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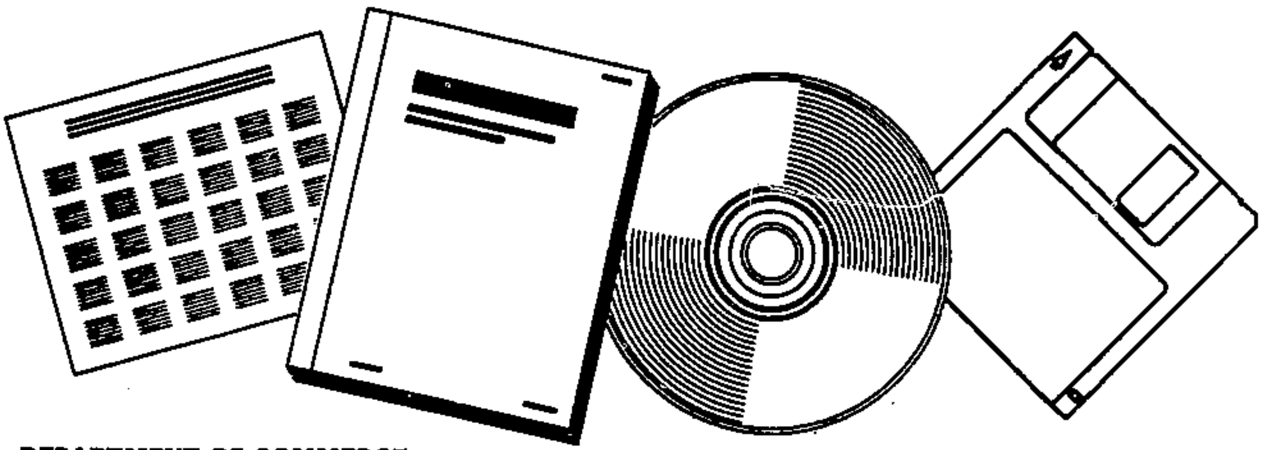

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This report describes policies that affect the agricultural sector in 25 countries in the Western Hemisphere, including policies that affect commodity and input prices, the activities of parastatals (government-owned companies), and the integration of economies in the Western Hemisphere. To facilitate understanding of the policy choices made in each country, this bulletin also presents data on each country's economy, trade flows, and resource base. Governments throughout the Western Hemisphere are reducing their role in agricultural markets by reducing or eliminating tariff and nontariff barriers to trade, the scope of parastatal activities, and/or budgetary transfers to the sector. This trend is especially pronounced in the countries of Latin America, where government intervention in agricultural markets had been prevalent.

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Abstract

This report describes policies that affect the agricultural sector in 25 countries in the Western Hemisphere, including policies that affect commodity and input prices, the activities of parastatals (government-owned companies), and the integration of economies in the Western Hemisphere. To facilitate understanding of the policy choices made in each country, this bulletin also presents data on each country's economy, trade flows, and resource base. Governments throughout the Western Hemisphere are reducing their role in agricultural markets by reducing or eliminating tariff and nontariff barriers to trade, the scope of parastatal activities, and/or budgetary transfers to the sector. This trend is especially pronounced in the countries of Latin America, where government intervention in agricultural markets had been prevalent.

Keywords: Western Hemisphere, agricultural policy, trade policy, integration, subsidy, taxes, protection, government policy.

Acknowledgments

This report reflects the efforts of many economists in the Western Hemisphere Branch of the Agriculture and Trade Analysis Division of USDA's Economic Research Service. The most important contributions were those of the authors of the individual country essays, whose names appear at the beginning of each chapter. Christine Bolling deserves special recognition for her role as the branch coordinator of this report. The data were compiled by Nina Swann. Graphics and software assistance were provided by Nina Swann, Denice Gray, Barbara Barnes, and Anne Pearl. We would also like to recognize the contribution of Carol Stillwagon, who carefully reviewed the text and graphs of this document at several stages of the project. Appreciation is extended to Douglas Parry for design of a template for the output of graphs. Special thanks to Dale Simms and Tom McDonald of the EMS Information Division for editorial and publication assistance. We thank Barry Krissoff, John Wainio, and Carlos Arnade for their comments on the manuscript. We also thank Harry Baumes, chief of the Western Hemisphere branch, for his support of this study. This project was completed under the direction of Donna Roberts and David Skully.

Washington, D.C. 20005-4788 September 1994

Preface

This volume provides an overview of the agricultural policies of Western Hemisphere countries. It updates the *Global Review of Agricultural Policies (1988)*. It is designed to be a reference document for policymakers and researchers. This report describes current and pending policies; it does not attempt to quantify the effects of these policies. Policy coverage emphasizes price, trade, and input policies. Land tenure, water development, forestry programs, and other policies affecting natural resource use will be described in the *Global Review of Resource and Environmental Policies* series. Selected data accompany each country description to clarify the context in which policies were adopted.

In general, narratives commence in the early 1990's. Notes to articles and specialized reference works are provided at the end of each chapter. Not all countries of the Hemisphere are included. Several small countries and colonies are not included; their exclusion reflects the editors' judgment of our readers' interests. In no way should this be interpreted as reflecting the official view of the U.S. Government.

Each country chapter is written to stand on its own. The introductory chapter provides a very brief overview of the major economic and political forces shaping economic policies in Latin America since the Second World War.

Contents

Glossary of International Organizations

ACP . . . . African, Caribbean, and Pacific Countries
AfDB . . . . African Development Bank
AG . . . . Andean Group
ALADI . . . . Asociación Latinoamericana de Integración
AsDB . . . . Asian Development Bank
CACM . . . . Central American Commor Market
CARICOM . . . . Caribbean Community and Common Market
CARIFTA . . . . Caribbean Free Trade Association
CDB . . . . Caribbean Development Bank
ECLAC . . . . . . Economic Commission for Latin America and the Caribbean
FAO . . . . Food and Agriculture Organization
GATT . . . . General Agreement on Tariffs and Trade
G-3 . . . . Group of 3
IBEC . . . . International Bank for Economic Cooperation
IBRD . . International Bank for Reconstruction and Development (World Bank)
ICC . . . . International Chamber of Commerce
ICO . . . . International Coffee Organization
IDA . . . . International Development Association (IBRD affiliate)
IDB . . . . Inter-American Development Bank
IFAD . . . . International Fund for Agricultural Development (UN)
IFC . . . . International Finance Corporation (IBRD affiliate)
ILO . . . . International Labor Organization
IMF . . . . International Monetary Fund
ISO . . . . International Organization for Standardization
LAIA . . . . Latin American Integration Association
MERCOSUR . . . . Southern Cone Common Market
OAS . . . . Organization of American States
OECD . . . . Organization for Economic Cooperation and Development
RIO . . . . Rio Group
UN . . . . United Nations
UNCTAD . . . . UN Conference on Trade and Development
UNIDO . . . . UN Industrial Development Organization
WFTU . . . . World Federation of Trade Unions

Guide to Principal Regional Trade Agreements

Latin American Integration Association (LAIA/ALADI), 1980. Formerly the Latin American Free Trade Association (LAFTA) established by the Montevideo Treaty in 1961. Promotes freer regional trade with preferential tariffs. ALADI's regulatory and institutional framework facilitates subregional and bilateral agreements.

- Argentina
- Bolivia
- Brazil
- Chile
- Mexico
- Paraguay
- Peru
- Uruguay
- Venezuela

Central American Common Market (CACM), 1960. A customs union. Recent provisions allow the free movement of labor, capital, and virtually all goods between the member nations.

- Costa Rica
- Guatemala
- El Salvador
- Honduras
- Nicaragua

Andean Pact (Andean Group), 1969. Promotes development through economic integration.

- Bolivia
- Colombia
- Ecuador
- Peru
- Venezuela

Group of Three (G3), 1990. Initially a mechanism for policy coordination, member countries are finalizing the details of a free trade agreement.

- Colombia
- Mexico
- Venezuela

Caribbean Community and Common Market (CARICOM), 1973. Aims to promote economic integration and development, especially among the less developed countries.

- Antigua & Barbuda
- The Bahamas
- Barbados
- Belize
- Dominica
- Grenada
- Guyana
- Jamaica
- Montserrat
- Trinidad & Tobago
- St. Kitts & Nevis
- St. Lucia
- St. Vincent

Southern Cone Common Market (MERCOSUR), 1991. Will completely integrate the economies of the member nations upon completion.

- Argentina
- Brazil
- Paraguay
- Uruguay

North American Free Trade Agreement (NAFTA), 1994. A comprehensive free trade agreement that phases out all trade barriers between the United States and Mexico and most trade barriers between these two countries and Canada over a 15-year period.

- Canada
- Mexico
- United States

Global Review of Agricultural Policies

Western Hemisphere

Introduction

David Skully

Several themes emerge from the Latin American country chapters in this volume. Since the early 1990's, most countries in the region have attempted to liberalize the domestic economy and foreign trade, initiate or augment regional free trade agreements, and strengthen democratic political institutions. These changes, particularly when contrasted with most of Latin America's experience after World War II, constitute a revolution: politically, economically, and socially. This revolution is not over. Democracy and liberal economic policy are successfully resolving some of the region's problems, but the process of adjustment is creating new problems. To provide a sense of the changing landscape on which agricultural policy is constructed, this introduction sketches the main contours of economic policy in Latin America since the Second World War. As Latin American economic development *per se* is beyond the scope of this volume, we have included a selected bibliography.

Latin American Economic Policy Since 1945

Following the Second World War, regional United Nations organizations were established to promote economic development. The United Nations Economic Commission for Latin America (ECLA/CEPAL) was particularly active. ECLA's director, economist Raúl Prebisch, successfully advocated import substitution industrialization. This strategy held that developed industrialized countries benefited from more experience and a greater scale of production. Combined, these two advantages allowed industrialized countries to undercut the industrialization efforts of developing countries.[1] To counter this advantage, Prebisch advocated tariffs to allow "infant industries" in developing countries to develop the manufacturing experience necessary to compete with mature industrial economies. Regional integration would expand the market beyond domestic borders and allow economies of scale. Together, import substitution industrialization and regional trade integration would allow Latin America to develop the industrial base necessary to compete with North America and Europe.

In 1960, two major regional trade agreements were concluded: LAFTA, the Latin American Free Trade Association, and CACM, the Central American Common Market (see "Guide to Principal Regional Trade Agreements"). Both agreements called for the gradual reduction of tariffs among member nations and for a common external tariff. CACM was relatively successful in achieving these goals. LAFTA, however, was not. LAFTA attempted to accommodate the political demands of existing industries through a policy of industrial complementation. Tariffs were reduced on products that would complement, and not compete with, domestic production. However, if imports competed substantially with domestic industries, protective tariffs remained. This allowed for some scale economies, but also sustained regional monopolies and made regional trade more a matter of politics than of economics.

Two more regional trade agreements were established later in the 1960's: CARIFTA, the Caribbean Free Trade Association, established in 1965 and later renamed CARICOM; the Caribbean Community, in 1973; and the Andean Pact, established in 1969. Most nations in Latin America and the Caribbean were members of one of these four agreements by the early 1970's, but by this time several problems emerged that discouraged further liberalization. CACM, which had been very successful in reducing internal tariffs and increasing internal trade, faced political conflicts resulting from the unequal distribution of the costs and benefits of integration. The relatively developed members, Guatemala and El

[1] Alexander Hamilton's *Report on Manufactures* (1791) is one of the earliest statements of this strategy. Import substitution industrialization was the development strategy successfully followed by the United States in the 19th century. Friedrich List, a German economist who worked in the United States in the 1820's, introduced Germans to the American system with his *National System of Political Economy* (1841). List's writings greatly influenced Germany's economic and industrial policy.

Salvador, enjoyed a persistent trade surplus with relatively less developed members, Honduras and Nicaragua. Balance-of-payment problems led Nicaragua to impose high tariffs to reduce imports. Tensions between Honduras and El Salvador over trade and labor issues led to the "Fútbol War" of 1969 and Honduras' withdrawal from CACM the following year.

The OPEC oil price shock of 1972 precipitated balance-of-payment problems in many oil-importing countries, which resorted to tariffs, quotas, and import licensing to control imports. The need to finance oil imports and to recycle oil export surpluses led to large-scale international commercial lending in the 1970's. Foreign borrowing allowed many countries to sustain economic growth and to purchase necessary imports as well as to delay politically difficult economic adjustments, such as the need to generate sufficient export revenue to repay principal and interest on foreign debt.

Mexico's suspension of interest payments on its foreign debt in 1982 abruptly ended the decade of debt-financed growth; adjustments could no longer be deferred. For most countries, the International Monetary Fund, the World Bank, and consortia of commercial and sovereign creditors were in a position to influence, if not dictate, domestic economic policies. The political preferences of many governments could not be sustained. Indeed, many governments could not be sustained, as the 1980's witnessed the fall of military-authoritarian regimes and the reinstitution of democratically elected governments.

Since the late 1980's, almost all Latin American governments have been democratically elected civilian regimes. The dominant economic policy stresses a reduced role for the state in the national economy. Many state-owned corporations have been or are scheduled to be privatized. Several governments have substantially reduced the size of the public sector. Trade liberalization, through the GATT and the revival of several regional and bilateral trade agreements, is also ascendant. The need to amortize foreign debts has made "competitiveness" and promotion of nontraditional exports priorities. Even Raúl Prebisch became an advocate of export competitiveness in the 1980's. Demand for capital has led to the liberalization of foreign investment laws. This, in turn, has reversed the capital flight of the 1970's and induced large flows of foreign capital into the region's emerging stock markets.

For the food and agricultural sectors of Latin American economies, the policy changes of the 1980's have frequently resulted in the reduction or abolition of producer and consumer subsidies, the deregulation of prices, the privatization of state marketing boards and other public enterprises, the official encouragement of exports (especially nontraditional exports), the adoption of price bands to protect domestic producers from low and variable international prices, and the reduction of tariffs and loosening of many nontariff barriers. In some countries, export taxes were reduced on agricultural exports. In addition, public marketing institutions no longer have monopsony control over exports. The distribution of the costs and benefits of these changes has been uneven. Some consumers face higher food prices, others benefit from lower prices. Similarly, producers may gain or lose, and privatization of state-controlled enterprises often means laying off a large number of workers. Those groups that bear the costs of adjustment have a strong motive to oppose liberalization; an important issue is how long the current policies remain in effect.

Latin America, along with the industrial economies of North America and Europe, has passed through cycles of protectionism and trade liberalization, as well as cycles of democracy and relatively authoritarian rule. At present, the hemisphere is in a democratic and liberal period. However, the strains brought about by economic adjustment may be too great for some democratic regimes to withstand. A return to protectionism is possible in some countries. How national and regional leaders are able to navigate the political and economic adjustments of the 1990's will largely determine the trajectory of policies into the next century.

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Argentina

Donna Roberts

Argentina is one of the world's leading exporters of food and feed grains, oilseeds and oilseed products, livestock products, and fresh fruit. The agricultural sector accounts for approximately 15 percent of the country's gross domestic product (GDP) and employs less than 15 percent of the labor force, facts that understate the importance of agriculture to the national economy. Argentina relies on its farmers to produce exportable surpluses to earn most of its foreign exchange. Exports of soybeans and soybean products alone total more than $2 billion dollars each year, making the soybean sector Argentina's largest export industry.

Agricultural policies and, more fundamentally, policy goals have changed dramatically in Argentina since 1991. For more than 40 years, the Government of Argentina (GOA) had actively intervened in markets to execute an import substitution industrialization strategy to promote economic growth. In recognition of the stark failure of this development strategy to achieve government objectives, the GOA embarked on a campaign to "deregulate, decentralize, and privatize" the economy in 1991. The GOA has since eliminated policies and institutions once used to transfer wealth from the agricultural sector to the Treasury and the industrial sectors.

Prior to 1991, Argentina relied principally on three policy instruments to shift resources from agriculture to other sectors: export taxes on the f.o.b. value of agricultural and agroindustrial products, exchange rate regimes that implicitly taxed the agricultural sector, and tariffs and quantitative restrictions on imported agricultural inputs. These policies were convenient instruments for a country that had neglected investment in the necessary infrastructure to allow for the assessment and collection of taxes with smaller allocative costs. Recent reforms that have broadened the tax base, enforced compliance with tax assessments, and compelled genuine fiscal discipline have allowed the GOA to rescind or reduce trade barriers and exchange rate regimes that distorted world price signals.

All export taxes on major grain and processed oilseed products were eliminated at the end of 1991. The GOA dramatically reduced taxes on leather exports and some minor commodities as well. Unprocessed oilseed exports continue to be taxed at a rate of 3.5 percent. (The additional 1.5-percent levy on agricultural exports that was used to finance INTA, the agricultural extension agency, remained in place until November 1992; the GOA now funds INTA using general tax revenues.) The GOA's revised export tax rates reflect the dramatic change in the GOA's policy goals over the past 2 years; as recently as 1990, the export tax component of the aggregate producer tax equivalent for wheat, corn, sorghum, and soybeans was equal to 48 percent of the value of production of these four commodities.

The GOA also changed its exchange rate regime in 1991. Previously, dollar receipts from the sale of agricultural goods in international markets were converted to the domestic currency (austral) at a rate determined by the GOA. This rate rarely reflected the true purchasing power of the austral; typically, it was overvalued. The exchange rate regime was therefore, in effect, an export tax levied by the Central Bank rather than by the Treasury. In April 1991, the Argentine Congress passed the Law of Convertibility, which fixed the nominal exchange rate at 10,000 australes to the dollar and guaranteed access to dollars to anyone at any time at this rate. (On January 1, 1992, the GOA introduced the peso argentino at a rate of 10,000 australes per peso; 1 peso can therefore be exchanged for 1 dollar.) This Law also requires the monetary base to be fully backed by gold and foreign currency reserves, which prevents the actual purchasing power of Argentina's domestic currency from dramatically deviating from its nominal peg, as it has in the past.

All quantitative restrictions on imported agricultural inputs have been eliminated. Tariffs on imported agricultural inputs range up to 15 percent of the c.i.f. value of the item. An additional 10-percent "statistical tax" is levied on almost all imported agricultural inputs. Agricultural inputs that are capital goods (that is, the economic life of the input extends beyond one production cycle), such as embryos, certified seed, and trucks, are exempted from both tariffs and the statistical tax.

Barriers to imported agricultural goods are modest by international standards. The tariff on unprocessed agricultural imports is 2.5 percent. Tariffs on processed agricultural imports range from 5 to 10 percent. A 10-percent statistical tax is levied on almost all imported agricultural commodities as well.

In October 1992, the GOA established a new export rebate system for a wide range of agricultural and industrial products. These rebates are designed to make Argentine products more competitive in international markets by helping to offset the effects of internal taxes (such as value-added taxes on inputs), which increase domestic production costs. The export rebate for corn, wheat, sorghum, and oilseed byproducts is 2.5 percent of the f.o.b. (Buenos Aires) price; there is no rebate for unprocessed oilseeds. The export rebate is 10 percent for wine and honey; 7.5 percent for fruit juices and olive oil; and 5 percent for wool, fruit, legumes, vegetables, and tobacco. There is also an export rebate of 7.5 percent for packaged rice, tea, and yerba mate, and 5 percent for these items in bulk. The export rebate for beef ranges from 3.3 to 6.7 percent. The rate of the rebate is identical to the import tariff rate for each commodity.

Argentina extends preferential tariff treatment to the other 10 Latin American member countries of the Latin American Integration Association, ALADI. Also within the framework of ALADI, Argentina has elected to form a common market, MERCOSUR, with Brazil, Paraguay, and Uruguay beginning December 31, 1994. According to the provisions of the treaty signed in 1991, goods, services, capital and workers will be able to move freely among the four member countries. Other ALADI members may petition to join MERCOSUR after it has been in operation for 5 years.

The changes in trade and exchange rate policies, together with a modest increase in international prices for grains, oilseeds, and oilseed products, have substantially improved pre-tax profits in Argentina's agricultural sector. Nonetheless, improved collection of taxes and increased fees for services provided by local governments have reduced post-tax profitability in the sector. The Fiscal Pact, announced in August 1993, contains several measures to alleviate the acute financial stress that many Argentine farmers have faced. This accord is an agreement between the GOA and 16 of the 23 provinces to continue to reduce or to eliminate taxes that constrain Argentina's ability to compete in world markets. Most importantly for the agricultural sector, the GOA has agreed to eliminate the asset tax on land in exchange for a reduction and harmonization of Provincial and municipal property taxes. The Fiscal Pact also reduced the amount withheld from the sale of agricultural goods to cover Argentina's 18-percent value-added tax (IVA), which is assessed on nearly all goods and services in the economy. Farmers are also allowed to pay the balance of their IVA obligations annually rather than monthly. Other Federal and Provincial taxes, including stamp taxes, taxes on electricity and gas, and taxes on interprovincial trade, are scheduled for elimination or reduction over 1993-95.

The GOA will also offer "Cédulas Hipotecarias" (mortgage notes) valued at US$ 300 million under the terms of the Fiscal Pact. Producers will be able to mortgage up to 70 percent of the assessed value of their assets and receive 7-year loans at rates below 10 percent per annum; fees will be covered by the GOA. This program is designed for heavily indebted farmers who need to restructure their debt.

Argentina has maintained regional policies to supplement the incomes of farmers in the poorer northern and southern areas of the country for many years. The most significant regional policy is a subsidy for tobacco producers in northern Argentina, funded by a 7-percent excise tax on cigarettes sold domestically. All of the revenue generated by this tax is partitioned among the principal tobacco growing Provinces. Each year the Provincial governors decide how much of the revenue to use to support tobacco prices; the remainder is used for projects that improve regional infrastructure or promote crop diversification.

The GOA also maintains policies to aid ranchers in the Patagonian region in southern Argentina. Currently, sheep ranchers pay no duty on imported inputs, as long as they have fulfilled their social security and tax obligations and are not in arrears on loans from the official banking sector. The GOA also provides a modest income supplement for those employees on ranches that employ a small number of people.

