the Caribbean must use in order to ensure that the 1990s are not also characterized as another "lost decade."

Scholars and policy makers are searching for new approaches to deal with the changing world events. Since World War II, economic development strategies have assigned a major role to the public



sector or the State in the savings and investment process both in market-oriented economies and in the socialist states as well.

While most analysts would agree that the public sector will continue to play a key role in development, they see the savings-investment process moving into private hands. In this new paradigm, government will provide the policy and the infrastructure needed for the process to take place: the private sector, lead by the profit motive, will save, invest, allocate resources, produce and market products. Adjustment to this new model will have its costs and benefits, the details of which I cannot delve at this juncture.

In any case, the salient characteristics of the new economic approach include:

- a. trade liberalization policies that reduce or eliminate tariff and quota distortions,
- b. more open exchange rate policies,
- c. elimination of differential taxes,
- d. reduction of para-statal organizations,
- e. reduction of other public sector expenditures,
- f. privatization of enterprise and business initiative, and
- g. reduction or elimination of policies.

OBSTACLES AND OPPORTUNITIES FOR CARIBBEAN AGRICULTURE

Where does agriculture, particularly Caribbean agriculture, fit into a changing world and what role will play it in the new economic approaches and strategies? Let me say here that agriculture was never characterized as a lead sector in the development models of the past. Historical evidence and experience to the contrary, show that agriculture was not seen in the development models of most newly emerging nations of the post-World War II period as a source of wealth and progress. That bias is



reflected in the agricultural sector performance of most Latin American and Caribbean countries today.

Agricultural growth is failing to keep pace with population growth, and as a result food supplies per capita have declined. With the exception of Trinidad and Tobago and most of the countries of the Organization of Eastern Caribbean States, the situation in the Caribbean is serious. According to Inter-American Development Bank (IDB) statistics, value added in the agricultural sector in major producing countries of this region declined precipitously in 1988.¹ In Guyana, it fell by 9.0 percent; in Barbados by 5.9 percent; in Haiti by 1.0%; in Jamaica by 7.7%; and in Suriname by 13.8%.

Caribbean agriculture is characterized by a dual production, marketing and resource allocation process where traditional non-food export crops and large enterprises are favored over the domestic sector, which receives less attention. This situation has resulted in a food import bill in excess of US\$1 billion per annum.

This duality results in:

- a. an undercapitalized small farm sector,
- b. unequal distribution of land, and
- c. low levels of food security.

The causes of agricultural underdevelopment in the Caribbean has been attributed to the structure of plantation capitalism (P. I. Gomes, et. al, 1985, Rural Development in the Caribbean). The proposed solution calls for an integrated rural development approach. More recently, in discussing food production and agricultural change in the Caribbean Community, Demas (1988) argued

¹ See Economic and Social Progress, 1989 Report, Inter-American Development Bank, Washington, 1989.

that the dependence of Caribbean agriculture on a limited number of export crops, mainly sugar and bananas, combined with the large food import bill are likely to result in continued deep-seated structural deficits in the countries' balance of payments situation. Agricultural diversification is seen as a key strategy for achieving a broader-based production structure in local economies. Demas also makes a case for integrated agricultural development in the CARICOM region. We share the view that while in the Caribbean will continue to depend on the production of traditional export crops as a major source of foreign exchange, the declining prices of these commodities in international trade, the high cost of production, the realities of Europe in 1992 and the possible loss of preferential trading status with the EEC suggest that there is a need for a strategy of integrated development and agricultural diversification in the region.

The recently developed Caribbean Community Program for Agricultural Development (CCPAD) and the OECS Diversification Plan can be seen, I think, as first steps in building the foundation for the establishment of a truly regional food production capacity. These programme will undoubtedly contribute to a new phase of development if appropriate coordination is achieved and if the financial resources necessary for implementation are obtained.

We share the views of the recent report of the Caribbean Regional Economic Conference that human resource development and regional cooperative arrangements are important strategies for sustainable economic development in the Caribbean. Consequently, our efforts in the region are designed to support the CARICOM Agricultural Sector Programme and the OECS Diversification Strategy.



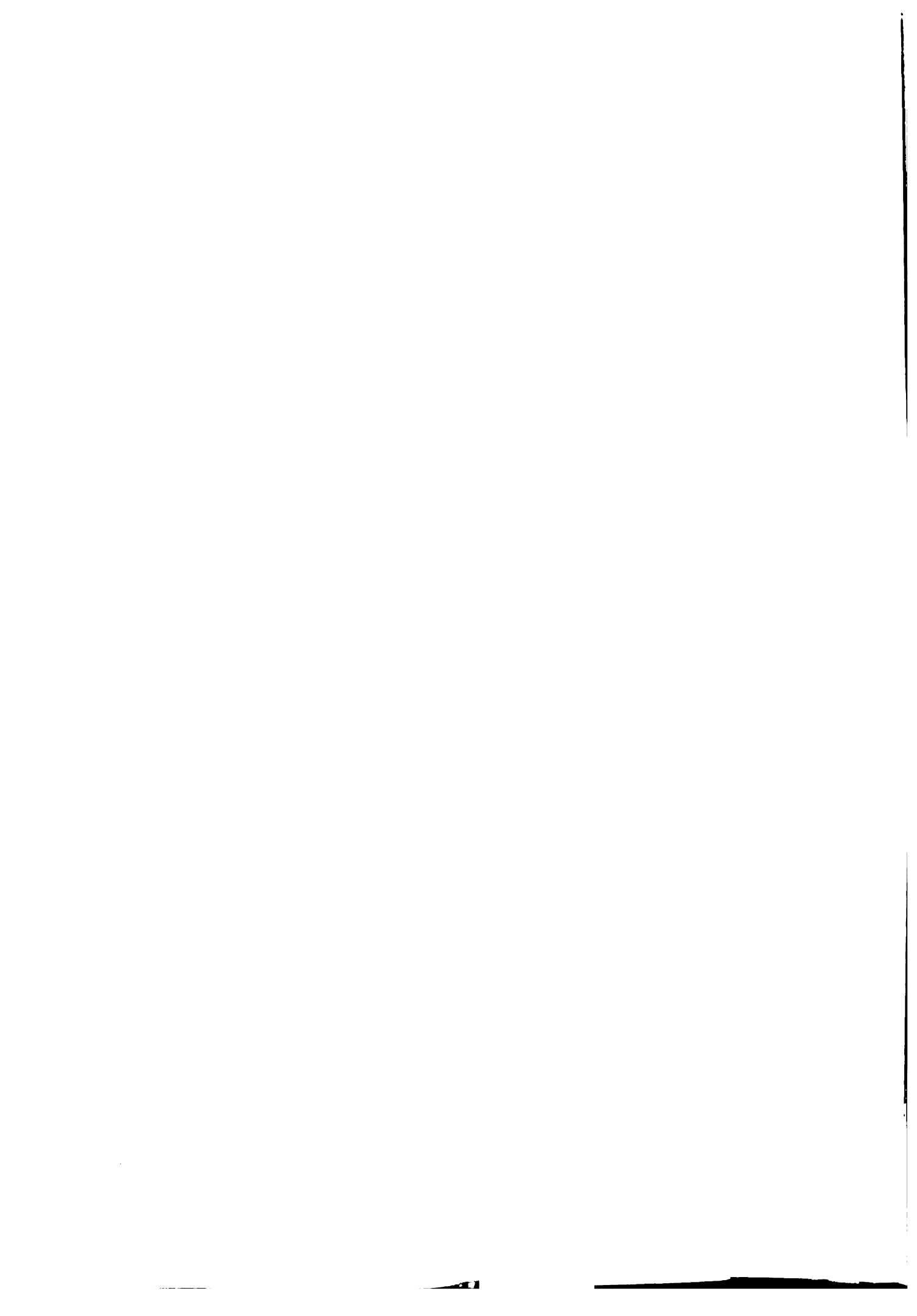
PLANLAC AND THE CASE FOR MODERNIZATION OF AGRICULTURE

The consensus reached on the Plan of Joint Action for Agricultural Reactivation in Latin America and the Caribbean (PLANLAC) was premised on the understanding that the development models of the 1960s and 1970s had failed to provide the countries of the hemisphere with a development strategy which was sustainable over the long term.