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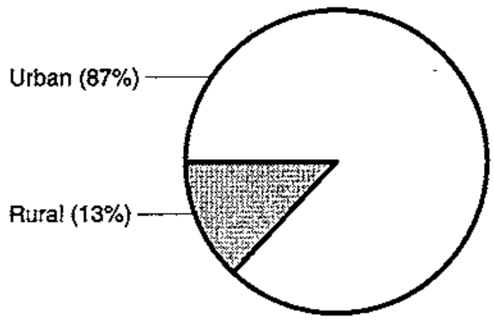
Argentina

Official name Argentine Republic
Type of government Republic
Memberships AfDB, ALADI, ECLAC, FAO, GATT, IBRD, IDA, IFAD, IFC, ILO, IMF, ISO, LAIA, MERCOSUR, OAS, RIO, UN, UNCTAD, UNIDO, WFTU

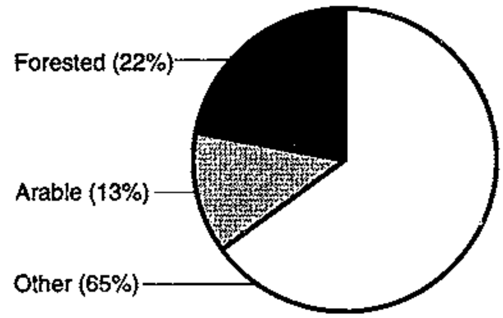
Population *1991*

32,322,000 persons



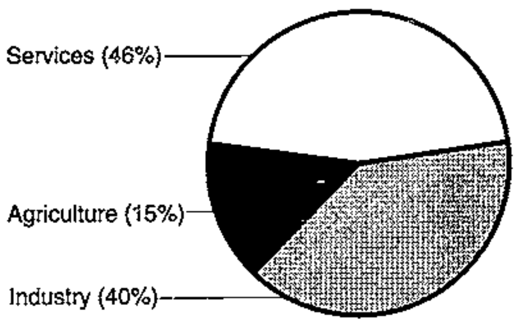
Land *1989*

273 mil. hectares (1,760,000 ha irrigated)



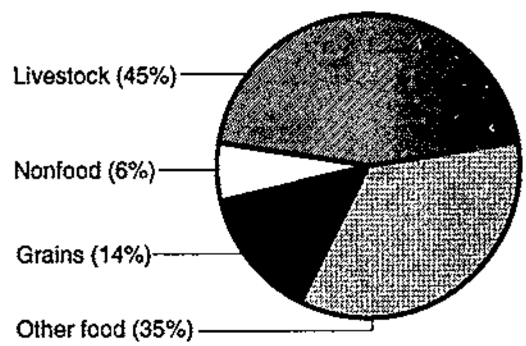
GDP *1990*

$112,000 mil.; $3,400 per capita



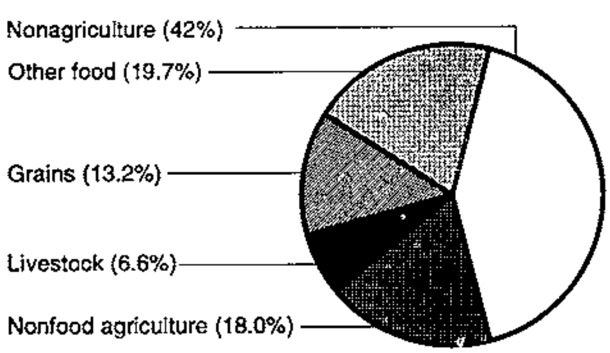
Agriculture *1991*

Major agricultural product: Wheat



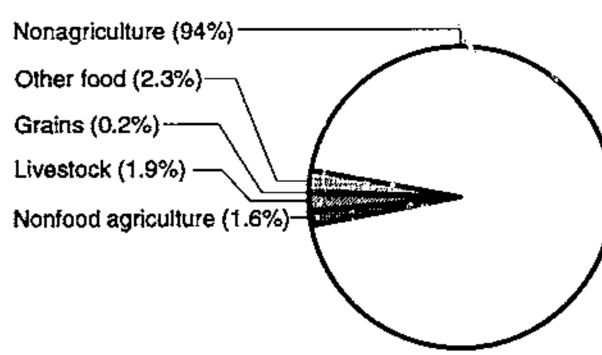
Exports *1992*

$12,234 million
Major agricultural export: Oilseeds and oilseed products



Imports *1992*

$14,871 million



Note: Numbers may not add to total because of rounding.

Barbados

Richard Brown

Barbados is an Eastern Caribbean island of 260,000 people whose principal industries are sugar, tourism, and light industry. Except for sugarcane and pasture, the climate, topography, and soils of Barbados are not well suited for agriculture. Agriculture provides only 8 percent of the island's GDP, 6 percent of the employment, and 35 percent of the export earnings. Raw sugar accounts for most of the island's agricultural income and export earnings and is the primary survivor of the island's agricultural heritage. But sugar production dropped precipitously in the early 1990's because of high production costs and low world prices, and may continue to decline in the near future. Islanders also produce some fruits and vegetables for local use.

Domestic food production is supplemented with imports from the United States, Canada, and neighboring Caribbean islands. Agriculture is threatened by the high costs of labor and land. Urban and recreational demand for land is raising rents and has reduced the area available for farming. Labor is unionized and demands wages comparable to the rates paid for similar work in Florida.

Per capita incomes are among the highest in the Caribbean. Yet, incomes have fallen since 1990, and unemployment is above 10 percent. A decline in tourism coupled with strong demand for imports and high debt service rapidly depleted Barbados' foreign exchange reserves. When the external payments problem reached crisis proportions in 1991, the IMF began an economic stabilization and structural adjustment program, which calls for privatization of parastatals and trade liberalization.

Flour milling and dairy are currently under parastatal control. The sugar milling industry, Barbados Sugar Industry, Limited (BSAIL), is privately owned but has been subsidized by the Government for many years.

The government-owned Barbados Marketing Corporation (BMC) monopolizes food imports. Licenses must be obtained from the BMC to import items on the Government's "negative list." The Government also manages foreign trade by its customs rules, tariffs, and exchange controls. In practice, government restrictions on food imports are minimal, except when temporary restrictions are placed on agricultural imports during foreign exchange crises, or during harvest in the case of fruits and vegetables.

Barbados is reducing trade barriers, but the application of the Common External Tariff of CARICOM presents new trade barriers for countries outside the agreement. The currency has been pegged to the dollar, but has been overvalued in recent years. While the Government encourages economic growth, all sectors of the economy face factor costs that are relatively high by world and regional standards.

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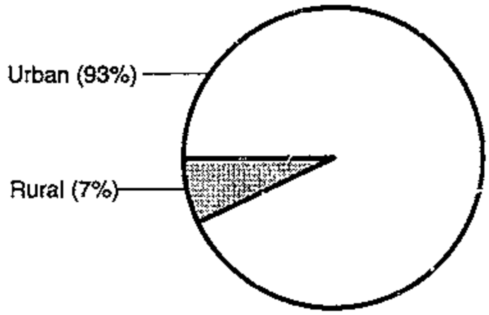
Barbados

Official name Barbados
Type of government Parliamentary Democracy
Memberships ACP, CARICOM, CDB, ECLAC, FAO, GATT, IBRD, IFAD, IFC, ILO, IMF, ISO, OAS, UN, UNCTAD, UNIDO

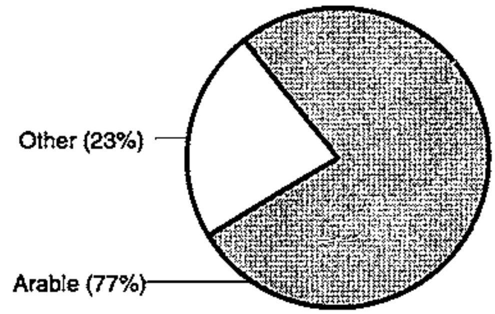
Population *1990*

257,000 persons



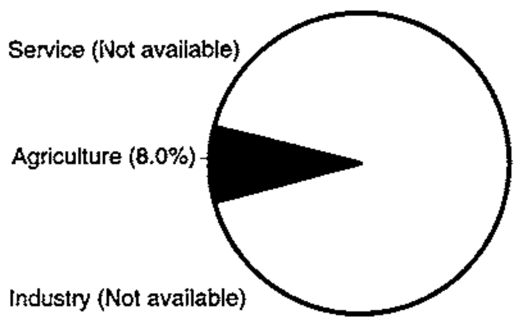
Land *1989*

.043 mil. hectares

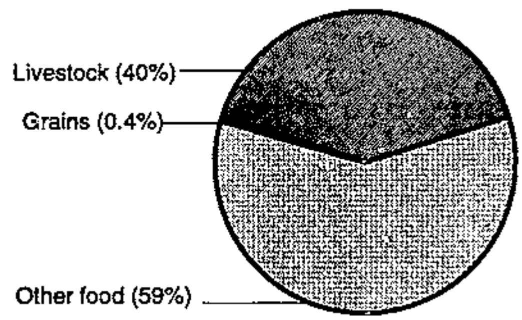


GDP *1991*

$1,800 mil.; $7,000 per capita

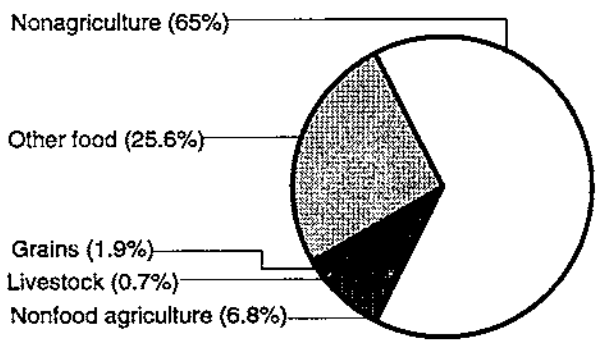


Agriculture *1991*



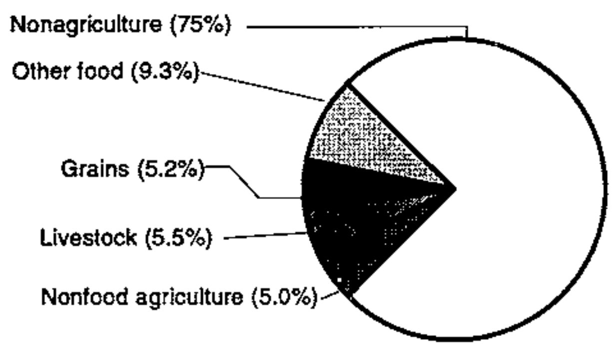
Exports *1992*

$202 million



Imports *1992*

$531 million



Note: Numbers may not add to total because of rounding.

Belize

Christine Bolling

Belize is a small country with a population of nearly 200,000. Belize's economy is tied to the Caribbean region, even though it is located in Central America. Agriculture is the most important sector of the economy, accounting for 20 percent of the GDP, 25 percent of employment, and 80 percent of foreign exchange earnings.

Corn, rice, and red kidney beans, generally grown on small farms, are the staples of the diet. Belizean commercial agricultural is heavily dependent on sugar, citrus, and bananas. Many of Belize's exports, such as sugar, citrus juice, garments, and bananas, benefit from preferential trade arrangements under the Caribbean Basin Initiative, the Lomé Convention, and CARICOM. Belize imports a large share of its basic food. The United States is Belize's most important trading partner, followed by the United Kingdom, CARICOM, Mexico, and Canada.

Belize has experienced rapid economic growth since the mid-1980's, in response to political stability, prudent fiscal management, support for foreign investment, and preferential markets for major exports. Real economic growth exceeded 10 percent during 1986-90 and 5 percent in 1992. Export earnings increased 50 percent from 1986 to 1992. Export earnings from sugar, citrus juice, and bananas grew especially fast during the late 1980's, when sugar exports grew by 80 percent, citrus exports nearly doubled, and banana exports tripled.

Belize relies on import duties for most of its government revenue. Belize adopted the Common External Tariff (CET) as part of an effort to harmonize the external tariff of the Caribbean Community (CARICOM). The CET has caused tariffs for dried fish, butter, cereals, lard, sausage, macaroni, poultry feed, candies, and chocolate to increase; and bay rum and leather to decline. Most of these import duties are 45 percent *ad valorem*. Belize has a three-tiered system of import taxes: (1) the standard CET, (2) a 12-percent stamp tax, and (3) a revenue replacement duty and excise tax on certain goods like fuel, luxury goods, and vehicles. The Government has introduced enabling legislation to replace some import taxes with a value-added tax on goods and services.

Macaroni and spaghetti, soft drinks, wheat flour, beer (from all countries), corn, beans, eggs in shell, fresh fruits and vegetables, meat and meat preparations, sugar and molasses, milk, poultry, citrus and citrus drinks, jams and jellies, animal feed, peanuts and peanut butter (all from non-CARICOM countries) required import licenses in 1993. Import licenses are sometimes granted when domestic food items such as beans and poultry become scarce. Rice was removed from the list in 1991. The Belize Marketing Board, however, has a monopoly on rice imports. There is an open-tender process controlled by the Government's marketing board. Rice is also milled by the parastatal.

Belize imposes price controls on basic foodstuffs for which import licenses are required to prevent monopolistic profits. These controls are imposed on imported cheese, powdered milk, cooking oil, and rice. Price controls are applied at the wholesale and retail level, and generally take the form of maximum markups over landed cost or wholesale price of these imported goods. The Government controls the price of domestically produced corn, rice, and beans from the farm to the retail level. Specific retail prices are also set for locally produced goods such as beer, flour, sugar, and bread.

Export licenses are required for live animals, logs and lumber (except mahogany), citrus fruit, and beans. Some of the tariffs are not assessed on exports to CARICOM countries. Belize enjoys preferential market arrangements for most of its major exports with CARICOM, Europe, and North America. The growing international move toward free trade could erode some of the preferential market arrangements Belize currently enjoys. For example, exports of citrus concentrates from Belize to the United States are exempt from a tariff as a result of the Caribbean Basin Initiative signed in 1983. Bananas are exported to the United Kingdom under a preferential access arrangement that provides large benefits to Belize and some other Caribbean producers.

The Government passed the Export Processing Zone (EPZ) Act of 1990 to promote export industries. Firms in an EPZ are exempt from all import licenses, quotas, import or export taxes, export licenses, price controls, rent controls, and foreign exchange regulations. Many exports, however, are subject to export taxes. Sugar, for example, is charged a

2-percent *ad valorem* tax. Sugar export taxes and levies amount to about $3 per metric ton and are channeled back to pay the expenses of the Sugar Board.

Sugarcane is also very tightly controlled. Belize Sugarcane Industry (BSI) is partially state-owned. Its Tower Hill sugar mill is the only mill authorized to produce sugar in Belize. Cane marketings are controlled through a system of tonnage quota allocation, and the producer price is regulated by the state. Sugar imports are also prohibited.

The Belizean Government provides only a few input subsidies. The Government provides loans to eligible ranchers at subsidized rates to improve their beef herds. The Government is providing $6 million in loans at 6 percent for 15-20 years, significantly below market rates.

In sum, Belize has been able to collect some of the economic rents to producers created by protected markets for sugar, bananas, and apparel. Belize stands to lose some of that protection, and therefore revenue, as international trade is liberalized. Belize is attempting to move away from its heavy reliance on import and export levies as a source of government revenue by introducing a value-added tax. Import levies and licenses have provided subsidies to producers but have increased consumers' food costs, despite domestic price controls.

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Embassy of the United States (1992). *Economic Trends Report*. SPR 0004. Jan. Belize City, Belize.

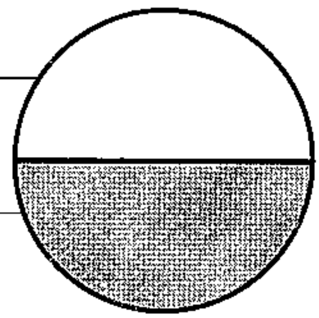
World Bank (1992). *Belize Country Economic Memorandum*. Report No. 110403-BEL. Apr.

Belize

Official name	Belize
Type of government	Parliamentary Democracy
Memberships	CDB, ECLAC, FAO, GATT, IBRD, IDA, IFAD, IFC, ILO, IMF, OAS, UN, UNCTAD, UNIDO

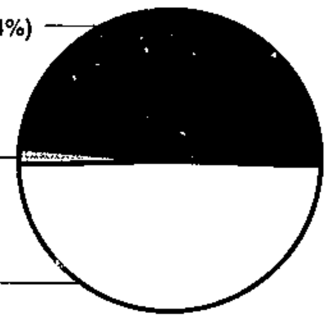
Population *1990*

187,000 persons



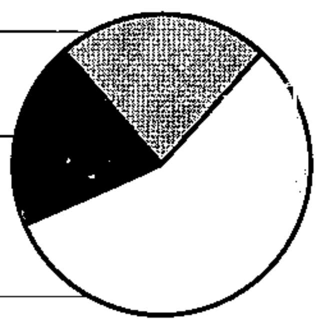
Land *1989*

2 mil. hectares (2,000 ha irrigated)



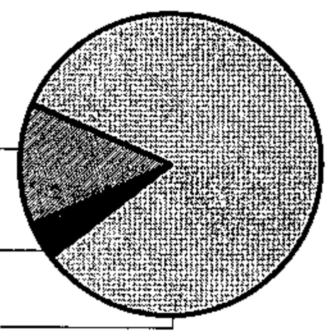
GDP *1990*

$373 mil.; $1,635 per capita



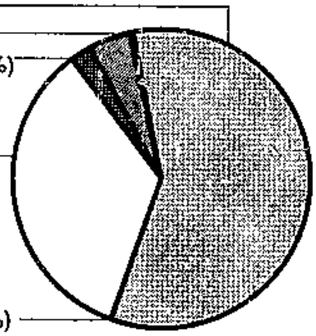
Agriculture *1991*

Major agricultural product: Sugar cane



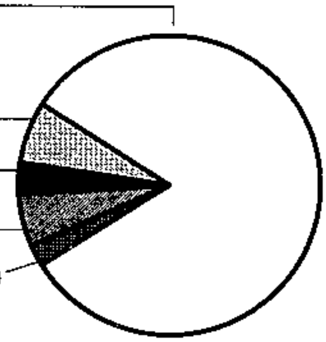
Exports *1992*

$139 million
Major agricultural export: Sugar, molasses, and citrus



Imports *1992*

$273 million



Note: Numbers may not add to total because of rounding.

Bolivia

Nina M. Swann

Landlocked and mountainous, Bolivia is one of the poorest countries in South America. Growth in agricultural output is constrained by adverse weather, lack of infrastructure, high transport and marketing costs, and lack of farm credit and research and extension institutions. Bolivia has a dichotomous agricultural sector. In the altiplano, the high-altitude plains, peasants, primarily of Indian origin, engage in subsistence production of corn, potatoes, and wheat on small plots. In the eastern lowlands, particularly Santa Cruz Province, agriculture is commercial and export-oriented. Cattle and soybeans thrive in this environment. Bolivia's major agricultural exports include soybeans, timber, sugar, and beef and live cattle. Grains are Bolivia's leading agricultural import, often in the form of food aid.

The New Economic Plan (NEP), introduced in 1985 by the Paz Estensoro government, marked a radical departure from decades of import substitution policies. The NEP abolished foreign exchange controls and initiated an auction mechanism to determine the exchange rate, which resulted in a sharp devaluation. A crawling peg mechanism was introduced in 1987. The government increased the price of public sector goods and services, reduced government expenditures, and liberalized product and capital markets. Virtually all quantitative import restrictions and domestic price controls were eliminated and a low uniform tariff (the Gravamen Aduanero Consolidado or GAC) was instituted. The GAC is currently 10 percent, but a duty of only 5 percent is assessed on certain capital goods. All legally donated items, including wheat donated through the U.S. Public Law 480 program, enter Bolivia duty-free. After years of hyperinflation, reaching 28,000 percent in 1985, the NEP reduced inflation to among the lowest in Latin America.

Bolivia currently has no nontariff barriers. In 1985, nearly all quantitative restrictions were eliminated. Sugar continued to be protected by quantitative restrictions, but high domestic sugar prices caused the Bolivian soft drink industry to lobby for liberalization. In 1992, all quantitative import restrictions on sugar were removed.

Although Bolivia has no explicit nontariff border policies, imported goods transported by rail are charged higher fares than domestic goods. Some of the railway freight revenue is used to finance export promotion programs. The National Institute of Export Promotion (INPEX) currently funds export promotion for bovine meat, trout, fresh and canned fruits and vegetables, chestnuts, flowers, natural dyes, leather, timber, and textiles and clothing.

The Government of Bolivia (GOB) maintains many enterprises that process and/or market agricultural products, including milk, poultry, cattle, chestnuts, seeds, oilseeds, corn, and sugar. The GOB is considering privatizing some of these agricultural operations.

Three taxes increase the prices of imported products and domestic goods and services: the Value Added Tax (IVA), the Tax on Specific Consumption (ICE), and the transaction tax. The IVA is 13 percent. The ICE varies by product, ranging from 10 percent for wine and jewels to 60 percent for beer. Together, these two taxes account for half of government revenue. Additionally, a transaction tax of 2 percent is paid on all goods and services.

In 1992, a tariff drawback scheme was initiated that reimburses duties paid on imports incorporated in exported products. The drawback, which varies by product category, is equal to 2-4 percent of the net export value. The Export Promotion Law (1993) completely reimburses exporters for the IVA. ICE and/or transaction taxes are only partially rebated by the GOB.

The Bolivian Coffee Committee (COBOLCA) determines and administers coffee promotion, processing, marketing, and quality control. It is financed by the private sector and exports through its member firms.

Agricultural inputs donated by foreign governments, particularly fertilizer and equipment, are sold by the Ministry of Agriculture. The inputs are sold at prices that are 5-10 percent below market prices. The revenue from the sale of these agricultural inputs is used to fund agricultural investment and operating capital loans. Significant quantities of donated inputs are obtained by private traders, who sell on the black market.

Bolivia modestly intervenes in the agricultural credit market. The Peasant Development Fund (PDF), established in 1991, finances small and medium-sized farmers, who would otherwise have little or no access to credit.

Bolivia is a member of the Latin American Integration Association (ALADI), the Andean Group, and GATT. Bolivia has preferential trade agreements with most ALADI members. Bolivia also signed Economic Complementarity Agreements with three ALADI members, Uruguay (1991), Argentina (1992), and Chile (1993). Since October 1992, Bolivia has extended duty-free entry for all imports from its Andean Group partners within the framework of the Act of Barahona, which aims to create a regional customs union. Bolivia also signed a bilateral agreement with Peru (which has observer status in the Andean Group) in 1992 to provide for preferential treatment for a large number of Bolivian exports to Peru in exchange for duty-free entry for Peruvian exports to Bolivia. A four-tier Common External Tariff (CET) of the Andean Group will become effective January 1, 1995. It is unclear how Bolivia's uniform tariff will be accommodated within the Andean Group's CET.

Bolivia has successfully initiated some of the most radical economic reforms in Latin America. Monetary reform has brought inflation under control and trade liberalization has reduced distortions in the economy. Trade liberalization initially widened the trade deficit, but the overall balance of payments has improved in the 1990's. A series of natural disasters in recent years, including floods, droughts, and climatic changes caused by the shifting El Niño current, complicates the assessment of the impact of Bolivia's economic reforms on agricultural producers of exportable and importable commodities.

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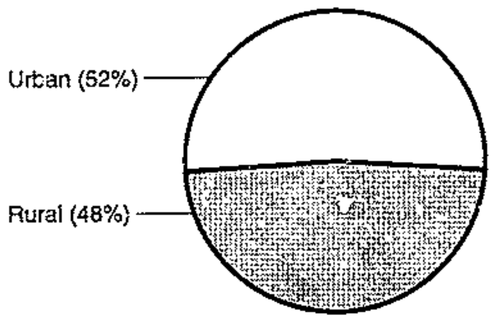
Bolivia

Official name Republic of Bolivia
Type of government Republic
Memberships AG, ALADI, ECLAC, FAO, GATT, IBRD, IDA, IFAD, IFC, ILO, IMF, LAIA, OAS, UN, UNCTAD, UNIDO, WFTU

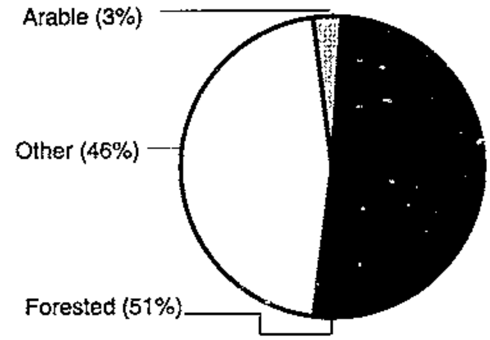
Population *1990*

7,314,000 persons



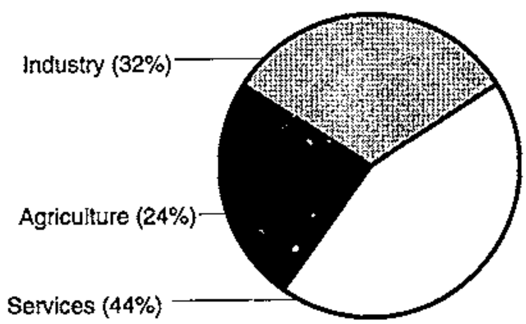
Land* *1989*

108 mil. hectares (165,000 ha irrigated)



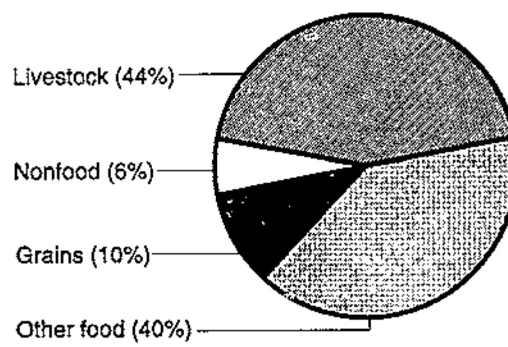
GDP *1992*

$4,900 mil.; $670 per capita



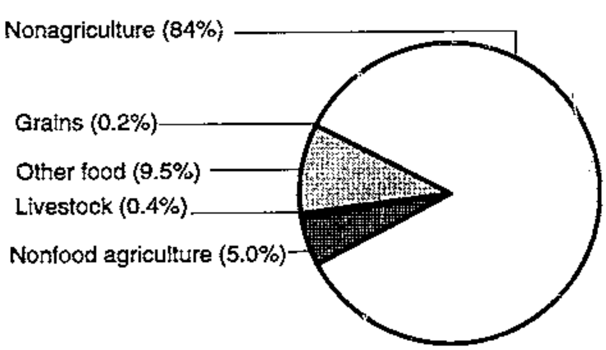
Agriculture *1991*

Major agricultural product: Grain, roots and tubers



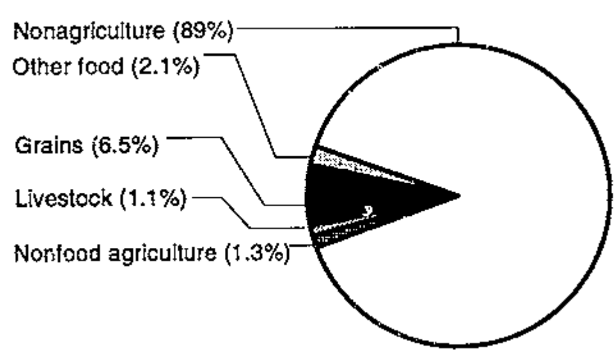
Exports *1992*

$710 million
Major agricultural export: Soybeans



Imports *1992**

$1,136 million



Note: Numbers may not add to total because of rounding.

Food aid: 107,000 tons (cereals in grain equivalent)

Brazil

Miriam Stuart

Brazil is the largest country in South America--whether measured in land mass, population, or size of the economy. Brazil's land mass covers nearly half of South America and is about the same size as the United States; the 150 million Brazilians comprise about half of the South American population.

Brazil is one of the world's agricultural powerhouses. In 1992, Brazil was the world's largest citrus, frozen concentrated orange juice (FCOJ), and coffee producer; the second largest cocoa, soybean, soymeal, and soy oil producer; the third largest sugar, tobacco, and broiler producer; and was among the top 5 producers of corn and rice, and among the top 10 beef and veal producers and exporters.

Soybeans are an important export crop in Brazil, which has been the largest soy meal exporter (in volume) since 1980; among the top four soy oil exporters since the mid-1970's; and the world's second largest exporter of whole soybeans, after the United States, since 1991. Brazil is the world's largest exporter of orange juice, exporting more than 10 times U.S. exports, the second largest, in recent years. Brazil is also the world's largest coffee exporter and ranks second or third in poultry exports since the late 1970's. Brazil ships most of its broiler exports to the Middle East and Japan. Brazil is also among the world's top 10 exporters of sugar.

In spite of its massive agricultural sector, Brazil is not self-sufficient in grain and was the largest grain importer in the Americas in the 1992 and 1993 marketing years. Brazil imported over 5 million metric tons of wheat per year between 1991 and 1993, plus smaller amounts of rice and corn.

Brazil suffered severe economic maladies in the 1980's and 1990's, including consistently high annual inflation rates (which reached an annual rate of 2,500 percent in 1993), a ballooning external debt, and years of sluggish or negative economic growth. To revive economic performance, the Brazilian Government made a policy about-face in 1990, shifting the country away from long-time trade and industrial policies based on import substitution, market protection, and government intervention. The 1990 policy reforms opened the Brazilian market to foreign competition, initiated privatization, and reduced the Government's role in many sectors.

A key feature of the 1990 reform package was the removal of restrictions on agricultural trade. Restrictions on agricultural exports had been an integral part of Brazil's industrial development policy, ensuring that domestic demand for food was met (while dampening food prices) before any surpluses were exported. As part of the reforms, almost all nontariff import barriers and export controls on agricultural goods and inputs were eliminated. Import licenses remained mandatory for grains and export licenses for soybeans, but are now granted automatically and used only for the collection of trade statistics. Licenses and quotas are no longer used to restrict trade as they were prior to Brazil's trade reforms.

The Government also initiated an incremental tariff-reduction scheme which cut the average (nonoil) tariff from 32 percent in 1990 to 14.2 percent by the end of 1993, with no single duty exceeding 35 percent. Under this scheme, tariff rates for corn, flour, soybeans and products, beef, pork, poultry, fruits, vegetables, and nuts have fallen to 10 percent. The duty on cotton is zero. The rice tariff is 15 percent, but is scheduled to fall to 10 percent in January 1995. Wheat tariffs are 10 percent, except during the peak domestic marketing season from September through January, when tariffs are 15-20 percent, depending on the c.i.f. value of the imported wheat. A government stock holding program also allows tariffs to be lowered further for short periods of time, when grain stock releases are not sufficient to meet demand.

The wheat marketing system was privatized in 1991; the Government had been the only legal buyer, seller, and importer of wheat for 25 years. Under Law 8.096, any private sector concern may now import wheat from any origin without quantity restrictions. The wheat sector has undergone major structural adjustments as a result of privatization, causing production to fall sharply while imports doubled.

Brazil's first farm bill, passed in 1991, included legislation that permits countervailing duties (CVD's) to protect farmers from alleged export subsidies of other countries. The Brazilian Government imposes a CVD upon finding that domestic producers have been damaged by the export subsidies of a trade partner. The Brazilian CVD was used against U.S. wheat imports between November 1992 and March 1993. In early 1994, the Brazilian Government was investigating Canadian wheat for alleged export subsidies. The Government has also decided to initiate consultations with the European Union, the first step to a possible CVD case on German wheat.

Soybean product processors are entitled to a special drawback arrangement that allows imports to enter duty-free if processors re-export an equivalent volume of meal and oil. Soybeans, meal, and oil exports are subject to a State value-added tax (ICMS tax). The ICMS tax rate varies by State, but is highest for whole soybean exports, lower for meal exports, and lowest for oil. However, the lower taxes on meal and oil exports may not be sufficient to offset crushing costs; therefore, other factors, such as domestic demand for soybean oil, may exert a greater influence on crushing decisions.

Exports of white sugar are normally subject to an 18-percent Industrialized Products Tax (IPI) plus a State sales tax of 15-17 percent. Raw sugar exports are also subject to State sales tax of 13 percent. (However, a legal dispute brought by the sugar mills over payment of State sales taxes has suspended payments as of September 1994.)

Brazil, Argentina, Uruguay, and Paraguay formed the "Common Market of the South" (the acronym is MERCOSUL in Portuguese, MERCOSUR in Spanish) in 1991 under the Treaty of Asunción. (Chile has recently expressed interest in joining MERCOSUR.) Goals of the MERCOSUR trade bloc include free movement of goods, services, capital, and labor between the four countries, and a common external tariff by January 1, 1995. As part of the implementation phase of MERCOSUR, Brazil has a preferential tariff scheme for these trade partners, and duties will be cut further as the treaty comes into full force. Brazil imports most of its grain from Argentina under these much lower preferential duties.

Brazil and Argentina have wheat and wheat flour agreements, which essentially set import quotas for Argentine wheat and flour. After 1994, the agreements will not be renewed, and instead, MERCOSUR trade rules will prevail for these commodities.

Several government programs continue to directly affect farm production and income, but the emphasis now favors domestically consumed food items rather than export crops. Two programs directly influence the prices of corn, rice, wheat, other basic food items, and cotton: a minimum guaranteed price (MGP) program, which sets "floor" producer prices; and a buffer stock release program, triggered by announced "liberation" prices (Precos de Liberacao de Estoques or PLE), to dampen price spikes when temporary shortages occur.

The Government announces these MGP's prior to planting as part of each year's annual agricultural package, and adjusts them for inflation throughout the crop year. The relative prices of program crops change from year to year because the MGP's are designed to meet production goals set by the Government in a particular year. The National Food Supply Company (CONAB), under the authority of the Ministry of Agriculture, is bound by law to purchase all program crops offered for sale by producers at the support price.

The PLE is an intervention price system designed to regulate the Government's accumulation and sales of grain stocks, as well as the flow of imports. If the market price rises above the PLE for a predetermined number of days, the Government sells stocks in wholesale cash markets. The PLE program also allows CONAB to lower import duties temporarily if supplies are still short after the sale of stocks. PLE's are announced for irrigated rice, upland rice, drybeans, corn, cotton, beef, manioc meal and flour, and wheat. PLE's are based on moving average world reference prices, and are adjusted periodically for inflation.

For many years, producers of soybeans, wheat, rice, cotton, drybeans, manioc, and corn have been eligible for production, marketing, and investment credit at below-market rates. Most of the official funds are earmarked for production or "custeio" credit, and farmers are eligible to borrow only a portion of their variable production costs at subsidized interest rates and must obtain the rest through normal commercial channels. Certain components of credit programs vary from year to year, but loan terms are generally differentiated by farm size, crop, yield, and region. In the 1993/94 credit package, grain farmers with small farms could borrow a larger share of their variable costs at lower rates than their counterparts with larger farms, but only small soybean farmers were eligible for "custeio" credit. Soybean producers are also permitted to seek financing outside of Brazil at much lower international rates through forward sales if their product is destined for the export market. Soybean farmers rely less on government credit programs than other types of farmers, and are reported to frequently use "swap arrangements" (trading a percentage of output for seeds, fertilizer, and other inputs) or forward-selling of their crops to obtain private financing.

In Brazil, all financial transactions, including loan principals, have been indexed because of the country's extremely high inflation rates. However, past agricultural credit packages penalized farmers by adjusting loan balances to actual inflation rates, while adjustments to support prices lagged inflation. The 1993/94 agricultural package implemented widespread use of the "product equivalency" method of loan indexation, which adjusts planting loan balances to the changing price of the specific commodity for which the loan was made. For example, if a farmer borrows an amount of money equivalent to the value of 100 tons of wheat, the principal balance due at maturity will be the current value of 100 tons of wheat. In addition to indexation of current loans, past farm debt is slated to be renegotiated in product equivalency terms. Product equivalency indexing is used only for producers of basic food crops (wheat, rice, cotton, drybeans, manioc, and corn), not crops bound for export.

The 1993/94 agricultural credit package also offers large producers of many commodities subsidized production financing for 100 percent of estimated production costs if they have improved their yields 10 percent, based on a 3-year average. Small farmers are eligible for government loans to improve farm infrastructure, but funds are limited.

The sugar and ethanol sectors are tightly controlled by the Secretary for Regional Development (SRD), Special Projects for Sugar/Ethanol Affairs, linked directly to the President's Cabinet. The Government still plays a major role because ethanol is a critical source of motor vehicle fuel in Brazil. Prices to sugarcane growers and prices of sugar to millers and refiners are set by the SRD, based on production costs, and are adjusted for inflation. Consumer and export sugar prices are not controlled by the Government. The SRD also sets annual sugar/ethanol production and export quotas.

The Government supports coffee prices through its membership in the newly formed Association of Coffee Producing Countries (ACPC). ACPC members agree to retain a specified portion of domestic production, based on their export volume and the world coffee price (International Coffee Organization composite indicator price, 20-day moving average). The Brazilian Government currently is bound to purchase its ACPC coffee quota through public auction. This program may evolve with changing market conditions.

In September 1991, the Government decontrolled the prices of nearly all consumer products, including food items. Brazil maintains some targeted food subsidy programs for the poor, some of which use food stocks amassed through farm support programs.

The 1990 reform program has been more successful in expanding trade than in implementing producer policies to expand food output. Trade barriers have fallen away, and between 1990 and 1992, total agricultural import volume grew by 56 percent and grain imports grew by 70 percent. However, Brazil suffered a severe recession between 1990 and 1992, and has had to depend heavily on deficit spending to meet fiscal obligations. Budgetary constraints have limited the Government's ability to design or administer agricultural policies to expand food output.

For example, some components of the annual agricultural package vary widely year to year. The Government is not always able to finance commodity purchases to support MGPs in a timely manner due to budgetary constraints. As a result, farmers often receive less than the official minimum price in the market place, and price support programs reportedly have lost credibility with farmers, especially since 1992. Budgetary constraints have also hindered the administration of subsidized credit programs, and the Government has not been able to make timely credit announcements every planting season. Because of these delays, farmers have increasingly found ways to finance planting with "swap arrangements" of inputs for future output, or to finance production themselves.

Brazil's high inflation has also plagued the effectiveness of farm programs because of the way in which farm loan balances and support prices were indexed to inflation. Before the 1993/94 crop year, credit programs had penalized farmers by adjusting loan principals to actual inflation rates, while adjustments to the MGP (which served as a floor price) often lagged inflation. The result of this unequal indexation was a squeeze on producer profits and high loan default rates. However, the new "product equivalency" provision may not survive in future annual farm packages if it proves to be too expensive. High inflation rates also make the timing of the availability of credit crucial, as real subsidy levels quickly erode under rapidly rising prices. Thus, delays in the delivery of credit to farmers has also squeezed profits.

Economic reforms have had mixed success in stabilizing Brazil's economy. GDP grew by nearly 5 percent in 1993, but inflation continued to spiral upwards. The annualized inflation rate in 1994 had reached 5,003 percent as of June 30. National budget concerns are even more pronounced in 1994, and will continue to have a major influence on the design and effectiveness of Brazil's agricultural policies. The Federal "Real Plan" to cut inflation and deficit spending has gone into effect, but it is still too early to judge the results. In short, even with the trade liberalization occurring in Brazil, macroeconomic problems will continue to exert a strong and somewhat unpredictable influence on the country's agricultural production, consumption, and trade trends. Even though traditional trade barriers (tariffs, quotas, licenses) have fallen since 1990, port and freight fees, Federal and State taxes, and other miscellaneous fees assessed on imports are markedly high in Brazil. The net results of these fees and taxes are real, but perhaps more easily hidden, barriers to trade.

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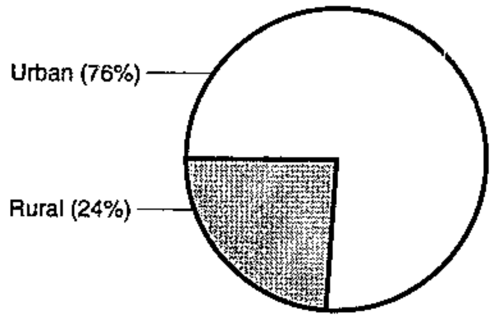
Brazil

Official name Federative Republic of Brazil
Type of government Federal Republic
Memberships ALADI, AFDB, ECLAC, FAO, GATT, IBRD, IDA, IFAD, IFC, ILO, IMF, ISO, LAIA, MERCOSUR, OAS, RIO, UN, UNCTAD, UNIDO

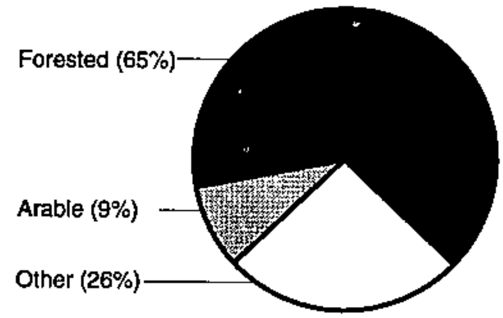
Population *1990*

150,386,000 persons



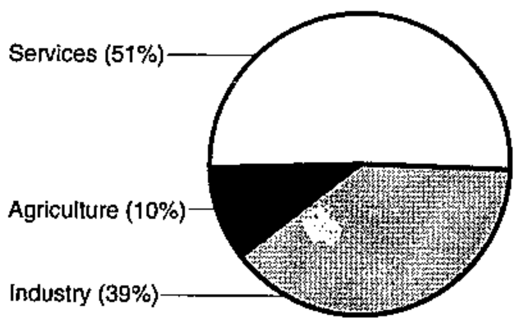
Land *1989*

846 mil. hectares (2,700,000 ha irrigated)



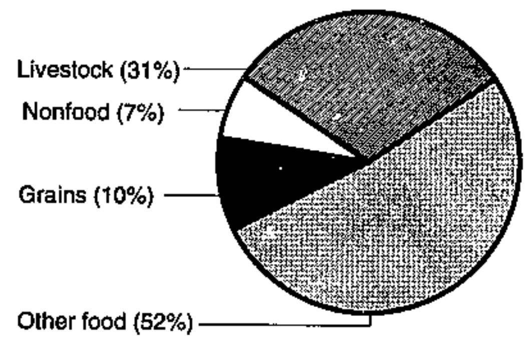
GDP *1992*

$369,000 mil.; $2,350 per capita



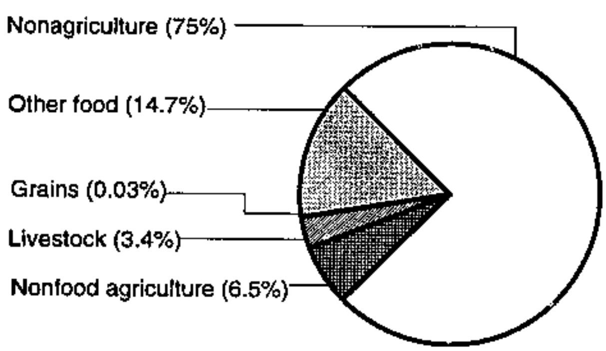
Agriculture *1991*

Major agricultural product: Fruits



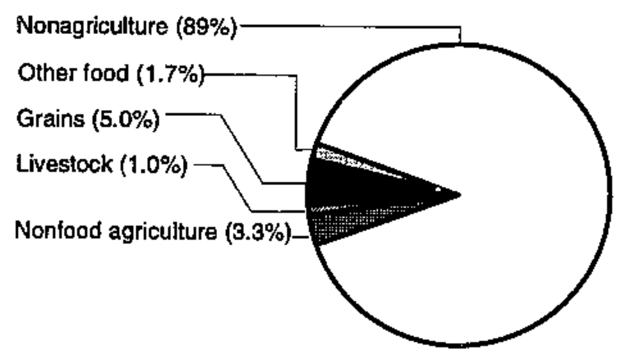
Exports *1992*

$36,207 million
Major agricultural export: Oil crops and feed products



Imports *1992*

$23,068 million



Note: Numbers may not add to total because of rounding.

Food aid: 19,000 tons (cereals in grain equivalent)

Canada

Mark V. Simone

Agriculture is a small sector relative to the total Canadian economy, accounting for less than 5 percent of GDP and employment. However, agriculture is very important in western Canada, where most of the crop and much of the livestock production occurs. Here, the dominant crop is wheat, followed by barley and rapeseed (canola). Cattle production is also an important farm enterprise. Dairy, poultry, and hog production are the main farm activities in eastern Canada.

Canada is a major agricultural exporter. In recent years, agricultural exports have contributed over half of Canada's trade surplus. Canada is a major competitor with the United States in world grain and oilseed markets, but the two countries are also major customers for each other's farm products. The U.S.-Canada Free Trade Agreement (CFTA) has increased agricultural trade between Canada and the United States. The North American Free Trade Agreement (NAFTA) for agriculture continues the provisions of the CFTA, while adding two bilateral trade agreements between Canada and Mexico and the United States and Mexico.

Canada's agricultural programs cover areas such as marketing, transportation, price and income support, credit, and inputs. The objective of many programs is to stabilize prices or income. The magnitude of policy intervention varies across the major commodity sectors: cattle and hogs are market-oriented and obtain very little direct government support; grains and oilseeds receive moderate government support, which has increased since the mid-1980's; while dairy and poultry are subject to substantial government intervention through production quotas, cost-of-production pricing, and import barriers.

Marketing boards cover a wide range of commodities--from apples to wool. Over 100 such agencies account for about half of Canada's farm sales. Because Canadian agricultural policy is a shared Federal-Provincial jurisdiction, all but five of the boards are Provincial. The Federal boards regulate wheat and barley grown in the Prairie Provinces (Alberta, Manitoba, and Saskatchewan) and dairy products, chicken, turkey, and eggs (including broiler hatching eggs) on a national basis. These boards function as state monopolies, controlling the production, pricing, and marketing of these commodities.

The Canadian Wheat Board (CWB) is the largest (in terms of sales value) and most influential marketing board. As the only legal exporter of western-grown wheat and barley, it is a major player in world grain trade. The CWB regulates producer deliveries through quotas, sets prices to producers, and controls access to the grain handling system.

The dairy and poultry sectors are strictly regulated by supply management systems that control production by quotas and set prices based on cost-of-production formulas. Imports are regulated by quotas and licensing requirements. However, beginning on July 1, 1995, these quotas are being converted to tariffs as a result of the GATT agreement on agriculture.

Beginning in August 1991, a new set of safety net or stabilization programs were introduced for grains and oilseeds, known as the Gross Revenue Insurance Plan (GRIP) and the Net Income Stabilization Account (NISA). The GRIP is an expansion of crop insurance, adding revenue as well as yield protection. Premium costs are shared among the Federal Government, Provincial governments, and participating producers. Payouts occur when the insured target revenue falls below the market revenue for the crop. The NISA allows farmers to set aside money in individual savings accounts and draw on this money during low income periods. Both levels of government also contribute to the account. Producers can make withdrawals from their accounts when their net farm income falls below the average of the previous 5 years or their current net income falls below $CAN 10,000.

Canada's rail system is highly regulated and subsidized for western grain and oilseed exports. Transportation subsidies are a major Federal expenditure on agriculture. The most significant program is the Western Grain Transportation Act (WGTA), amounting to $CAN 588 million in 1993/94. Under the WGTA, the Federal Government pays the railroads a subsidy for shipping eligible grains and oilseeds from the Prairies to Western Canadian ports, Thunder Bay, Ontario; and Churchill, Manitoba. The Canadian Government is expected to change the WGTA to comply with the provisions of the GATT.