Prominent among those models was the forced industrialization approach, which sought to develop local economies on the basis of import-substitution industries. This approach to development, which was responsible for considerable economic and social progress, assigned a secondary role to agriculture. In countries which were net exporters of foodstuffs, price and exchange rate policies were biased against agriculture and agricultural exports. This bias grew even stronger with the raising costs of inputs and capital goods resulting from region-wide efforts to protect national industries. Food prices were controlled at generally low levels in order to dampen inflation, thus preventing the producers from getting international prices. In other cases, inefficient production was encouraged by costly and inefficient subsidies to farmers and consumers.

PLANLAC is a development strategy which grants a major role in the national economy to the agricultural sector. Agriculture's contribution, within this new strategy, will be made by means of:

- the generation of external resources, through increased exports and import substitution;
- lower prices for food and other agricultural products, which will make it possible to raise real wages without changing nominal wages, by increasing productivity of the land;

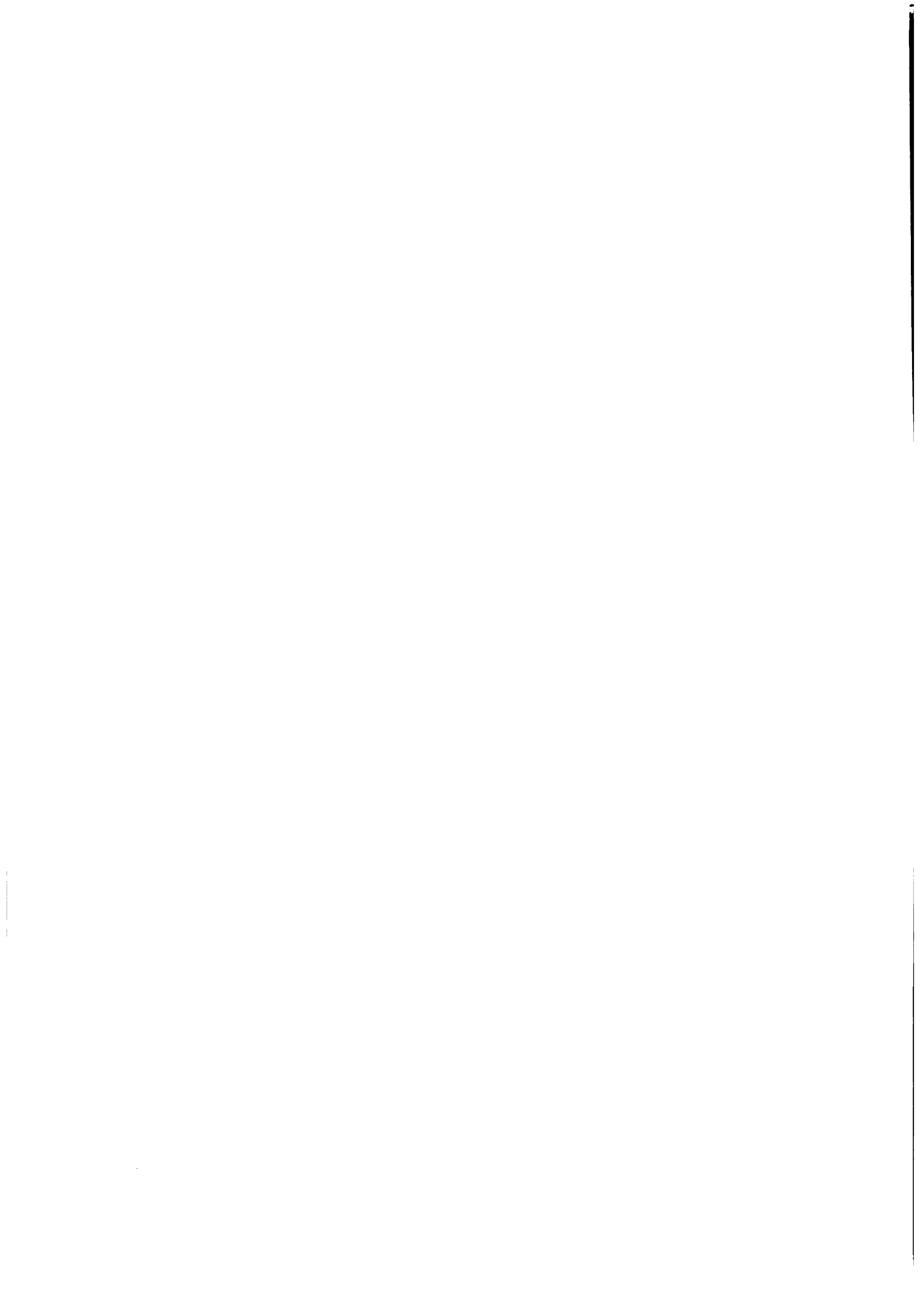


- the generation and/or retaining of employment in agriculture and the rural sector, as compared to the uncontrolled urban migration of the past;
- the expansion of intersectoral linkages, which should lead to a process of "competitive agro-based reindustrialization"; and
- the generation of demand due to improved rural incomes, especially among small farmers, who have a high degree of income elasticity.

This contribution to development will require that agriculture be modernized. The modern agriculture of which we speak is characterized by an amplified sector called the agroindustrial complex with backward and forward linkages to other sectors especially industry, but also to tourism in the case of the Caribbean.

Production systems must be modernized to allow agriculture to increase supply without raising prices, expand diversification and improve efficiency, and capitalize on the multiplier effects of increased sectoral interdependence. There is ample room in the region for increased productivity in farming and stockraising through the adoption of techniques that make considerable use of domestic resources and that call for a relatively low level of investment. This means that agriculture is the sector that has the greatest potential for economic reactivation within existing limitations.