As in other developed countries, Canada's recent policy reforms in agriculture have been primarily induced by large government deficits. Canada has discontinued ad hoc stabilization programs for grains and oilseeds. These programs included the Special Canadian Grains Program in 1986 and 1987, Special Income Assistance Program in 1990, and Farm Support and Adjustment Measures in 1991. The purpose of these programs was to raise producer incomes, deteriorated by low world prices. Canada also removed the National Tripartite Stabilization Program (NTSP) for cattle at the end of 1993 and terminated the NTSP for hogs during 1994. Additionally, due to Federal budget constraints, the WGTA has been reduced significantly over the past 2 years.

As a consequence, transfers to Canadian agriculture have declined in recent years. According to the Organization of Economic Cooperation and Development (OECD), government assistance to farmers in 1993 decreased 10 percent from 1992 levels to $CAN 6.6 billion. This trend is expected to continue during 1994 with the discontinuation of the NTSP and the reduction in the WGTA subsidy. Nevertheless, government support across the commodity groups remains highest for dairy, moderate for grains and oilseeds, and lowest for cattle and hogs.

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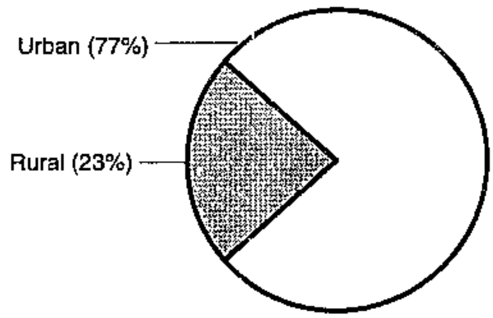
Canada

Official name Canada
Type of government Confederation with Parliamentary Democracy
Memberships AfDB, FAO, GATT, IBRD, IMF, ISO, UN, OECD, UNCTAD

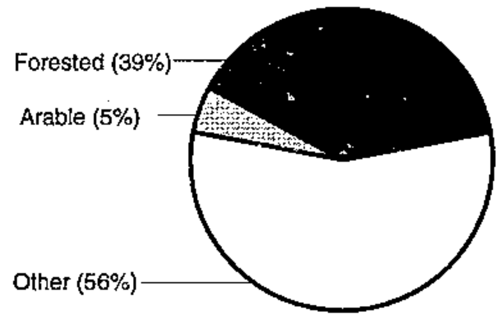
Population *1990*

26,521,000 persons



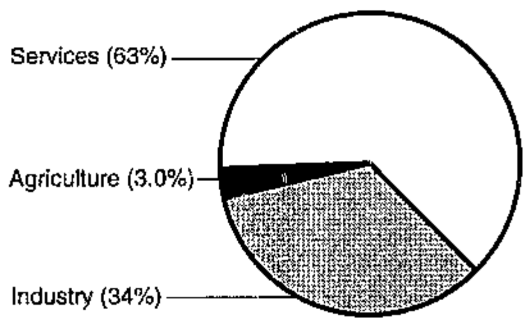
Land *1989*

922 mil. hectares (840,000 ha irrigated)



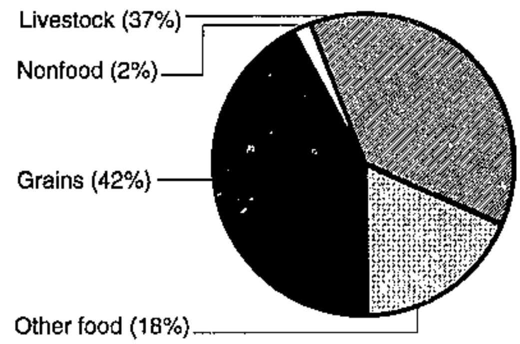
GDP *1992*

$537,100 mil.; $19,600 per capita



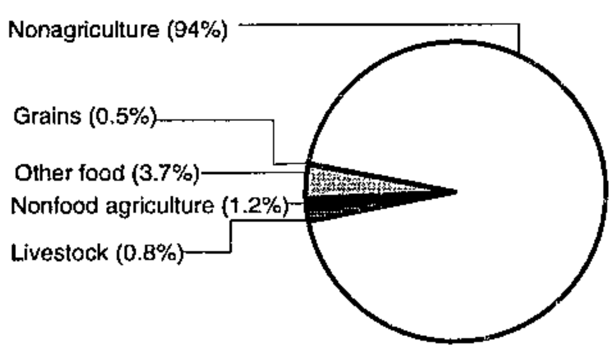
Agriculture *1991*

Major agricultural product: Wheat



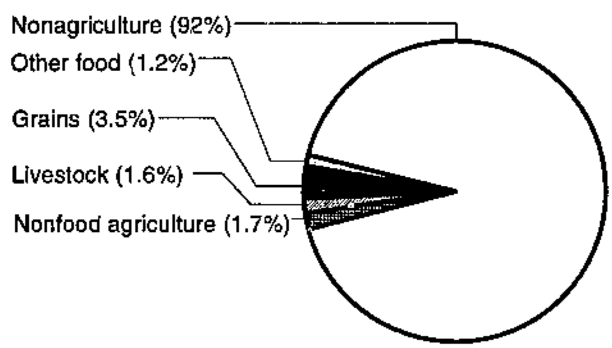
Exports *1992*

$134,238 million
Major agricultural export: Wheat and flour



Imports *1992*

$122,434 million



Note: Numbers may not add to total because of rounding.

Food aid (Donor): 752,000 tons (cereals in grain equivalent)

Chile

Lon Cesal

Chile, a long narrow country on the west coast of South America with a population of 13 million, benefits from a Mediterranean climate noted for its diversity of agricultural products. Chile's agricultural output has grown rapidly since its major policy reforms in the mid-1970's. Agricultural exports now account for approximately 20 percent of total exports. Exports of all of the natural resource-based sectors (agriculture, forestry, and fisheries) account for 40 percent of Chile's total exports. The largest share of Chile's agricultural exports is accounted for by fresh fruit, exported primarily to the Northern Hemisphere during the winter months (which coincide with Chile's summer harvest). Agricultural imports are only about 7 percent of Chile's total imports. Grains and oilseed and livestock products, imported from the United States and Chile's neighboring Southern Cone countries, make up a large share of Chile's agricultural imports.

The primary goal of Chile's current policy regime is to promote economic growth through the development of Chile's comparative advantages. Therefore Chile's most important monetary, fiscal, and commercial policies are designed to have little effect on intersectoral resource allocation decisions. Policymakers place a high priority on fiscal and monetary policies that provide a stable macroeconomic environment, including a relatively low inflation rate and capital markets with secure property rights. Chile's exchange rate is pegged to a three-currency basket of the U.S. dollar, the German mark, and the Japanese yen. The Central Bank adjusts the value of the Chilean peso monthly to account for inflation rate differentials, and intervenes in domestic financial markets to prevent large inflows of foreign capital from significantly altering the value of the peso.

Chile's principal trade policy, a uniform tariff of 11 percent on essentially all imports, is designed to ensure that all economic activities compete on an equal basis. Tariffs may be higher for (1) products subject to agricultural price bands (for wheat and wheat flour, sugar, and edible vegetable oils); (2) "luxury" goods such as liquors, wine, beer, nonalcoholic beverage ingredients, and cigarettes; (3) products subject to trade remedies; and (4) used goods other than capital goods. Tariffs may be lower for (1) certain products imported from ALADI countries, (2) a few products subject to GATT bindings of zero, (3) products of developing countries under the Global System of Trade Preferences (GSTP), and (4) products imported by diplomats and the military. Import duties can be deferred on capital and intermediate goods used to produce exported products.

The price band system for wheat, wheat flour, edible vegetable oils, and sugar, supported by a system of variable surcharges, is designed to maintain domestic producer prices between floor and ceiling prices that are determined by a given formula. The wheat price band mechanism, established in 1983, originally included only wheat grain but was expanded in 1992 to include wheat flour. The current edible oils price band mechanism, established in 1984, includes soybean oil, colza seed oil, sunflower oil, maize oil, and olive oil. The sugar price band mechanism, which includes both raw and refined sugar, was established in 1986 to replace the tariff surcharges Chile historically levied on imported sugar. Chilean authorities claim that the price band system does not constitute a price support mechanism, but rather, is used to reduce the effects of price variability in international markets caused by the production and export subsidies of other nations. According to one recently published study, Chile's average tariff equivalent was 30.3 percent for wheat and 29.6 percent for edible oils in 1989-91. The same study estimates that the average tariff equivalent for sugar was 35.1 percent for 1980-90. However, the price band system does not provide a guaranteed price for domestic producers. In the late 1980's, domestic wheat prices periodically fell below import prices when large harvests flooded the domestic market with wheat that could not be exported because of the lack of developed export marketing channels.

The annual floor and ceiling prices for the marketing year 1994/95 would be calculated as follows under the price band system. First, nominal monthly f.o.b. prices (quoted in dollars at various ports) would be collected for a 60-month period ending in December 1993 (a 120-month period for sugar). These nominal prices would be converted to real prices using an index which reflects the inflation rates in countries that are Chile's principal trading partners. The base period for the index would be December 1993. These real prices would then be ranked from highest to lowest, and the top and bottom 25 percent of the observations would be eliminated. The remaining lowest and highest numbers would be the floor and ceiling prices of the price band.

When the lowest quoted f.o.b. international price (reference price) is less than the floor price, a variable specific duty equal to the difference between the reference price and the floor price is added to the c.i.f. Chilean port price; the uniform *ad valorem* tariff of 11 percent is then assessed on this amount. When the reference price falls between the floor and the ceiling price, only the uniform tariff is added. When the reference price exceeds the ceiling price, the uniform *ad valorem* tariff is progressively reduced. At sufficiently high international prices, the uniform *ad valorem* tariff is eliminated. The reference prices are determined weekly.

When its price band mechanism fails to protect producers from "unfair trade practices," Chile turns to trade remedy measures: minimum custom values and tariff surcharges.[2] Minimum custom values may be used when the transaction value of imported goods is judged to be based on "below-normal" import prices and does not provide a reliable basis for the assessment of customs duties. In the past few years, Chile has established minimum custom values for cotton products, rice, corn, wheat flour, and dairy products. Tariff surcharges may be imposed on imports if their prices are affected by international market distortions. In the past few years, Chile has established tariff surcharges for sugar, cotton products, soybean meal, wheat flour, and dairy products.

Any combination of these remedies may be enacted if imports are judged to be, or threaten to be, harmful to a domestic industry. Enacted remedies expire after 1 year and can be extended only following a new investigation of an unfair import practice. Some remedies have been repeatedly renewed. In principle, the total of Chile's uniform tariff plus any combination of variable composite tariffs and trade remedy charges may not exceed the binding 35-percent GATT ceiling, but in fact they sometimes have.

A joint public/private marketing board (COTRISA) buys wheat from farmers at a minimum guaranteed price (which is usually set lower than the floor price of the price band) during the harvest period. In principle, COTRISA sets the guaranteed price so as to clear the annual wheat market just before the new wheat harvest. If it sets the price too high, it accumulates stocks which it carries over to the following year or exports; if it sets the price too low, it exhausts its stocks before the new harvest, which may force millers to import wheat to meet domestic demand. Farmers are free to sell their wheat to COTRISA or any other buyer. COTRISA buys only about 10 percent of Chile's wheat production.

Tariff preferences are granted to member countries of ALADI. Under partial-scope agreements, imports from ALADI countries enter Chile under complex product-specific bilateral and regional arrangements that change over time. In recent years, Chile's trade with ALADI countries has grown rapidly, but the share of imports under preferences has decreased.

In 1991, Chile concluded a free trade agreement (FTA) with Mexico that includes some agricultural products, as well as a less comprehensive trade agreement with Argentina. In 1993, trade agreements were concluded with Bolivia and Venezuela. Chile and the United States have initiated preliminary discussions on reducing or eliminating trade barriers between the two countries, through either a bilateral FTA or Chilean accession to NAFTA.

As a participant in the Agreement on the Global System of Trade Preferences (GSTP) among developing countries, Chile grants a 10-percent reduction in its uniform tariff for covered products. Only a few agricultural products benefit: vegetable saps and extracts, rubber latex and other natural gums.

A tariff drawback scheme available to all exporters provides for recovering customs duties paid on imported inputs used in the production of exports. Tariff surtaxes and countervailing duties, however, are not reimbursed. In 1989, the drawbacks for agricultural products was US$4.5 million. In recent years, the value of the drawbacks has been increasing.

A streamlined tariff drawback scheme available to small nontraditional exporters requires no documentation of imported inputs. If the merchandise export value of a firm in the preceding year was less than US$10 million, the firm is reimbursed at 10 percent of the f.o.b. value of its exports; if the merchandise export value of the firm was greater than US$10 million, the firm is reimbursed at a rate of 5 percent. In recent years, the value of the drawbacks

[2] Chile has no domestic legislation to implement a third trade remedy measure, a countervailing duty, *per se*; rather, it applies minimum custom values or tariff surchages to correct for price distortions that authorities judge are the result of unfair practices of trading partners.

under this scheme has increased, reaching almost US$67 million in 1989.

Since 1974, Chile has maintained direct subsidies for establishing forest plantations. There is a plantation subsidy to encourage planting new forests and administration and management subsidies to assist in overseeing the new plantations. The plantation subsidy expired in mid-1994 but is scheduled for renewal. In addition to the aforementioned subsidies, foreign and local firms engaged directly in forestation or reforestation pay no real estate taxes and receive a 50-percent reduction in the additional income tax levied on the exploitation of forests. Wood processing industry profits are not entitled to these tax concessions. Estimates of the reduction in owner's cost of growing wood due to these subsidies range from 5 percent to almost 30 percent.

The Chilean Government has promoted irrigation and drainage projects in the agricultural sector. From 1985 to 1993, the Government funded up to 75 percent of the costs of such projects with a maximum of US$240,000 for each project. The Government provided a total of US$26 million in such assistance from 1985 to 1991.

The Chilean Government's intervention in input markets is modest. All Chilean exporters can claim reimbursement of the value-added tax paid on inputs used in the production of exports, whether the inputs are domestically produced or imported.

Chile has a deferred payment system for customs duties on designated imported capital goods. Over 680 tariff lines were eligible for deferred payments in 1990, including a wide variety of machines, vehicles, and mechanical appliances. Presumably, agricultural equipment is included. Customs duties can be deferred up to 7 years at market interest rates.

Chile has sustained its general and agricultural economies at high levels of growth by establishing policies that contain inflation, reduce unemployment, and increase saving and investment. The policies encourage the use of unrestricted market price signals to realize Chile's comparative advantages for all but a limited number of products.

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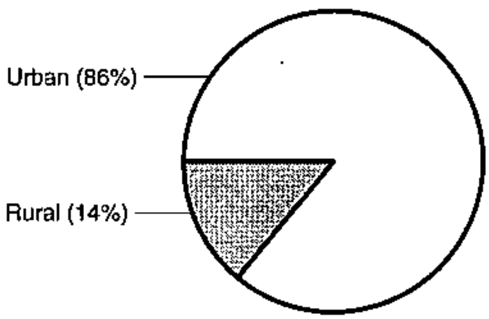
Chile

Official name Republic of Chile
Type of government Republic
Memberships ALADI, ECLAC, FAO, GATT, IBRD, IDA, IFAD, IFC, ILO, IMF, ISO, OAS, UN, UNCTAD, UNIDO

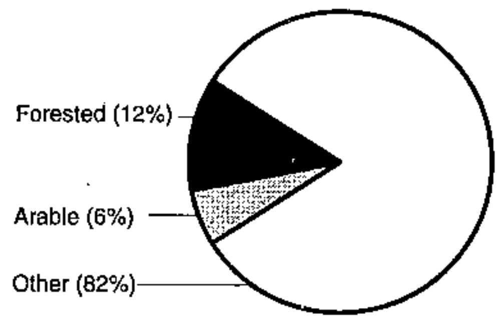
Population *1990*

13,173,000 persons



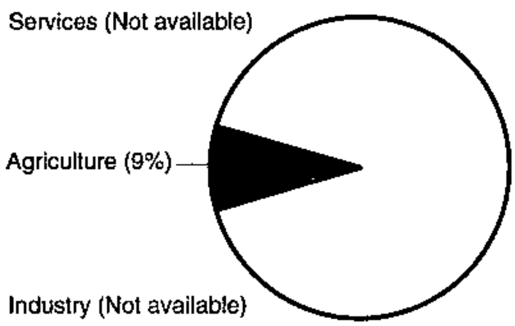
Land *1989*

75 mil. hectares (1,265,000 ha irrigated)



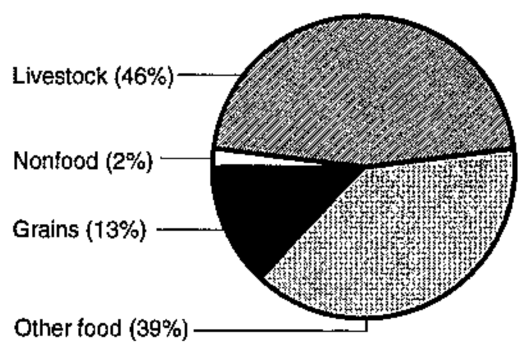
GDP *1992*

$34,700 mil.; $2,550 per capita



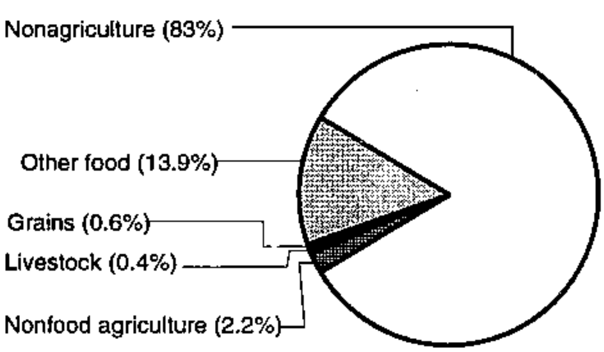
Agriculture *1991*

Major agricultural product: Fruits



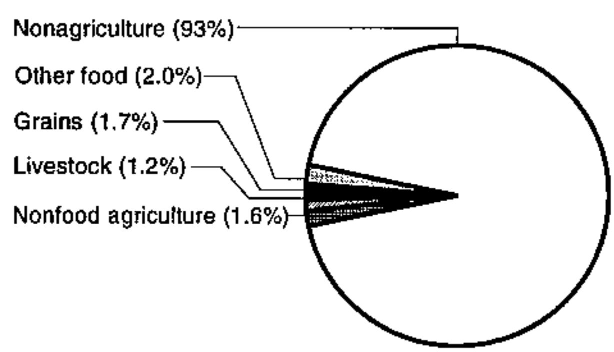
Exports *1992*

$10,125 million
Major agricultural export: Vegetables, fruits and nuts



Imports *1992*

$9,670 million



Note: Numbers may not add to total because of rounding.

Food aid: 14,000 tons (cereals in grain equivalent)

Colombia

Constanza M. Valdes

Colombia is the world's second largest producer and exporter of coffee and a leading exporter of bananas, cut flowers, sugar, cotton, horticultural and tropical products. Agricultural imports include wheat, pulses, feed grains, oilseeds and products, malting barley, powdered milk, and deciduous fruits. The United States is Colombia's largest supplier. Other important agricultural trading partners include Venezuela, Japan, Germany, and France.

Agriculture is the most important sector of the Colombian economy, generating 22 percent of GDP and employing 35 percent of the labor force. Agriculture remains Colombia's main source of legal foreign exchange earnings, providing close to 36 percent of export earnings; coffee is the principal agricultural export product. Imports of agricultural products remain relatively small, accounting for less than 10 percent of total imports.

Historically, Colombia's economic policy, and agricultural policy in particular, was based on a strategy of import substitution with extensive government intervention in selected sectors and significant use of import licensing and exchange controls. However, during times of rapid economic growth, Colombia maintained an outward-looking growth strategy of moderate liberalization and promotion of agricultural exports through direct subsidies.

The goals of Colombian agricultural policy were to promote food self-sufficiency and support farm prices and incomes. The main agricultural policies used to promote domestic production were high guaranteed price supports assisted by import controls; farm input subsidies for credit, fertilizer, and in the case of coffee, disease control; and the provision of financial, marketing, and processing services.

In the late 1980's, Colombia experienced a series of internal and external shocks that led to a deep economic crisis. The demise of the economic provisions of the International Coffee Agreement (ICA) in mid-1989 significantly reduced international coffee prices and sharply cut earnings from Colombia's main agricultural export. In addition, armed conflicts with guerrillas and drug traffickers increased political and social tensions adversely affecting the investment climate. The subsequent slowdown in economic growth, expanding fiscal deficit, and rising inflation caused the Government to adopt severe adjustment measures, including a devaluation of the peso and fiscal and monetary austerity.

To accelerate the recovery process, more market-oriented policies were adopted in 1990. The Government introduced a comprehensive structural economic reform program, "Programa de Modernización y Apertura Económica, 1990-94" (Economic Modernization and Market-Opening Program). The program tightened fiscal and monetary policy, relaxed foreign exchange controls, deregulated the financial sector, simplified foreign investment regulations, and privatized public enterprises.

The impetus of Colombia's economic reforms extended to the agricultural sector as well. The "Apertura" program eliminated the self-sufficiency policy initiated in the 1988 "Plan de Oferta Selectiva" (plan to promote the supply of selected products), which maintained high tariffs and license requirements on imports of rice, wheat, sorghum, barley, soybeans, sesameseed, corn, beans, oats, milk, cotton, and sugar. The "Apertura" program substantially reduced agricultural subsidies for these commodities. However, the cornerstone of the "Apertura" program was accelerated trade liberalization.

Trade reform led to a substantial reduction in average tariffs, in the number of prohibited imports, and in the use of official import reference prices. It also led to a significant relaxation of import licensing and the elimination of import surcharges. Export subsidy programs under the system of indirect tax rebates for exporters (Certificado de Reembolso Tributario, CERT) were also curtailed.

Quantitative restrictions (quotas) on imports of corn, sorghum, rice, soybeans, wheat, barley, oats, powdered milk, and sugar were replaced with variable tariffs (price bands). Currently, the variable tariff system is applied to imports of the basic commodities and their derivatives. The price band system aims at maintaining the targeted level of domestic support prices. Under this system, the Government establishes a minimum import price (price floor) based on costs of production, a carrying cost margin, and supply/demand conditions, and imposes a variable levy on the imported product in order to raise its price to the minimum level. The price ceiling is based on a 5-year international average price, adjusted every 6 months.

The "Apertura" program also contained a set of institutional reforms. Under the 1990 Foreign Trade Law, a new foreign trade ministry was created to centralize trade policy, and the Export Promotion Fund (PROEXPO) agency was converted into an export-import bank, the Bank of Foreign Trade (BANCOLDEX). The monopoly of the state trading agency, the Agricultural Marketing Institute (IDEMA), in the importation of several agricultural products was eliminated. IDEMA still imports a limited amount of wheat and barley, but the private sector purchases most of the country's agricultural imports, after presenting "certificados de absorcion" (absorption agreements) proving purchase of a certain percentage of domestic crops before any imports are authorized. In the domestic market, IDEMA now concentrates on marketing the crops of small farmers from poor areas of the country.

Import tariffs are levied on the c.i.f. value of most products imported into Colombia. Within the framework of the Andean Pact, Colombia adopted a tariff schedule of 0, 5, 10, 15, and 20 percent on most products, except agricultural products that are included in the variable tariff system. For these agricultural products, Colombia converted the variable surcharges on the basic import tariff (15 percent for most products) from a specific to an *ad valorem* basis. Colombia has also introduced temporary increases in import duties to safeguard domestic producers from sectoral surges of imports.

Coffee exports are subject to an *ad valorem* tax (Contribución Cafetera) based on the surrender price, which is collected at the time of foreign exchange receipts. In 1993, Colombia and other Latin American coffee producers reached an accord aimed at reducing export volumes by 20 percent each year to increase the price of coffee.

Export subsidies are provided through the issuance of tax credit certificates (Certificado de Reembolso Tributario, CERT). CERT's consist of indirect income tax rebates for exporters of agricultural products equal to a percentage of the f.o.b. value of their exports. The certificates can be either sold or used to pay income taxes. At times, CERT's have tended to overcompensate exporters for indirect taxes actually paid. The rates for agricultural products vary from 5 to 10 percent, depending on the product and, in some cases, export market destination.

Colombia grants tariff preferences and duty-free access to several agricultural products from ALADI and Andean Pact member countries. Colombia and Venezuela established the Andean region's first binational customs union in January 1992 to apply a common external tariff. Colombia and Venezuela's bilateral trade accord for several agricultural commodities was expanded by the Group of Three (G3) Agreement to include Mexico. Approved December 1993, the G3 agreement is to be implemented by 1995. Initially established as a mechanism for policy coordination, the three countries agree to phase out tariffs for over two-thirds of traded agricultural products within 10 years. As a member of the G3, Colombia is also negotiating a trade agreement with CARICOM. In February 1993, Colombia, Venezuela and the Central American countries signed a complementary economic agreement, not yet implemented, to eliminate mutual tariffs by the end of the decade. Extending the complementary economic agreement that Colombia and Chile signed back in December 1987, both countries are scheduled to accelerate the phase-out of tariffs on agricultural products between January 1, 1994 and January 1, 1997. Since July 1992, Colombia has been a beneficiary country of the United States' ATPA (Andean Trade Preference Act) program. The ATPA was authorized in 1991 to help curb drug production in Latin America by increasing output of other crops. Other beneficiaries include Bolivia, Perú, and Ecuador; the ATPA expires in 2001.

In addition to the trade policy reforms outlined above, domestic producer policies are currently undergoing a dramatic change. Structural reforms in the productive sector seek to reduce direct government intervention in production. Colombia substantially reduced the level of producer price supports, credit, marketing and other inputs assistance, particularly in the coffee sector. As part of the reform process, the price and marketing support system managed by the IDEMA was eliminated and replaced by the price band mechanism. Currently, 13 agricultural commodities, comprising mainly cereals and their derivatives, are subject to the minimum import price of the price band system. When the international price falls within the band, the importer has to pay the fixed *ad valorem* tariff. If the international price falls below the floor of the band, the tariffs are increased by the difference. If the international price exceeds the ceiling price of the band, the tariff is lowered by up to the full amount of the basic tariff.

The bulk of agricultural financing is channelled through four institutions in addition to commercial banks, which provide working capital loans for up to 1 year. FINAGRO (Financing Fund for the Agricultural Sector) provides operating loans for farmers. The Banco Cafetero issues credit for marketing of agricultural products produced in the coffee region. BANCOLDEX provides short-term working and fixed-investment capital loans, and finances a significant portion of Colombia's noncoffee exports. The Caja Agraria lends mostly to small and medium-scale farmers through its nationwide network, at interest rates below commercial lending rates. In addition to financial services, Caja Agraria also provides inputs. Agricultural interest rates have been gradually raised as the Government intends to phase out most directed credit subsidies by the end of 1994.

Historically, Colombian agriculture has been influenced by extensive government intervention, domestic price controls, and trade restrictions. However, the Government's agricultural trade liberalization and reform program initiated in June 1991 moves Colombia from import substitution toward more market-oriented policies. While the reforms are still in progress, they have already resulted in changes in domestic production and international trade.

Major changes in Colombia's trade policy orientation are expected from either future NAFTA accession or participation in a Western Hemisphere Trade Agreement. Integration and trade liberalization will also reinforce recent stabilization policies and consolidate the trade and economic reforms of the past 4 years in Colombia.

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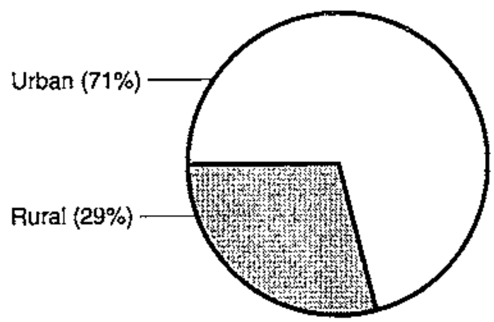
Colombia

Official name Republic of Colombia
Type of government Republic
Memberships AG, ALADI, FAO, GATT, G3, IBRD, ICC, IDA, IFAD, IFC, ILO, IMF, ISO, LAIA, OAS, RIO, UN, UNCTAD, UNIDO

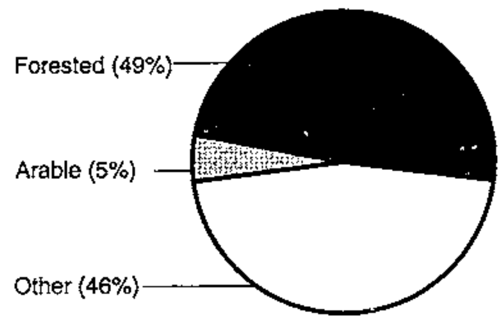
Population *1990*

32,978,000 persons



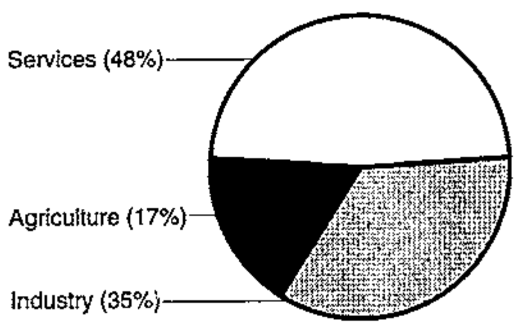
Land *1989*

104 mil. hectares (515,000 ha irrigated)



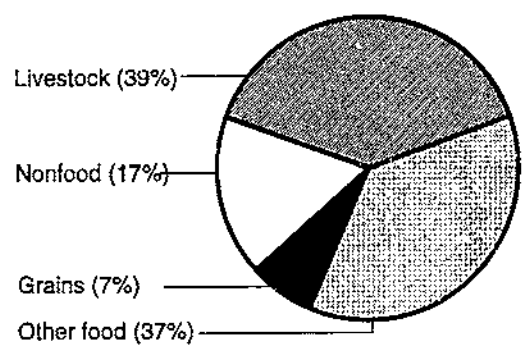
GDP *1992*

$51,000 mil.; $1,500 per capita



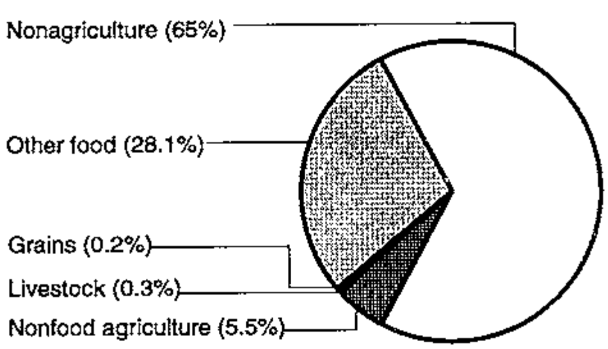
Agriculture *1991*

Major agricultural product: Fruits



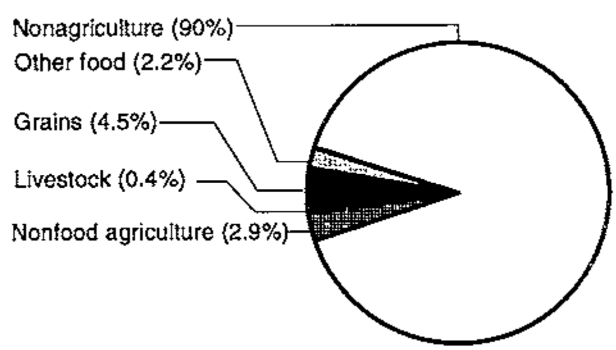
Exports *1992*

$7,055 million
Major agricultural export: Coffee, green and roasted



Imports *1992*

$6,400 million



Note: Numbers may not add to total because of rounding.

Food aid: 8,000 tons (cereals in grain equivalent)

Costa Rica

Christine Bolling

Costa Rica is a Central American country of 3 million people. Agriculture provides almost 20 percent of the GDP, about 60 percent of exports, and 25 percent of the employment in Costa Rica. Costa Rica has two agricultural sectors: an export sector based on bananas, coffee, sugar, and beef; and a domestic staples sector based on corn, rice, and beans. Export crops and rice are primarily produced on large farms, while corn and beans are grown on small farms. Coffee and bananas employ 15 percent of the workforce and provide 30 percent of Costa Rica's export revenues, but Costa Rica has successfully diversified to nontraditional exports. Costa Rica runs a sizeable agricultural trade surplus, and most of Costa Rica's agricultural trade is with the United States. Wheat, corn, and soybeans are the major agricultural imports.

Since an economic crisis in 1981-82, successive Costa Rican governments have engaged in stabilization and adjustment programs supported by the International Monetary Fund (IMF) and the World Bank. Costa Rican authorities, most recently the Calderón administration (1990-94), have implemented significant economic measures under the second World Bank structural loan. Costa Rica has some internal adjustments to make, particularly because of high public expenditures. Also, the sharp drop in international coffee prices, which followed the collapse of the International Coffee Agreement in 1989, reduced government revenues in the early 1990's.

Trade policies have been liberalized considerably since 1990, mostly because of Costa Rica's accession to the GATT in 1989 and the IMF's conditions for structural adjustment loans. Despite significant liberalization, some trade barriers remain.

The Government approved the IMF's Second Structural Adjustment Loan (SAL II) in October 1989. As part of SAL II, the Government will allow domestic grain prices to converge with international prices. Under GATT and SAL II, import permits will be eliminated for many products, including beef.

To fulfill the commitments it made in the Uruguay Round of the GATT trade liberalization negotiations, Costa Rica lowered its tariffs from 55 percent to 45 percent. Effective April 12, 1993, fruits, vegetables, poultry, breakfast cereals, beer, and wine face a maximum *ad valorem* tax of 19 percent. Cigarettes and candies not containing chocolate face a 27-percent tariff. Most products also face a fixed tax plus an *ad valorem* sales tax. Corn is subject to a lower tariff: 1-percent *ad valorem* tariff plus a 1-percent fixed tax.

Costa Rica has a few nontariff trade barriers, including quantitative restrictions on the imports of basic grains. Imports of beans, wheat, soybeans and rice are allowed only with National Produce Council (CNP) approval. All imports must be registered with the customs office before leaving customs. A barter license is required to import through barter transactions.

Exchange controls were removed by the Central Bank in March 1992. Exchange rates are established by the market and dollar transactions are no longer restricted.

The Government has encouraged nontraditional exports through the issuing of Certificados Abonos Tributarios (CAT's), a system of export rebates. These rebates, however, are being phased out. Costa Rica also has a drawback system for exports. These measures have been enacted to counteract the overvalued currency, which effectively taxes agricultural exports.

Exports of rice and powdered milk are allowed only if there are surpluses. The Government monopolizes trade through the CNP and the Rice Office.

The Government often sets farm prices, and has trade policies to regulate prices and quantities in the domestic market. Of the major export commodities, coffee prices have been liberalized since 1990, sugar prices are set according to a price fixing model run by the Ministry of Economy, and cattle prices are fixed in line with international prices. There is also a variety of policies to control the prices of domestically consumed products. The Government pursues self-sufficiency in basic foods (rice, beans, meat, milk) by controlling prices and supplies through the Ministry of the Economy and the CNP. Although the CNP's role is being reduced, it will continue to regulate the market for black beans and white corn.

Some former state-owned enterprises have been sold to private interests. CATSA, for example, is a formerly state-owned sugar mill now owned by private individuals. The Government still intervenes in agriculture through the Coffee Institute (ICAFE), the Rice Agency (OFIARROZ), the Tobacco Council (JUDETAB), and the National Seed Agency (ONS).

Input policies for agriculture are limited to a few credit programs. Production credit is limited by Central Bank policies. The Ministry of Agriculture has budgeted 300 million colones to subsidize interest rates for small producers. The Government also plans to finance the infrastructure needed in the banana-producing area to increase exports. The Costa Rica Development Corporation (CODESA) owns two fertilizer plants.

The Government regulates consumer prices through the Consumer Protection Law. Consumer prices and marketing margins are set by the Government for rice, dairy products, beans, some beef, eggs, and sugar at a level beneficial to the consumer but not so low that shortages result or that marketing margins are not covered. For the third structural adjustment loan, the IMF is calling for the elimination of price controls on all foods except milk, sugar, and palm oil. The CNP is expected to privatize a large number of "enbancos" (supermarkets) that cater to the lower income population, and to close and sell some of its storage facilities.

The Government continues to face problems from regulating farm and retail prices. When international prices rise, parastatals responsible for maintaining low consumer prices are often unable to adjust consumer prices fast enough to prevent financial losses. In 1991, the Government had to import beans at a high price, and financed them by charging high prices to feed mills for yellow corn. The Government has tried to adjust producer and consumer prices upward more often; nonetheless, periodic adjustment lags inadvertently cause bottlenecks in the marketing chain, subsidize consumers, and reduce production incentives.

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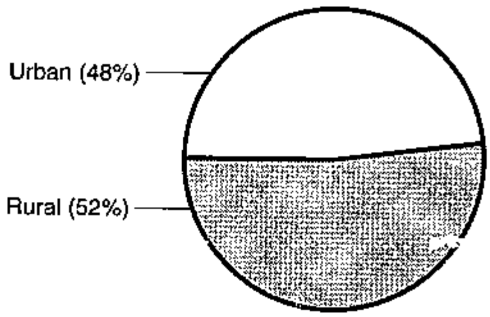
Costa Rica

Official name	Republic of Costa Rica
Type of government	Democratic Republic
Memberships	CACM, ECLAC, FAO, GATT, IBRD, IDA, IFAD, IFC, ILO, IMF, OAS, UN, UNCTAD, UNIDO

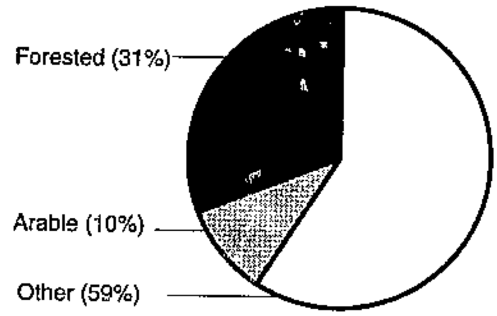
Population *1990*

3,015,000 persons



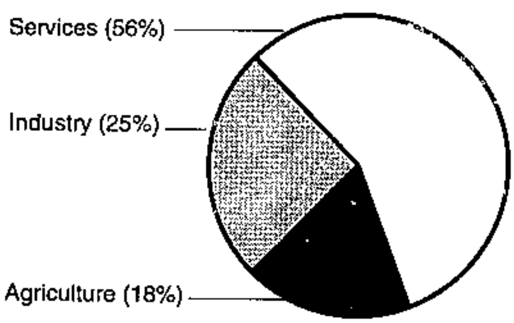
Land *1989*

5 mil. hectares (118,000 ha irrigated)



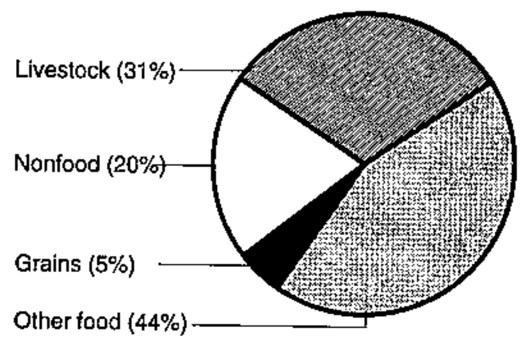
GDP *1992*

$6,400 mil.; $2,000 per capita



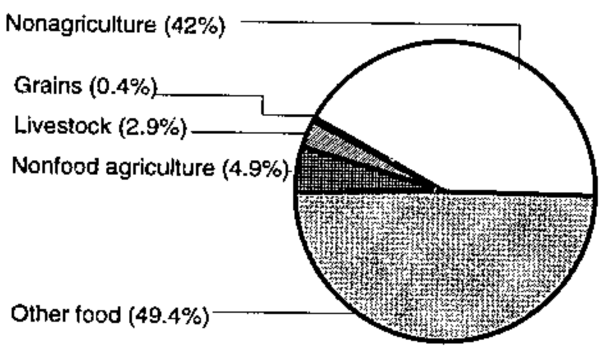
Agriculture *1991*

Major agricultural product: Fruits



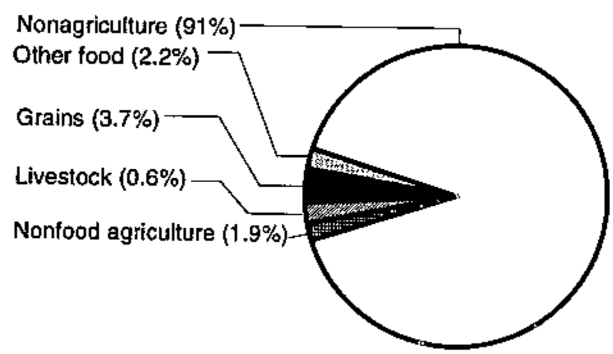
Exports *1992*

$1,829 million
Major agricultural export: Coffee, vegetables, fruits and nuts



Imports *1992*

$2,441 million



Note: Numbers may not add to total because of rounding.

Food aid: 84,000 tons (cereals in grain equivalent)

Cuba

Richard Brown and Christine Bolling

Cuba, with 11 million people, is the largest island country in the Caribbean. Production agriculture generates 11 percent of Cuba's GNP. The value added by sugar milling and processing fruits, vegetables, tobacco, beverages, and leather products accounts for an additional 50 percent of GNP. Sugar, tobacco, and citrus are the dominant crops.

Cuba is the world's largest sugar exporter. Sugar accounts for nearly 75 percent of Cuba's total merchandise exports, and half is exported to the former Soviet Union. Citrus shipments to Eastern Europe have been the fastest growing export. Cuba imports wheat, corn, rice, feedgrain, oilseeds, and livestock products.

Cuba's foreign trade deficit, which has been growing steadily in recent years, is partially offset by tourism, foreign investment, and borrowing. The former Soviet Union was Cuba's leading trading partner from 1961 to the early 1990's, with petroleum going to Cuba in exchange for sugar. Cuba has imported wheat from Canada on Soviet accounts since the United States banned trade with Cuba in 1961. Foreign investment, limited since the revolution to the tourist sector, is now shifting to agriculture.

The annual $4-billion Soviet subsidy, discontinued in 1992, was a major prop for the Cuban economy. With the decline of the Soviet Bloc export market, Cuba has shifted the bulk of its trade to Latin America, Organization of Economic Cooperation and Development (OECD) countries, and China. Cuba's estimated per capita income, which had been $2,500 in the 1980's, slipped to $1,370 in 1992.

Cuba is a centrally planned socialist economy. Except for some small farms, all enterprises have been owned and operated by the state since 1968. Agricultural policies are implemented by national, regional, and local planning boards. State farm enterprises are ultimately managed by the Central Planning Board (JUCEPLAN). Financial transactions are handled by the National Bank of Cuba and marketing is performed by state agencies.

Since 1961, agricultural production has taken place on four types of farms, with varying degrees of government intervention. The state sector consists of large state farms occupying 82 percent of Cuba's land. The nonstate sector includes the Cooperatives of Agricultural Production (CPA), the Cooperatives of Credit and Services (CCS), and the "dispersed" small private producers who establish commitments with the state regarding the collection and distribution of agricultural products.

In 1993, a fifth type of farm was introduced, the UBPC (Basic Unit of Cooperative Production). UBPC's are made from former units of large state farms. Their production plans and prices are set by the state, but UBPC's are otherwise semi-autonomous. They may apply for state bank loans and set aside a percentage of their production for internal use. UBPC workers receive a salary for the amount of land they till, and one half of profits are to be divided among workers.

Cuba's agricultural production is distributed by the "centro de acopio," the Government procurement agency. Domestic procurement and sale prices are insulated from international prices. Except for a small portion of production allowed for household use, all state farm production is delivered to the "centro de acopio." Nonstate farm producers have a quota they are obligated to deliver; excess production is sometimes sold or bartered. The Government also allows farmers' markets from time to time, but the last experiment was officially discontinued in 1986. Agricultural cooperatives appear to have been given more privileges in 1993. They may now lease state land, manage private plots, and retain profits. There is a wide variance in the state farms' share of production, ranging from 90 percent for citrus and 80 percent for sugar and cattle to 42 percent for tomatoes and 40 percent for vegetables.

The Cuban National Bank grants cooperatives better access to credit and lower interest than private farms. CPA cooperatives also receive preferential treatment on income taxes. Private farms are charged 5 percent of their gross sales and CPA's are charged 5 percent of their net profits. State farms' losses are covered by the Government.

The Government sets import quotas for basic foods. Food products are imported and exported by the Ministry of Foreign Trade. However, sugar, the principal export, is handled by Cuba Azúcar. International transactions are also carried out by the

National Bank of Cuba. Chilean and Israeli companies and a Spanish-Greek consortium have investments in the citrus sector. They assist in production, postharvest handling, and marketing of fresh citrus (primarily grapefruit) to Europe. The Cuban currency is valued in U.S. dollar terms, in hard currency transactions. Products traded with the former Soviet bloc are valued according to a negotiable price in soft currency, which does not necessarily reflect the products' true market value.

State-owned stores market food in the large cities. Most food is rationed, especially milk, eggs, rice, and chicken. Prior to the revolution, food was plentiful but many families lived in poverty. Since 1959, supplies of food and other consumer goods have often been scarce, unavailable, or rationed, but most families have enjoyed better health, housing, and educational facilities, largely as a result of Soviet subsidies. The decline of Soviet assistance and the loss of markets in formerly socialist countries have pressured Cuba's economy. In the 1980's and early 1990's, incomes fell sharply. Many of the social benefits that served to support the Government's legitimacy are now being curtailed. Total agricultural output may have regained its pre-revolutionary capacity in the 1980's, but per capita food production has not.