In this concept of modernization, agriculture should not be viewed merely as a primary activity; rather, the dissemination, generation and incorporation of new technology are fundamental requisites for the efficient expansion of agroindustry, and represent a key factor in facilitating the "competitive agro-based reindustrialization" process mentioned above.



In addition, the production process can be modernized adequately only if the institutional and policy contexts are favourable. In other words, incentive policies must be consistent and far-reaching and, at the same time, other policy measures must not hinder the process.

Modernization also applies to institutions, and aims to equip the institutional apparatus with the capabilities to establish and implement policies and support services consistent with maximum revitalization and modernization of production.

Our initiatives associated with the PLANLAC in the Caribbean are designed to contribute to the modernization of the agricultural sector by:

- a) strengthening linkages between Latin America and the Caribbean, specifically in connection with marketing opportunities, sourcing supplies of inputs and capital for investment activities, and technology development and transfer;
- b) exploiting opportunities in the agricultural sector through the development and fuller utilization of regional trade and production integration mechanisms of the Caribbean community;
- c) strengthening national and regional institutions and upgrading institutional arrangements with a view to providing support services to both the public and private sectors in such areas as policy analysis, planning and management, technology generation and/or acquisition and transfer; investment and investment incentive policy; and joint marketing;
- d) strengthening farmers' organizations to improve agricultural production and marketing;
- e) upgrading the region's institutional capability to develop, produce and market non-traditional crops such as fruits, food crops and vegetables;



- f) strengthening national and regional capabilities to monitor and assess the economic impact of diseases and pests which restrict agricultural trade and/or production in the Caribbean, and by strengthening animal and plant quarantine capabilities; and,
- g) motivating and promoting the participation of youth in agricultural transformation and rural development in the Caribbean.

Notwithstanding the importance of these initiatives, perhaps the greatest opportunities for the development of Caribbean agriculture lie in the establishment of linkages with other sectors of the economy, particularly agroindustry and tourism.