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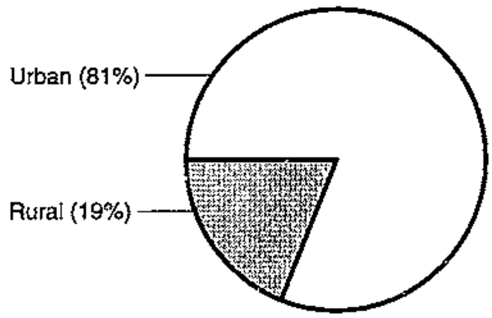
Cuba

Official name Republic of Cuba
Type of government Communist State
Memberships ECLAC, FAO, GATT, IBEC, IFAD, ISO, OAS, UN, UNCTAD, UNIDO, WFTU

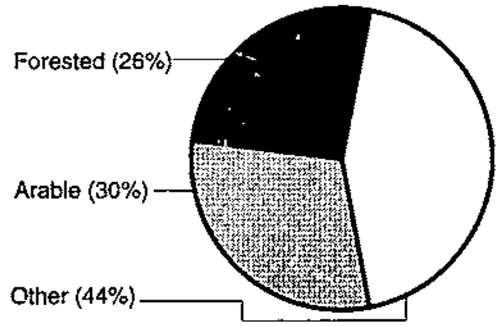
Population *1990*

10,608,000 persons



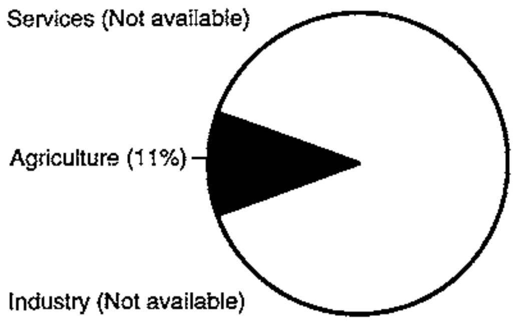
Land *1989*

11 mil. hectares (896,000 ha irrigated)



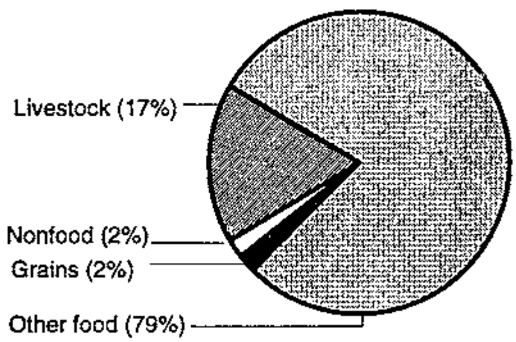
GNP *1992*

$14,900 mil.; $1,370 per capita



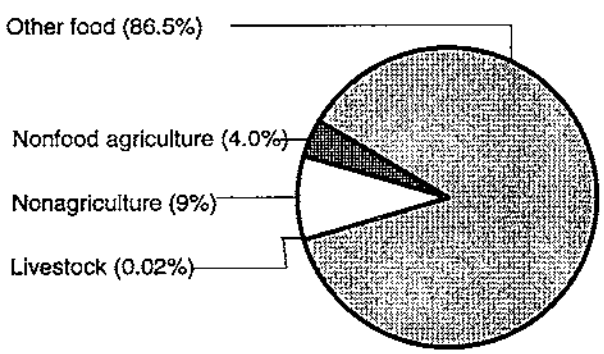
Agriculture *1991*

Major agricultural product: Sugar, centrifugal raw



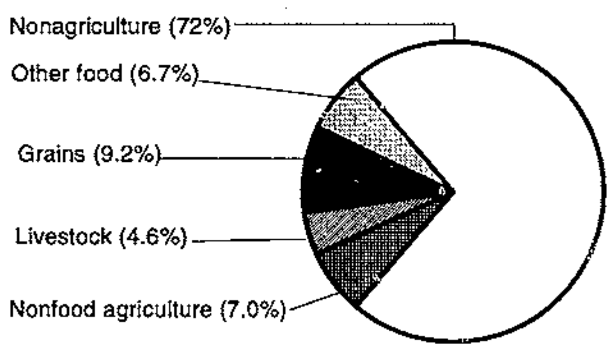
Exports *1992*

$2,800 million
Major agricultural export: Sugar



Imports *1992*

$2,600 million



Note: Numbers may not add to total because of rounding.

Food aid: 7,000 tons (cereals in grain equivalent)

The Dominican Republic

Richard Brown

The Dominican Republic is a country of 6.5 million people occupying the eastern side of the Caribbean island of Hispaniola. Agriculture accounts for 11 percent of the labor force, 18 percent of the GDP, and 53 percent of the commercial exports (1992). Rice, bananas, and plantains are the principal staples. Sugar, coffee, and cocoa beans are the Dominican Republic's principal agricultural exports. Sugar alone provides 30-40 percent of export earnings. Wheat, corn, and soybeans and soybean products are the major agricultural imports. The United States purchases 90 percent of Dominican exports and supplies two-thirds of Dominican imports.

Following several years of poor economic performance in the 1980's, the Dominican Government initiated a long-term reform process in 1990. The Government decontrolled prices for a number of foods and abolished taxes on traditional agricultural exports.

A new tariff schedule was implemented in 1992. Agricultural imports are now charged a basic *ad valorem* tariff, a surcharge, and a foreign exchange surcharge. *Ad valorem* tariffs range from 3 percent for oilseeds and products to 35 percent for beef. Tariffs also apply to wheat, corn, sorghum, coffee, sugar, tobacco, pork, and poultry.

Imports of pork, coffee, and tobacco were banned until 1992, when a system of import permits was initiated. Import permits for pork and poultry are issued based on the sufficiency of supplies. Instituto de Estabilización de Precios (INESPRE--Institute of Price Stabilization) and the Livestock Department of the Secretariat of Agriculture must approve imports, and the Livestock Department issues the permit. Likewise, INTABACO, the National Tobacco Institute, issues permits for tobacco imports when domestic production is insufficient to meet industry requirements, and INAZUCAR, the National Sugar Institute, issues permits for sugar imports. Oilseeds and products must be licensed and all trade conducted through a registered Dominican agent. INESPRE issues import licenses for rice, corn, onions, beans, garlic, pasta, and tomato paste. Import permits are also required for sorghum, coffee beans, and sugar.

Dominican export policies are driven mostly by the policies of trading partners, such as the U.S. Sugar Program, the EU's Lome Convention, and the Caribbean Basin Initiative. Rules of the U.S. Food and Drug Administration and Animal and Plant Health Inspection Service (APHIS) also affect Dominican trade opportunities for certain fruits and vegetables.

The Dominican Republic also has some export subsidies and taxes. Law 10-92, passed in 1992, eliminated export taxes on raw and processed coffee, but raised the internal coffee commission levy. Presidential Decree 115-90, enacted in 1990, imposes export taxes on cocoa beans. The Government also enacted export subsidy programs for coffee and rice in 1993.

The Government has made exchange rate stability a major goal, although the currency is considered to be overvalued. Commercial banks are allowed to trade in foreign exchange, but the Central Bank announces its official exchange rate each business day. Most sectors, including agriculture, are allowed to buy and sell foreign currency through the commercial bank system.

Agricultural policy attempts to provide food at a reasonable price to consumers, often at the expense of producers. INESPRE, the principal parastatal for implementing food and agricultural policy, was established in 1969 to support domestic producer prices and to control imports through licensing. Although its role has been reduced recently, INESPRE continues to administer food donations, handle commercial purchases, and set the prices of most price-controlled items. The agency distributes "canastas familiares" (family food baskets) to needy households. INESPRE is also responsible for purchasing crops covered by government programs, though it is not always able to purchase all the crops delivered by farmers.

In 1991, consumer subsidies for flour and sugar were lifted as well as price controls for rice, all meats, and live poultry. Price controls remain for sugar, soybean oil, corn flour, and pinto beans. The Government also controls the agroindustrial sector through its ownership of wheat and sugar mills and a cigarette company. The Corporación Dominicana de Empresas Estatales (CORDE), a holding company, controls the country's only two flour mills, Molinos Dominicanos and Molinos del Norte. These mills are mandated to distribute wheat and wheat flour at fixed prices, even if the prices are below cost. However, since 1991, flour mills can set their official prices to bakers at a level sufficient to cover costs.

The parastatal Consejo Estatal del Azúcar (CEA), operates 10 government-owned sugar mills alongside the private mills of Central Romana and the Vicina group. CEA produces nearly half of Dominican sugar. According to Dominican law (DR 490), farmers must receive 60 percent of the total market value of the sugar sold. Large tracts of CEA land were transferred to private owners under a sugar diversification program during the 1980's. More recently, CEA, operating at a loss, sold or leased 20,000 hectares to private growers to produce pineapples, citrus, African palm, and winter vegetables. CEA has also sold land for use in free trade zones.

The Agrarian Reform Institute (IAD) oversees nearly 400,000 hectares of state-owned land. The Institute redistributes land to peasant farmers and has authority to grant provisional and permanent title to the land. IAD provides technical assistance, especially in seed distribution and marketing. Nearly half of the country's rice production is on IAD land.

Banco Agrícola, the Government's Agricultural Credit Bank, offers credit to farmers at an interest rate below the commercial rate. Limited resources force the bank to ration credit to specific agricultural activities. The rice sector received two-thirds of the $60 million for production credit in 1992.

Many of the Dominican Republic's economic problems are endemic to countries that use numerous policy instruments to control producer and consumer prices in an environment of fluctuating international prices. Rice production declined some years because producers could not obtain subsidized loans from the Agricultural Credit Bank. In 1992, in response to pressure from the livestock industry, the Government agreed to reduce the price of wheat bran to its true market cost. However, the action had the unintended effect of encouraging contraband wheat exports to Haiti. Price controls for wheat flour and sugar are often not adjusted fast enough to reflect changing costs; consequently, the mills often have negative cash flows. Fertilizer use has been hampered because fertilizer importers have to obtain foreign currency from the Central Bank to purchase imported fertilizers. Banco Agrícola issues letters of credit to farmers to finance fertilizer purchases, but fertilizer companies are hesitant to honor the letters because the banks have a backlog of payments.

In general, price controls have taxed the farm sector and provided implicit subsidies for consumers. The rice industry, however, appears to have received more government aid than other agricultural sectors in the early 1990's. Rice prices are higher than international market prices, and are officially protected by import bans, export subsidies, and subsidies to low-income consumers. Rice producers also receive the bulk of subsidized agricultural credit. Domestic corn, poultry, and milk prices are also well above international prices because of tariffs.

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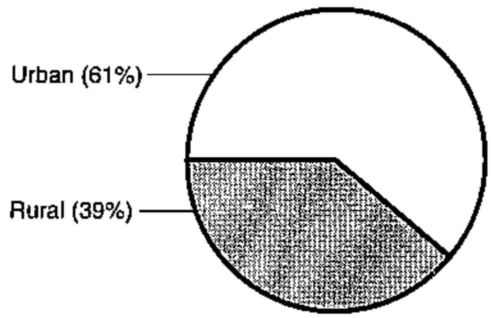
The Dominican Republic

Official name Dominican Republic
Type of government Republic
Memberships ACP, CARICOM, ECLAC, FAO, GATT, IFAD, OAS, UN, UNCTAD, UNIDO, WFTU

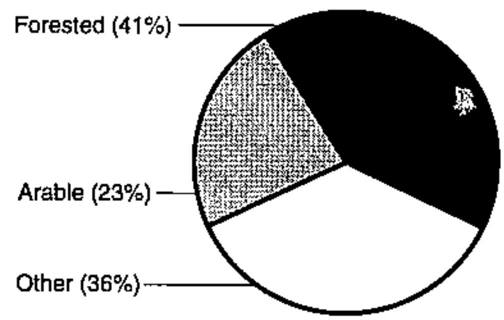
Population *1990*

7,170,000 persons



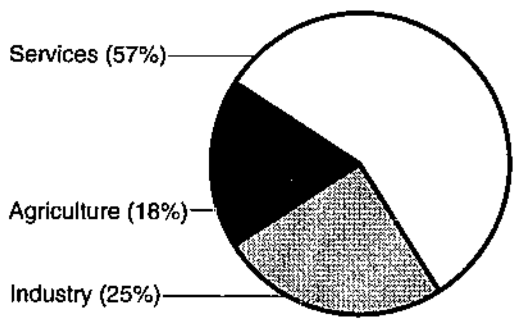
Land *1989*

.075 mil. hectares (225,000 ha irrigated)



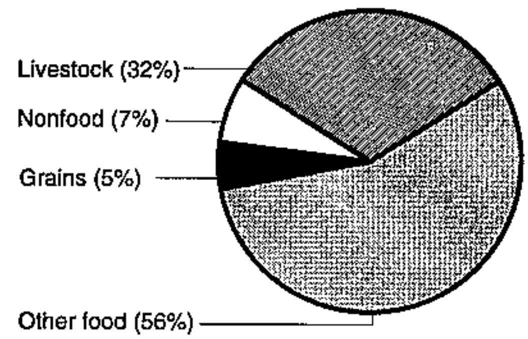
GDP *1992*

$8,400 mil.; $1,120 per capita



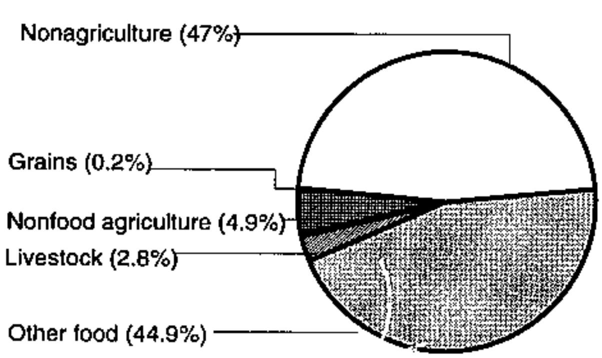
Agriculture *1991*

Major agricultural product: Fruits



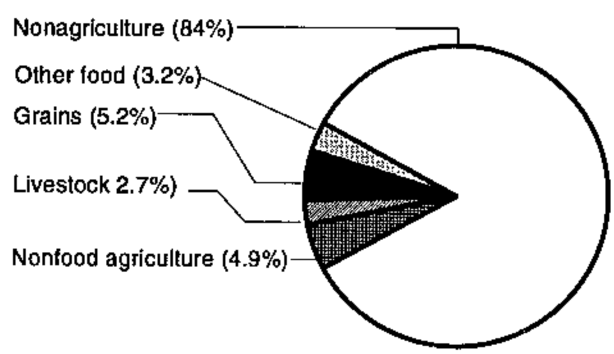
Exports *1992*

$561 million
Major agricultural export: Sugar



Imports *1992*

$2,178 million



Note: Numbers may not add to total because of rounding.

Food aid: 11,000 tons (cereals in grain equivalent)

Ecuador

Christine Bolling

Ecuador is a small Andean country with 11 million inhabitants. Agriculture provides 15 percent of the GDP, 35 percent of the labor force, and 30 percent of export earnings. Petroleum is the other major source of GDP and export earnings. Ecuador has two distinct agricultures based on topography. The Sierra (highland) produces traditional staples such as soft corn, beans, and potatoes. The coastal lowland produces the country's most important export products, such as bananas, shrimp, coffee, and cocoa, and staples such as rice. Ecuador has a trade surplus in agricultural products. Ecuador is the world's largest producer and exporter of bananas, exports nearly half of the world's cocoa beans, and is a leading exporter of shrimp. Wheat, rice, soybean oil, tallow, and grease are the major imports. The United States is the largest market for Ecuador's agricultural products.

After a decade of stagnation, the economy began to grow in the early 1990's, but Ecuador experienced 50 percent inflation in 1991 and 60 percent inflation in 1992. Employment growth has been limited, and there is widespread agreement on the need for major structural reforms to revive economic growth.

The Borja Government began reducing tariffs and nontariff barriers in 1989, and the current Durán Bullen Government, which took office in 1992, has carried reforms further. The Durán Bullen Government introduced a major macroeconomic adjustment program and structural reform measures, including a budget reform law, liberalized investment regulations, and a new capital markets law. The Government's stated goals are to streamline the public sector, privatize major government-owned companies, reduce inflation, improve infrastructure, and resolve the commercial bank debt issue.

Ecuador has liberalized its markets because of pressure from the IMF and the Andean Pact. Ecuador is also in the process of acceding to the GATT, which should institutionalize its committment to trade liberalization. Ecuador has lowered tariffs to 5-20 percent for most products. The new tariff rates are 5 percent for raw agricultural products such as wheat, corn, sorghum, oats, barley, and seeds; 10-15 percent for semiprocessed products, vegetable oils, oilmeals, tallow, and cotton fiber; and 20 percent for milk replacers, milk powder, high-value products, and wheat flour. Tariffs for livestock products, such as embryos and semen, are set at 10-15 percent. However, imports are charged other levies and fees. Wine, for example, carries a 2-percent Children's Nutritional Fund Tax, a 1-percent service tax for the Central Bank, and a 10-percent value-added tax.

Ecuador has a few nontariff barriers that are commodity-specific. The Ministry of Agriculture requires phytosanitary certificates for vegetable oil and meal imports. Oilseed meal imports also require prior approval of the Ministry of Agriculture. Licensing requirements for imported corn, sorghum, and oats have been abolished.

The most significant agricultural trade barriers in Ecuador are price bands for rice, hard corn, barley, soybeans, soybean oil, African red palm oil, sugar, poultry meat, and powdered milk; these are similar to the price bands in Colombia, Venezuela, and Peru. There will also be a price band for wheat under the "harmonized" Andean Pact price band system, which is scheduled to become effective on January 1, 1995. The Government maintains that the price band is designed only to stabilize prices and provide some protection from foreign-subsidized exports. Nonetheless, farm prices in Ecuador's protected market are well above world prices for corn, rice, and soybeans.

Although the Andean Pact was formed in 1969, progress toward a free trade area has been slow. The Pact agreed to form a common market in 1990 and took significant steps toward trade liberalization and economic integration in 1992, when all trade duties, subsidies, and trade barriers among Ecuador, Colombia, and Bolivia were abolished. Ecuador eliminated all remaining duties on Venezuelan products in 1993, thereby creating the Andean Free Trade Zone of the Pact. Ecuador also reached an agreement with Peru, the only regional country that was not in the Andean Free Trade Zone, to mutually exempt 400 items from all import tariffs in 1993. The final step toward forming a common market will be the adoption of a Common External Tariff (CET) for the Andean Free Trade Zone, slated for implementation in 1995.

Ecuador has already benefited from membership in the Andean Free Trade Zone. Ecuador has increased legal exports of soybean oil and sugar to Colombia and Peru, where prices are higher than in Ecuador. Ecuador also has more access to legal imports of rice, corn, and barley. Ecuadoreans can now import more high-value products, which had recently been available only on the black market. Prices for these products dropped sharply with the open-market policy.

Agricultural trade is conducted at the intervention rate of exchange, which is set by the Government and is different from the official rate of exchange used by the Central Bank and a managed float rate used for other private transactions such as receipts from tourism and capital flows. This exchange rate regime has been in place since December 1992, when it supplanted a free-market exchange rate regime which had been in place for 1 year.

Until 1993, the Government Economic Front, comprised of the Ministries of Finance, Agriculture, Industries, Natural Resources, and Public Works, set prices for wheat flour, sugar and hard corn. Sugar was the last commodity to have controlled prices from the farm to the consumer. While the Government no longer sets farm prices, it continues to own property, such as the AZTRA sugar mill and storage facilities.

Ecuadorean coffee growers were supposed to be insulated from falling international prices with subsidy payments from the National Compensation Fund for Exports. This fund was established to capture funds when international prices exceeded prices paid to domestic growers. However, the fund did not have the money to compensate producers when international coffee prices fell below domestic prices during the early 1990's.

In sum, Ecuadorean producers and consumers alike were buffeted by inflation, devaluation, and other volatile macroeconomic conditions until late 1993, when the economy stabilized as a result of government reforms. Producers and consumers have since benefited from the regional Andean market, which has increased the number of products available in the marketplace for consumers and created a larger market for those who produce exportables. The Andean Pact's CET, once implemented, may increase farm prices in Ecuador, benefiting producers more than consumers. The combination of the Andean Pact's CET and price band system will likely divert Ecuador's imports of certain agricultural products, such as soybeans, from U.S. to intrapact sources.

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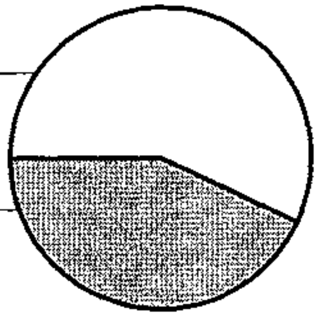
Ecuador

Official name	Republic of Ecuador
Type of government	Republic
Memberships	AG, ALADI, ECLAC, FAO, IDA, IFC, ILO, IMF, IFAD, LAIA, OAS, UN, UNCTAD, UNIDO, WFTU

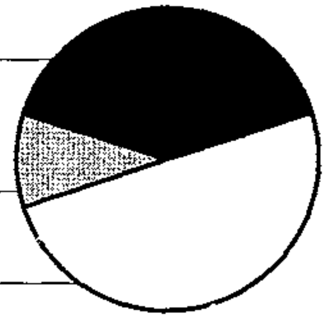
Population *1990*

10,587,000 persons



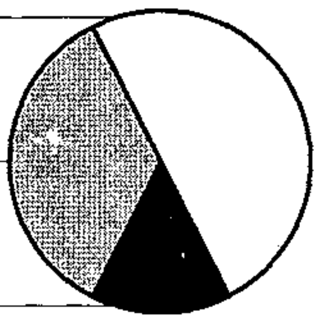
Land *1989*

28 mil. hectares (550,000 ha irrigated)



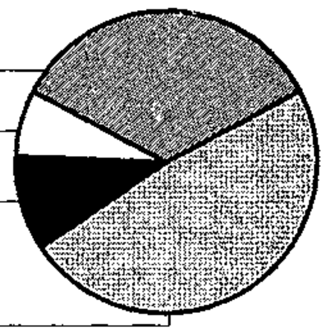
GDP *1992*

$11,800 mil.; $1,100 per capita



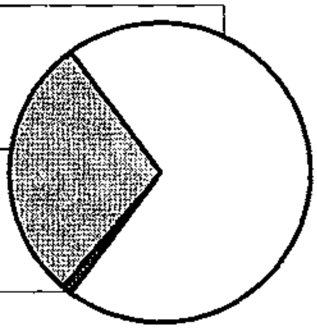
Agriculture *1991*

Major agricultural product: Fruits



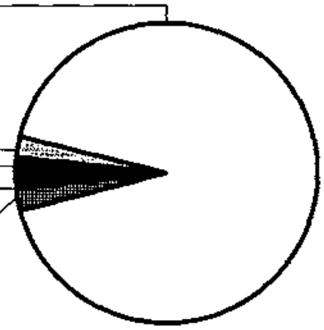
Exports *1992*

$3,007 million
Major agricultural export: Vegetables, fruits, nuts, and cocoa beans



Imports *1992*

$2,336 million



Note: Numbers may not add to total because of rounding.

Food aid: 54,000 tons (cereals in grain equivalent)

El Salvador

Christine Bolling

El Salvador is an agrarian economy of 5 million people. It is one of the most densely populated countries in the Western Hemisphere. Agriculture represents only 10 percent of GDP, but employs 40 percent of the labor force and provides about 40 percent of export earnings. Salvadoran agriculture consists of two sectors: (1) subsistence farmers producing corn and beans, and (2) large commercial production operations and associated agroindustries. El Salvador's traditional exports of coffee and sugar remain the predominant source of agricultural foreign exchange earnings. However, exports of melons, shrimp, sesame, fresh vegetables, other fruits, and cut flowers have shown strong growth in recent years. El Salvador is a net exporter of agricultural products, but imports powdered milk, wheat, cotton, vegetable oils, and tallow. Nearly half of El Salvador's agricultural trade is with the United States. Economic performance and agricultural production were hampered by the Civil War during the 1980's; agricultural output fell 13 percent between 1980 and 1989. Now the economy appears to be gaining strength.

The Christiani Government, which assumed office in 1989, introduced a comprehensive Economic and Social Development Program for 1989-94 to create a more market-oriented economy and to reduce poverty. The Government also negotiated an end to the civil conflict, culminating in the signing of the peace accords on January 16, 1992. The World Bank approved a structural adjustment loan, and the IMF approved two standby agreements. The World Bank program includes a restrictive monetary policy to reduce inflation, liberalization of exchange rates, elimination of quantitative restrictions on foreign trade, and reduction of the maximum tariff to 20-percent *ad valorem*. The IMF also formulated a program in 1993 to maintain a low deficit and to finance expenditures associated with the National Reconstruction Plan. Reconstruction measures include continued privatization of the public sector, improved tax administration, and elimination of tariff exemptions.

El Salvador has liberalized its trade in many ways. The Government reduced the tariff ceiling to 20 percent on most agricultural imports and eliminated export permit requirements for basic grains and powdered milk in 1992. The monopoly powers of the coffee and sugar parastatals have also been curtailed.

Barriers to U.S. exports still exist in El Salvador, but for fewer products. The principal barriers include the price band regime of the Central American Common Market (CACM), of which El Salvador is a member, and zoosanitary requirements on poultry. The CACM is a customs union, which permits free movement of labor, capital, and virtually all goods among the member nations.

Corn, sorghum, soybean meal, and rice are protected by the price band system. The price band is calculated from international prices of the previous 60 months for a given product. The 15 highest and lowest prices are eliminated, and the remaining high and low prices determine the upper and lower bounds of the price band. A 20-percent *ad valorem* tax is imposed when the c.i.f. price falls within the range of the price band. If the price falls below the floor price, a variable tariff is assessed to bring the price within the band. If the c.i.f. price exceeds the ceiling, the tariff rate varies inversely with the price. For example, if the c.i.f. price of a product exceeds the ceiling price by 8 percent, the duty assessed on the product will be a 12-percent *ad valorem* tariff. At sufficiently high levels, no duty is assessed.

Sugar is one of the few exceptions to free trade in the CACM. Import tariffs are 20 percent *ad valorem*, even among Central American countries. Sugar imports require a license approved by the Commisión Salvadoreña para el Desarrollo and issued by the Ministry of Economy.

Nontariff barriers exist for several products. Poultry imports from non-CACM sources are effectively prohibited by the zoosanitary standards enforced by the Ministry of Agriculture. Other trade regulations include sanitary certificates for unprocessed food and live animal imports. Laboratory testing and certification are required for most processed foods.

The most important producer policy changes were the elimination of export restrictions and marketing monopolies for sugar and coffee, and the dissolution of the grain market monopoly, Instituto Regulador de Abastecemientos (IRA).

INCAFE, a semiautonomous government agency established in 1980 to purchase and export Salvadoran coffee and to provide credit to coffee growers, had much of its monopoly power taken away, but still operates as one of many coffee buyers and exporters. To take its place, the Consejo Salvadoreño del Café (CSC), an autonomous council of coffee producers, processors, and exporters, was created in 1989. The board of directors is composed of four representatives from government agencies and four presidents of private coffee associations. Domestic coffee prices, formerly set by INCAFE, are no longer regulated. The Government eliminated the coffee export tax in 1992. Exporters now pay a tax assessed on net profits, and must also register their sales with the CSC. To increase international coffee prices, El Salvador and other coffee-exporting nations plan to withhold 20 percent of their exportable coffee from the world market. This program is administered by the CSC. Low world coffee prices had caused coffee farmers to accumulate large arrears with commercial banks. In 1992, the Government created an emergency fund from which coffee producers registered with the CSC could borrow on favorable terms $15 per hundredweight of coffee exported in 1991/92.

Sugar prices continue to be set by the Government in collaboration with the sugar mills. Six of the ten sugar mills in El Salvador are managed by the Instituto Nacional del Azúcar (INZUCAR), a government agency. Sugar cane producers are guaranteed a minimum fixed price. Sugar mills pay a bonus for sugar cane with high sucrose content. A 10-percent value-added tax, implemented in 1992, is levied on the sugar mills. INZUCAR's six sugar mills are responsible for 41 percent of the industry's production capacity. Formerly a monopoly, INZUCAR now functions freely in the market without special rights.

The Land Bank was created in 1991 to purchase and transfer land to peasants and former combatants to diversify agricultural production. Almost 90 percent of Salvadoran farmers have less than 3 hectares to farm, which is viewed as a constraint to agricultural development. Transfers to former combatants played an important role in finalizing the Peace Accords.

El Salvador, ravaged by war for a decade, has made strides toward trade liberalization by limiting the monopoly power of coffee and sugar export and grain import agencies. Despite considerable trade liberalization and deregulation, some policies continue to limit trade. The price band mechanism introduced by El Salvador under the CACM allows increased trade opportunities within the customs union, but erects trade barriers to nonmembers. Since the price band was first implemented, El Salvadoran corn and rice imports from the United States have significantly decreased. El Salvador is being asked to eliminate the price band over the next 3 years. Domestic grain production increased because of the price band, the removal of internal price controls, and deregulation of grain marketing.

The Government's ownership of sugar mills and protection of the domestic market has enlarged the industry and perpetuated inefficiencies. Restrictions of poultry imports also perpetuate inefficiencies in the poultry industry. Protection of the coffee industry through the coffee retention fund insulates the Salvadoran coffee industry from the world market. While these programs benefit producers, they do so at the expense of consumers and taxpayers.

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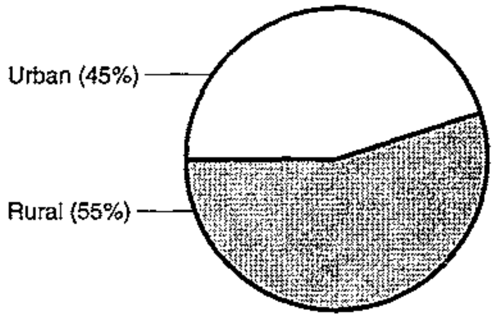
El Salvador

Official name Republic of El Salvador
Type of government Republic
Memberships CACM, ECLAC, FAO, GATT, IBRD, IDA, IFAD, IFC, ILO, IMF, UN, UNCTAD, UNIDO, WFTU

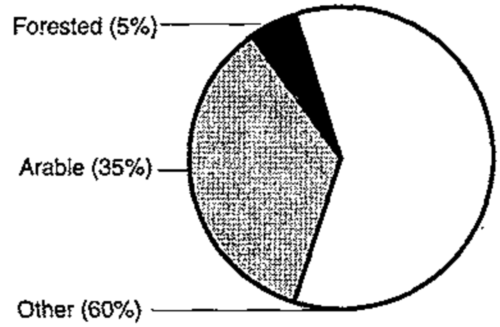
Population *1990*

5,252,000 persons



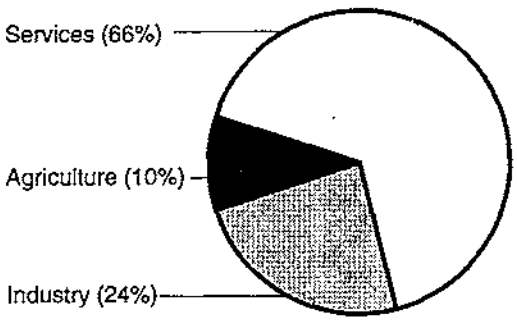
Land *1989*

2 mil. hectares (120,000 ha irrigated)



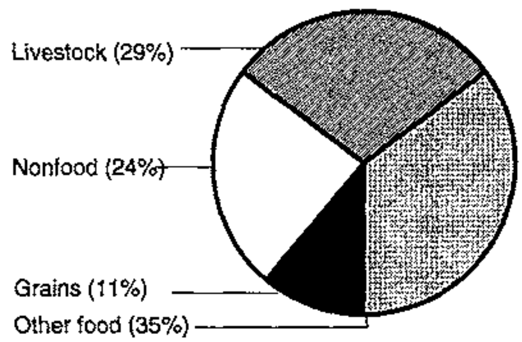
GDP *1992*

$5,900 mil.; $1,060 per capita



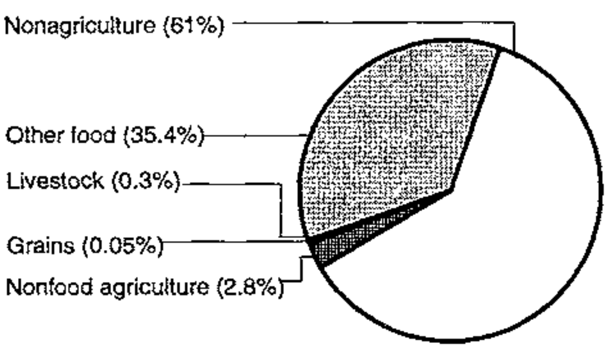
Agriculture *1991*

Major agricultural product: Corn



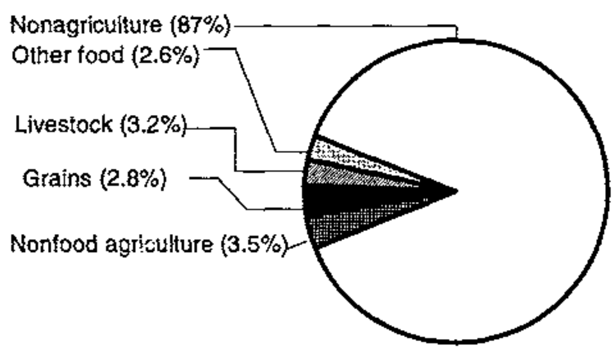
Exports *1992*

$597 million
Major agricultural export: Coffee, green and roasted, and sugar



Imports *1992*

$1,698 million



Note: Numbers may not add to total because of rounding.

Food aid: 173,00 tons (cereals in grain equivalent)

Guatemala

Christine Bolling

Guatemala is an agrarian economy of nearly 10 million persons located in Central America. Agriculture contributes nearly 60 percent of Guatemala's export earnings, employs nearly two-thirds of the work force, and contributes 26 percent of GDP. Guatemala has a wide variety of microclimates and topography, and is best known for its tropical products. Corn and beans are the principal staples, grown by small farmers. Guatemala also produces a limited amount of soft wheat. Coffee, sugar, bananas, and beef are Guatemala's top export earners. Guatemala is among the world's top 10 exporters of coffee, sugar, and bananas. Nearly 42 percent of Guatemala's agricultural imports are from the United States and 46 percent of Guatemala's agricultural exports go to the United States. Wheat, corn, and oilseed meal are the principal agricultural imports.

After a decade of civil turmoil in the 1980's, Guatemala appeared to be on its way to a significant transformation of economic and social policy. A coup deposing President Serrano in May 1993 set the country back temporarily, as export earnings and government revenues declined and World Bank and IMF programs were halted. Guatemala has since undergone considerable privatization and trade liberalization under President De Leon. However, some trade barriers remain.

Guatemala's membership in the GATT, the Caribbean Basin Initiative, and the 1993 Central American trade agreements have largely determined the Government's trade policy choices and major trade flows. After joining GATT in 1990, Guatemala began reducing its tariffs. Guatemala has preferred access to the United States through the Caribbean Basin Initiative. In 1989, Guatemala approved two important laws relating to free trade zones and the "drawback industry" (*maquiladora*) to supplement the Initiative. Guatemala is a member of the Central American Common Market (CACM), which permits the free flow of virtually all goods and services, labor, and capital among the member countries.

The CACM countries have developed a price band system toward third countries, which applies a variable duty to the c.i.f. price of imported yellow corn, milled rice, rough rice, and sorghum. The lower bound of the price band acts as a minimum import price.

Guatemala often combines import tariffs with nontariff barriers. Wheat imports are controlled by licenses, quotas, and a nominal import tariff of 1 percent. Wheat millers must purchase local wheat at established prices in order to receive import permits. Wheat flour and soft wheat imports are prohibited to protect millers and soft wheat producers. Tallow has an import quota. Cotton has a small tariff, but because most cotton is imported for use in the *maquiladoras* and subsequently re-exported in processed form, most imports are duty-free. Cotton imports are required to be in cotton cloth bags rather than the more standard polyethylene bags. Poultry is protected by tariffs, quotas, and sanitary licenses. All chicken meat is valued at the price published in the Wall Street Journal, regardless of its stated c.i.f. value. Import licenses are required for fertilizers, animals and animal products, fresh apples, grapes, and pears.

Subsidies are paid to coffee exporters, but an export license is required. The National Association of Coffee (ANACAFE) maintains quality control over exports. All sugar exports are channeled through the Guatemala Sugar Association, but require no export license. The Government requires import licenses and has a tariff on sugar to prevent imports from neighboring countries when domestic prices are high. Exported tobacco must be registered with the Bank of Guatemala prior to obtaining an export permit from the Ministry of Economy. Export licenses are also required for sesameseed, coffee, shrimp, cattle, and basic grains.

The Bank of Guatemala is studying the possibility of allowing dollar deposits in Guatemalan banks. While the Guatemalan currency, the quetzal, would not be allowed to float completely freely, private banks would no longer be required to sell their foreign exchange to the Bank of Guatemala.

Guatemala has only a few farm programs. Price ceilings and supports are determined by the Internal Commerce Directorate of the Ministry of Economy. Price supports are established for milk, flour, and sugar, but the Directorate is liberalizing these commodity markets. Wheat production and trade are regulated by the National Wheat Guild and the Regulatory Office of Wheat Trade, both in existence since 1961. Wheat is supported at a target price well above the world market, and flour and bread prices are also controlled through an agreement between the Government, the millers, and bakers, which monitors milling margins. At times, flour and bread prices have been frozen. Flour prices are so high that they are not competitive with contraband imports of Mexican flour. Bills to change the wheat program have been unsuccessful in the legislature.

Sugar, molasses, and cottonseed prices are also fixed at levels above world prices. Tobacco and cotton producers must obtain planting permits. Instituto Nacional de Comercialización Agrícola (INDECA), formerly responsible for stabilizing domestic food prices through domestic and foreign procurement, is no longer responsible for guaranteeing producer prices for basic commodities. The CACM price band mechanism for yellow corn, rice, and sorghum makes INDECA intervention unnecessary.

In sum, Guatemala's progress in liberalizing agricultural trade is modest. Free trade zones and the *maquiladora* system in Guatemala increase domestic employment without distorting world market prices. However, the CACM's price band mechanism protects domestic producers at the expense of nonmember countries and domestic consumers. The CACM price bands have inflated poultry feed prices in Guatemala, increasing the cost of poultry production significantly. Price supports to wheat producers inflate flour prices above those in Mexico and induce contraband imports. In total, subsidies and protection for producers appear to exceed any benefits to consumers.

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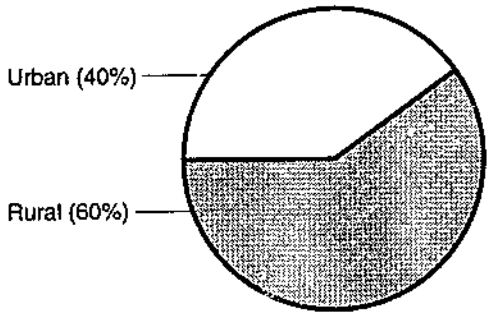
Guatemala

Official name	Republic of Guatemala
Type of government	Republic
Memberships	CACM, ECLAC, FAO, GATT, IBRD, IDA, IFAD, IFC, ILO, IMF, LAIA, UN, UNCTAD, UNIDO, WFTU

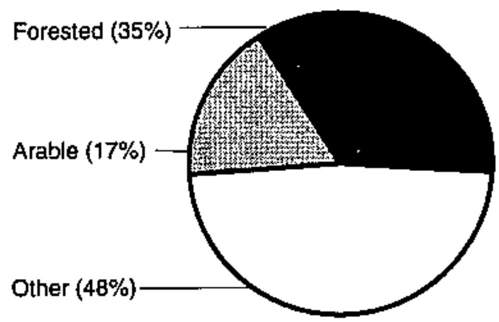
Population *1990*

9,197,000 persons



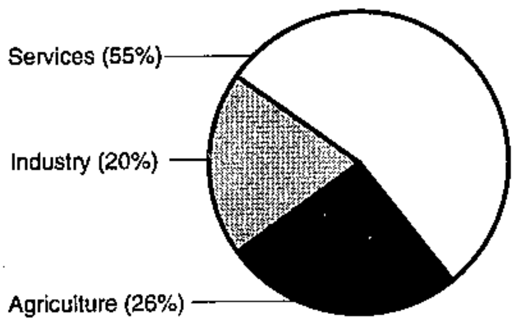
Land *1989*

11 mil. hectares (78,000 ha irrigated)



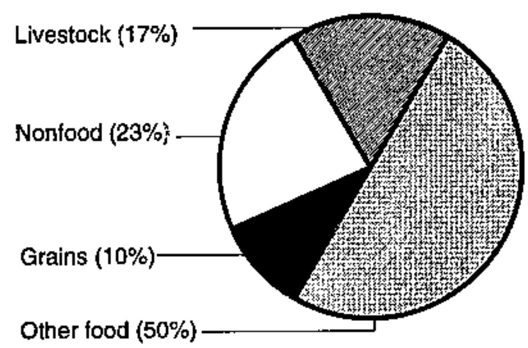
GDP *1992*

$12,600 mil.; $1,300 per capita



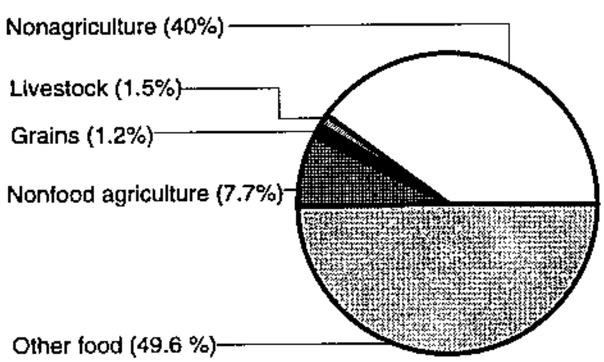
Agriculture *1991*

Major agricultural product: Corn



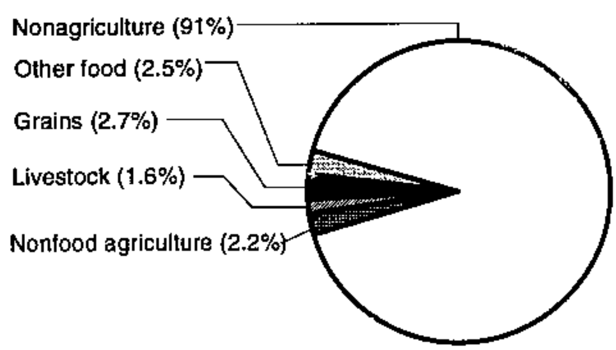
Exports *1992*

$1,287 million
Major agricultural export: Coffee, green and roasted



Imports *1992*

$ 2,462 million



Note: Numbers may not add to total because of rounding.

Food aid: 220,000 tons (cereals in grain equivalent)

Haiti

Richard Brown

With a French-speaking population of 5 million people, Haiti is one of the poorest countries in the Western Hemisphere. Per capita incomes average less than $400 per year. Subsistence farming and light manufacturing dominate the economy. Agriculture provides 28 percent of GDP, 65 percent of the employment, and 30 percent of total exports. Most farming is on small plots. Corn, beans, and tubers are the principal staples. Coffee is the principal export, accounting for over a quarter of export earnings. Mangoes, cocoa, and essential oils are also exported. Agricultural imports are mostly grains, oilseeds, and processed products. The United States is the principal supplier. Food and financial aid have been used to support Haiti's import needs.

Following the fall of the Duvalier regime in 1986, Haiti initiated a process of economic reform. Economic performance improved in the late 1980's, but civil disorder in the 1990's has dampened hopes of a sustained economic recovery. The political and economic situation in Haiti has been so fluid since the September 1991 coup that current policies pursued by the military government must be considered only as emergency measures implemented to prevent anarchy. In response to the coup, the Organization of American States applied economic sanctions to Haiti in October 1992. The international community applied additional sanctions in 1994, and economic conditions continue to deteriorate.

Many of the policies affecting agriculture were allowed to stand during the reforms of 1986. Producers of corn, sorghum, rice, beans, and meat are granted special protection through import licenses and tariffs. Import licenses are granted by the Ministry of Commerce, following consultation with the Ministry of Agriculture. Imports of corn, sorghum, rice, and beans are subject to a 50-percent tariff, and meat imports to a 40-percent tariff. Sugar and flour were imported through government monopolies, and charged tariffs of 40-50 percent. Distortions in the sugar market remain, while those in the wheat flour milling industry were removed in September 1990. Partly because of the embargo, quantitative restrictions of imports of rice, flour, sugar, and beans are unnecessary and no longer enforced.

Although export taxes were eliminated in 1986, currency regulations implicitly tax exports. The Government requires that 40 percent of an exporter's foreign exchange proceeds be exchanged at the overvalued official exchange rate.

Despite the subsidies to sugar producers, structural problems and high production costs caused sugar production to drop precipitously in the 1980's. Haiti exported no sugar in 1981, 1982, and 1988, and imported sugar for re-export to fulfill its quota to the United States in other years.

Haiti also has problems with clear titling to land. Although individual property rights on land are recognized, enforcement and adjudication are difficult. The state also owns 5-11 percent of total cultivable land, which is generally leased at below-market rates.

The Dominican Republic and Haiti occupy the island of Hispaniola. Disparities in economic performance, different trade regimes, and a long, difficult-to-patrol border have led to contraband trade in most agricultural products, especially rice. Sanctions have merely increased the returns to smuggling.

The Haitian Government and international lending agencies had proposed sweeping policy changes before the 1991 coup. Import licensing on most agricultural imports would have been eliminated; tariffs would have been reduced to 5 percent (from 40-50 percent on some primary imports); duties on agricultural inputs were to have been abolished; and agricultural exporters were to retain rights to foreign exchange. Other policy proposals were to eliminate subsidies and controlled prices in the sugar sector; enhance land tenure security; eliminate artificial barriers to credit for Haitian farmers; rationalize the use of state-owned land, water, and other resources; and improve research and extension services in rural areas. When an internationally recognized government assumes power and civil order is reestablished, the policies proposed prior to the 1991 coup are likely to provide a starting point for new policies.