Historically, raw materials were only processed minimally, enough to ensure convenient and safe transport to metropolitan countries. For example, sugar cane was processed to the form of raw sugar, with further refinement being carried out in the importing country, and the producer country frequently re-importing the refined product. Similarly, cocoa beans are normally fermented and dried in the producing country whereas further processing and final use in the manufacture of chocolate products generally takes place in the metropolitan country. More advanced domestic processing of local products must be pursued in order to ensure that producing countries obtain greater benefits from the increased value added.

Conversely, where agro-industries have been established in the Caribbean for processing food products, these have been based largely on imported raw materials from developed countries. Thus, that the canning of carrots, peas or corn or the bottling of jams has required the importation of the raw materials, and frequently of the containers as well. The processing technology, also imported, is designed for handling raw materials that are not produced locally. Major issues on the local supply side,



therefore, are quality and consistency of supply and the cost of the raw material relative to that of the imported product. Additional consideration should be given to the use-capacity of the existing processing plants in the region.

It is necessary to develop local technology for processing indigenous food products in order to lessen dependence on imported foods. For example, potato chips for the fast food industry might be replaced by cassava or yam chips. In some cases new technologies have been developed for processing local raw materials but marketing has been a problem. The Food Technology Department at the University of the West Indies in St. Augustine, Trinidad, developed an excellent instant yam product but the single attempt by a public sector agency to manufacture it commercially failed.

Local food production is largely in the hands of small farmers who generally obtain low yields at high production costs. These items have to compete with food imported from countries with large-scale, highly mechanized production systems, whose output is often subsidized to make it more competitive.

Decisions must be made at the highest level to resolve the matter of providing cheap food to consumers (many of whom are urban dwellers) while ensuring reasonable returns to farmers. This is complicated by the fact that the low prices of food on the world market encourage importation even though this requires expenditure of foreign exchange. Rates of currency exchange, tariffs and subsidies, whether on local or imported food items, are central to this difficult issue.

We must work steadily to develop new ways to process food for presentation to local and foreign markets. For example, the pre-cooked Caribbean-style foods recently developed in some Caribbean countries represent an important way to penetrate new markets.

With respect to tourism, there are clear opportunities for using local sources to supply a greater proportion of what tourists consume. This will not only reduce net foreign exchange outflow, but also increase demand for local supplies, thus stimulating agricultural development.

In addition, serving local foods to tourists has the added long-term advantage of increasing demand by changing food preferences in developed countries. Appropriate mechanisms must be found to develop these tourism-agriculture linkages.

THE FUTURE OF CARIBBEAN AGRICULTURE

The future of Caribbean agriculture depends on a combination of internal and external factors. Among these are the following:

1. External Factors:

- a. Development in the international market for sugar, bananas and rum: The single European market (1992) will have considerable impact on Caribbean agriculture.
- b. The future of the Lomé Conventions.
- c. The future of the Uruguay Round of trade negotiations (GATT)

2. Internal Factors:

- a. The progress achieved in establishing a single integrated Caribbean common market by January 1, 1994.
- b. The success of current development and diversification initiatives including the Caribbean Community Programme for Agricultural Development and the OECS Diversification Plan.

- c. Improvements of the financial, physical and human resources allocated to the agricultural sector.
- d. Success in harmonizing policy options related to technology transfer, training, research and extension at the regional level.
- e. Promotion and establishment of new vertically integrated private sector models for production and marketing.

CLOSING REMARKS

Convinced as we are that agriculture must be given a new place in the national economy, we are pleased to have this opportunity to sit down with representatives of a diverse group of national, regional and international agencies to discuss these concepts and to share experiences with colleagues from other disciplines. It is important to reiterate that the PLANLAC is not perceived as a static instrument or document, but as a dynamic process of continuous reflection subject to adjustments in response to changing needs in our Member States which can be translated into concrete action.

Mr. Chairman, distinguished guests, ladies and gentlemen, let me conclude these brief remarks by quoting a former Minister of Agriculture of the Government of Trinidad and Tobago, who, in endorsing the proposals for the development of PLANLAC, noted: "We will never be forgiven by future generations if we fail by our deeds to give meaning to the principles and strategies enunciated in the Ottawa Declaration."

Mr. Chairman, I submit that the challenges of our times demand success in our efforts to modernize the agricultural sector.

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