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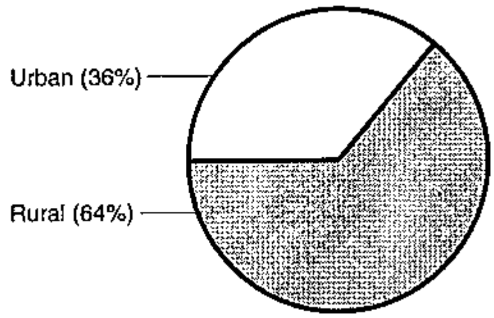
Haiti

Official name	Republic of Haiti
Type of government	Republic
Memberships	ECLAC, FAO, GATT, IBRD, IDA, IFAD, IFC, IMF, OAS, UN, UNCTAD, UNIDO, WFTU

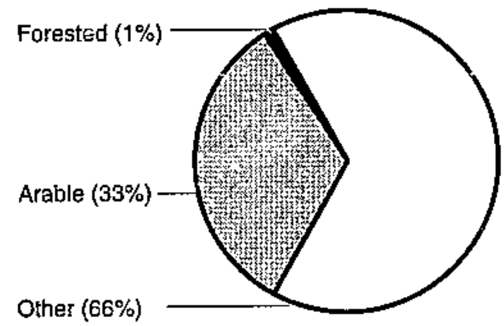
Population *1990*

6,513,000 persons



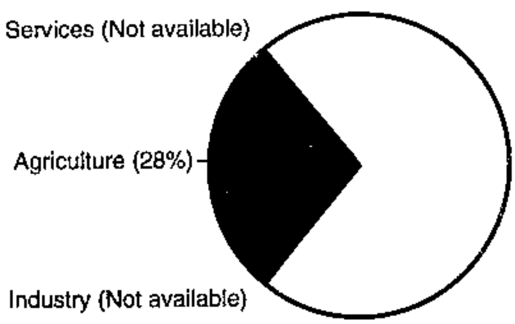
Land *1989*

3 mil. hectares (75,000 ha irrigated)



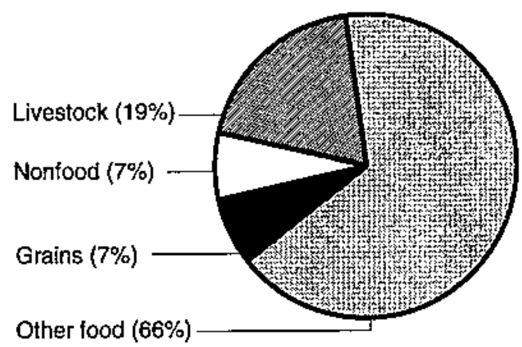
GDP *1991*

$2,200 mil.; $340 per capita



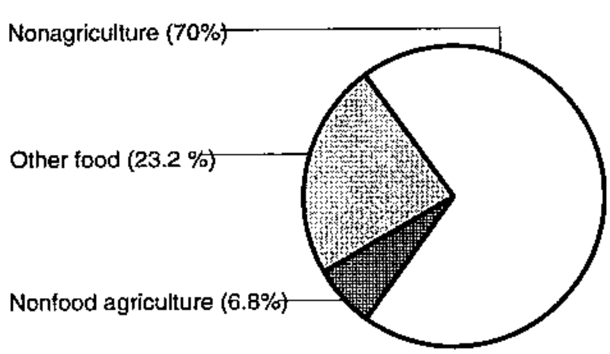
Agriculture *1991*

Major agricultural product: Fruits



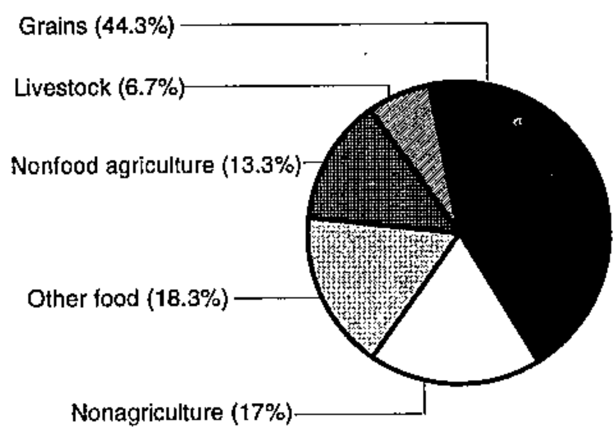
Exports *1992*

$74 million
Major agricultural export: Coffee, green and roasted



Imports *1992*

$277 million



Note: Numbers may not add to total because of rounding.

Food aid: 47,000 tons (cereals in grain equivalent)

Honduras

Christine Bolling

Honduras, with a population of 5 million people, is one of the poorest and least developed countries in the Western Hemisphere. Agriculture is the dominant sector, providing 20 percent of GDP, nearly half of the employment, and nearly 40 percent of the country's export earnings. Agricultural activities are carried out primarily by small producers with limited technology engaged in subsistence farming. Corn and beans are the staples of the Honduran diet. Honduras also has large commercial banana, sugar cane, and African palm plantations. Shrimp and melons are emerging nontraditional agricultural exports.

Honduras' economy suffered from regional instability, unfavorable terms of trade, and economic policies implemented during the 1980's. The Callejas administration initiated an ambitious structural adjustment program in agriculture, trade, and the public sector in 1990. The Government eliminated price controls on all consumer goods, reduced state marketing mechanisms and import duties, and liberalized interest rate and exchange rate controls. Honduras also adopted policies to liberalize its trade regime and became a contracting party to the GATT in February 1994. Nonetheless, the Government continues to intervene in some aspects of Honduras' agricultural production and trade.

Honduras is a member of the Central American Common Market (CACM). As of January 1994, most agricultural products imported from other Central American countries were charged a 5-percent *ad valorem* tax. The Government assesses additional import taxes on vegetable oils from intra-CACM sources. Most imports that originate outside the CACM are subject to tariffs of 5-20 percent *ad valorem*.

The Government also charges a 5-percent customs administration fee and a 10-percent surcharge for most products. Recently, the Government has expanded the list of products exempt from the surcharge and reduced the surcharge for selected items, including dairy products, wheat flour, soybean meal, and corn meal for snack foods. As of January 1994, a 5-percent surcharge was applied to wine, some soups, coffee extracts, olive oil, and tea.

Honduras restricts corn and rice imports from non-CACM members with a price band. The lower end of the price band, based on a 60-month moving average of international grain prices, acts as a minimum import price. The difference between the minimum import price and the c.i.f. price can effect a high tariff when international prices for corn and rice are low.

A number of nontariff barriers remain. Imports of corn, rice, seedstock, livestock, agricultural chemicals, livestock feed, and veterinary medicines must be approved by the Ministry of Natural Resources. The Government also has phytosanitary and zoosanitary regulations on corn and poultry.

Bananas and coffee, the principal export crops, are subject to export taxes. The Government is considering lowering the export tax on bananas. Under the Banana Production Incentive Law, companies are exempt from paying export taxes if they invest in new plantations and can meet production targets. The Government has lowered coffee export taxes from 7 percent at the beginning of the 1992/93 marketing year to zero. If the coffee price exceeds 80 cents a pound, however, a 20-percent export tax can go into effect. Honduras is a member of the newly founded Confederation of Coffee Producing Nations and has agreed to withhold 20 percent of its 1993/94 exportable coffee crop from the international market.

The Government began a series of devaluations of the lempira in 1991, its first formal adjustment in 70 years. The Government acted simultaneously to remove longstanding foreign exchange controls. Dollar-denominated bank accounts were legalized. In June 1992, commercial banks were permitted to trade freely in foreign currencies and the lempira was allowed to float.

The Honduran Government has moved toward reducing the role of the state in domestic agricultural markets. The Honduran Congress passed the Agricultural Modernization and Development Law in March 1992, which freed internal grain prices from government control. The Honduran Agricultural Marketing Institute (IHMA), created in 1978 to establish support for basic grains, control grain trade, and ensure adequate distribution of grains to the public, has slowly relinquished its control over grain marketing. The Government ended the IHMA's monopoly on grain imports. The price band on grain imports replaced the Government's guarantee on farmgate prices, but the management of the price band system is housed in IHMA. IHMA also manages a strategic grain reserve.

The Government still maintains some control over sugar prices, informally holding mills to fair prices for their sugar. As a result, factory gate and wholesale prices have remained stable during the past 2 years, but retail prices have risen. The Honduran Coffee Institute (IHCAFE), a semiautonomous agency, is responsible for implementing government policy in the coffee sector. The agency regulates domestic and international coffee sales; oversees programs to extend credit, technical assistance, and inputs to producers; and maintains official statistics on the sector.

Some support is given to coffee growers. In September 1992, the Government approved a \$16.7-million economic support program for coffee growers. The program consists of a \$6.66 bond given to producers for each bag produced during the 1992/93 season.

The National Bank for Agricultural Development (BANADESA), an autonomous government agency, channels financial resources for production and marketing development in agriculture, forestry, poultry, livestock, and fishing. BANADESA offers loans to agrarian reform farmers at a reduced interest rate (14 percent) compared with independent farmers (23 percent). BANADESA is also part owner of Azucarera Cantarranas, one of Honduras' eight sugar mills. BANADESA imports and distributes fertilizers, selling inputs to farmers at cost.

The Government provided a \$2-million subsidy to coffee growers for their fertilizer purchases in 1992. The subsidy provided \$2.70 per 100 lbs. of fertilizer purchased. The Government and two multinational banana companies established a \$1.5-million fund to provide low-interest financing to producers whose farms are affected by the Black Sigatoka disease.

The National Agrarian Institute (INA) is responsible for implementing the Agricultural Reform Law of Honduras. INA is charged with settling land disputes, granting land titles, and stimulating organization among farmers to enable them to obtain credit, adopt modern production techniques, and progress socially. Legalization of land rental and joint investment may have a profound effect on Honduran agriculture by providing the sector with more capital.

Consumers now receive few subsidies. The Government sells subsidized foodstuffs through BANASUPRO (Suplidora Nacional de Productos Básicos), a chain of 59 small retail stores. But prices of nine basic products, including milk, were freed from government control in 1991. Critics of BANASUPRO contend that although it operates at a loss, its stores do not provide staples at prices significantly less than at other stores. Several government-owned processing facilities, such as Planta de Productos de Lacteos Sula, the second largest dairy plant in the country, and the sugar mill ALENSA, have been sold to private interests.

In sum, the substantive macroeconomic policy changes since 1990 and the agricultural policies implemented in 1991 and 1992 have benefited Honduras' agricultural sector. Agriculture experienced real economic growth of 6.3 percent in 1991 and 2.9 percent in 1992. Market prices for grain have increased, and market irregularities such as false scarcities, hoarding, price speculation, and contraband have diminished. The growth in output is attributed to the legalization of land rental and joint investment, liberalization of domestic prices of some basic foodstuffs, and the introduction of price bands that protect domestic producers from external competition. Regional integration efforts have also created opportunities for Honduras' agricultural sector by reducing trade barriers across Central America. Exchange rate liberalization has created additional opportunities for producers of nontraditional exports, such as melons and shrimp. However, the transition to a freer market has been difficult for some farmers, as they face unsubsidized input prices and high interest rates.

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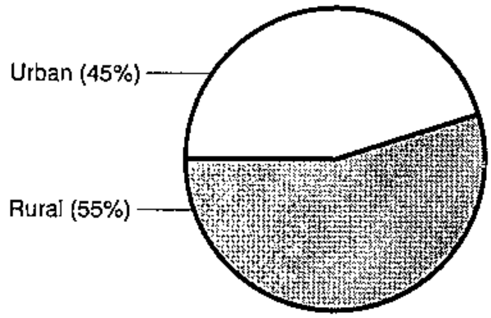
U.S. Department of Agriculture, Foreign Agricultural Service, Office of Agricultural Affairs (1994). *Central American Harmonized Tariff Schedule for Agricultural Products, With Additional Information on Honduran Tariffs and Import Surcharges.* Tegucigalpa. Jan.

Honduras

Official name Republic of Honduras
Type of government Republic
Memberships CACM, ECLAC, FAO, GATT, IBRD, IFAD, IMF, LAIA, OAS, UN, UNCTAD, UNIDO, WFTU

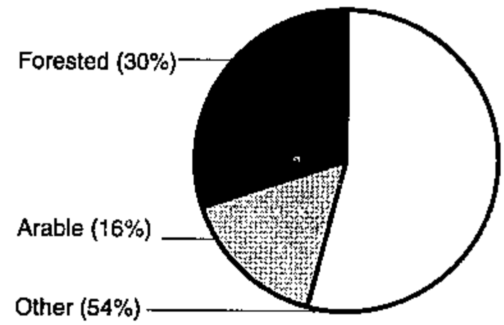
Population *1990*

5,136,000 persons



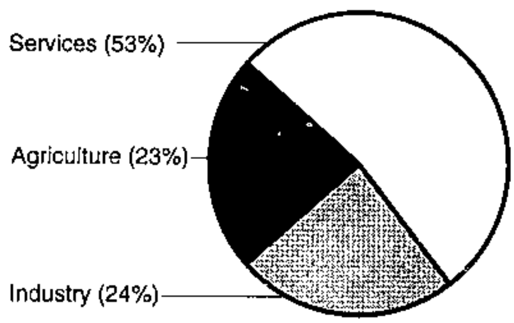
Land *1989*

11 mil. hectares (90,000 ha irrigated)



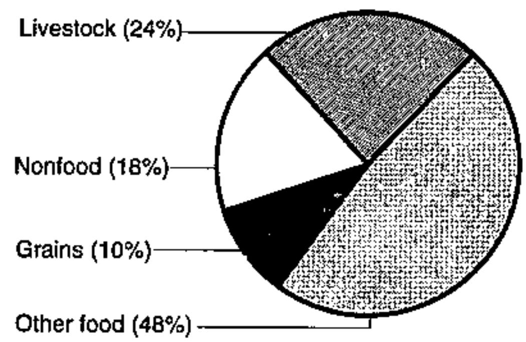
GDP *1992*

$5,500 mil.; $ 1,090 per capita



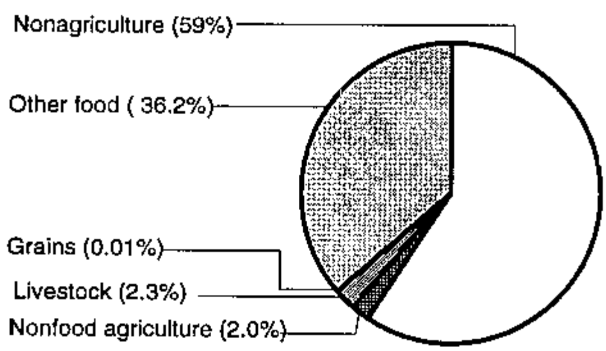
Agriculture *1991*

Major agricultural product: Fruits



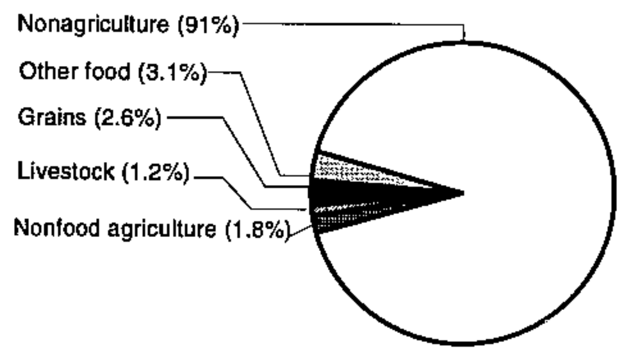
Exports *1992*

$985 million
Major agricultural export: Vegetables, fruits and nuts



Imports *1992*

$ 1,137 million



Note: Numbers may not add to total because of rounding.

Food aid: 51,000 tons (cereals in grain equivalent)

Jamaica

Richard Brown

Jamaica is a Caribbean island nation of about 2.5 million people. Bauxite and alumina provide 60 percent of the island's export earnings. Tourism and offshore remittances are also significant sources of foreign exchange. Agriculture provides 5 percent of the GDP, 26 percent of Jamaica's export earnings, and 25 percent of employment. Subsistence farms provide root crops, fruits, and vegetables. Fewer than 300 farms have more than 500 acres. Sugar, bananas, and coffee are the principal agricultural exports, primarily to the European Union. Jamaica imports wheat, corn, and soybeans from the United States. Agricultural imports exceed agricultural exports.

The World Bank, IMF, and USAID have been financing policy reform in Jamaica since 1981. However, the economy was under severe stress for much of the 1980's (inflation exceeded 100 percent in 1988-90) and real per capita GDP remained stagnant in the early 1990's. Prime Minister Manley, the architect of Jamaica's move toward socialism in the 1970's, was a strong proponent of free enterprise when he returned to office in 1989. Prime Minister Patterson, who succeeded Manley in March 1992, has continued the Manley policies.

The Manley and Patterson governments implemented a series of bold policy reforms, including the 1990-95 Development Plan to eliminate regulations that stifled business initiative. This plan encourages investment and discourages capital flight. In the 1991 policy changes, the Government:

- Decontrolled prices of basic food items, including baking flour, retail flour, corn meal, bread, and rice. Under the terms of the most recent IMF agreement, controlled wholesale sugar prices are to be adjusted periodically to equal the average export price. Retail sugar prices are determined by the market.

- Substituted a 10-percent General Consumption Tax (GCT) for eight indirect taxes on most goods and services. Basic foods such as bread, buns, water crackers, counter flour, rice, cornmeal, poultry, meat and animal feeds, soybean oil, coconut oil, and margarine are exempt from the tax.

- Removed the monopoly importer status of several marketing boards and allowed the entry of private firms. The Jamaica Commodity Trading Corporation (JCTC) was separated from the Government in 1992. Previously, the JCTC had sole authority to import basic foods, including wheat, corn, soybeans, and powdered milk. The Cocoa Industry Board is responsible only for ensuring quality control of cocoa exports. The Citrus Growers Association lost its monopoly power as the sole buyer and exporter of citrus.

- Fully or partially divested itself from Jamaica Frozen Foods Ltd., Jamaica Aqualapia Ltd., Cornwall Dairy Development Ltd., Agricultural Mechanical Services, Jamaica Fisheries Complex, National Cassava Products Ltd., Darliston Community Foods, Montpelier Dairy Estate, and St. Jago Spring Plain Mango Farm.

- Implemented the Common External Tariff (CET) of the Caribbean Common Market (CARICOM) in 1991. Under the CET, CARICOM countries have uniform tariffs on all imports from nonmember countries and duty-free access among members. Imports from nonCARICOM countries are charged *ad valorem* duties of 45 percent for wheat flour, 30 percent for rice, 15 percent for parboiled rice and U.S. PL-480 rice, and 30-45 percent for sugar and sugar-based products. Wheat, corn, and soybeans, listed as basic necessities not produced by other CARICOM countries, are allotted duty-free status.

The sugar industry is the principal exception to the liberalization of trade in Jamaica. The Jamaican Government has traditionally played an important role in the sugar industry. Since 1970, the Sugar Industry Authority (SIA) has controlled every aspect of the marketing of sugar in Jamaica. SIA alone is authorized to buy sugar from the processing plants, and by law all sugar production (ex-centrifugal) is SIA property. Individual factories establish production targets at the beginning of each year and register them with SIA. SIA also controls all sugar exported to the United States and the European Union under quota. In keeping with the terms of its IMF Agreement, the Government announced its intention to sell four of the five publicly owned sugar factories.

Other exceptions to liberalization include stamp taxes that the Government imposes on imports to protect local production and processing of agricultural goods. Soybean meal has a 5-percent *ad valorem* tax under the CET, but the Government has placed an additional 65-percent stamp tax on soybean meal imports. Likewise, soybean oil imports have a 40-percent CET and a 25-percent stamp duty. Import tariffs on chicken legs are currently 86 percent of the invoice price, but the Government is seeking to impose a higher duty on a reference price that would reflect domestic costs of production.

In sum, some progress has been made in privatizing Jamaica's agriculture and industry. But the initial cost for the average Jamaican has been high. Agricultural production has responded slowly, but per capita production has continued to decline. Tourism and foreign financial assistance have kept the economy afloat, with marginal increases in per capita GDP in the early 1990's.

Despite steps toward liberalization, much of Jamaica's agricultural trade is still publicly managed. The JCTC continues to operate as the primary importing agent for wheat and other basic commodities. Various private sector importers continue to use JCTC's services as a means of accessing scarce foreign exchange or avoiding foreign exchange rate risk. JCTC is the sole importer of corn, which enters Jamaica primarily via U.S. concessional sales. Under the current arrangement, JCTC imports the corn and resells it to the country's three feed manufacturers and one cornmeal producer. Similarly, the JCTC imports and resells soybeans to the Jamaica Soya Products Industries (JSPI), owner of Jamaica's only soybean crushing facility.

CARICOM, as a customs union with high external tariffs, discourages imports from nonmember countries and encourages intra-CARICOM trade. High tariffs give such rice exporting countries as Guyana an advantage over the United States in the CARICOM region. Similarly, imports of U.S. wheat flour and soybean oil are subject to higher non-CARICOM tariffs.

References

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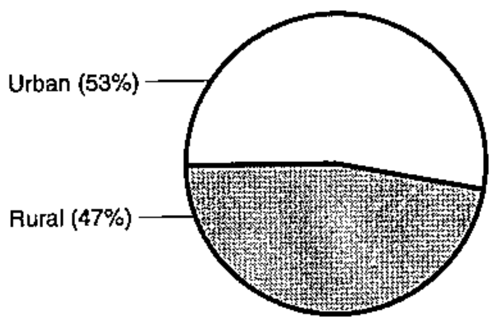
Jamaica

Official name Jamaica
Type of government Parliamentary Democracy
Memberships ACP, CARICOM, CDB, ECLAC, FAO, GATT, IBRD, IFAD, IMF, ISO, UN, UNCTAD, UNIDO, WFTU

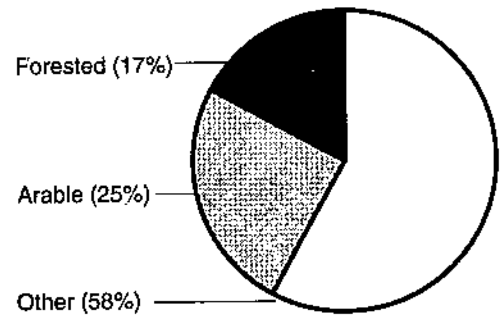
Population *1990*

2,456,000 persons



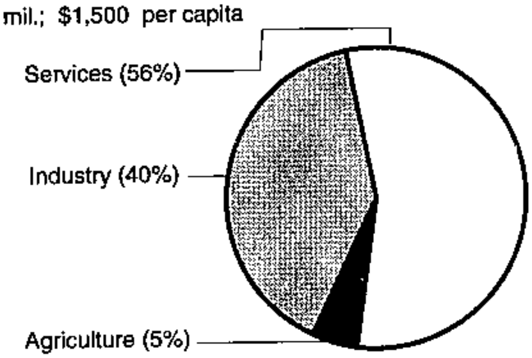
Land *1989*

1 mil. hectares (35,000 ha irrigated)



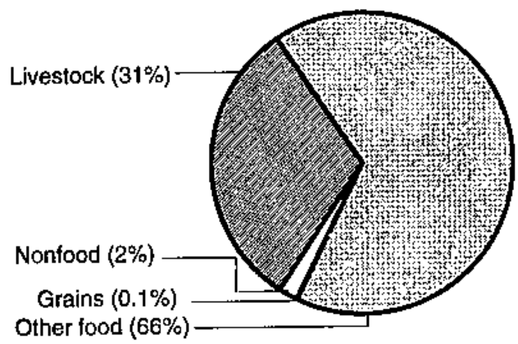
GDP *1992*

$3,700 mil.; $1,500 per capita



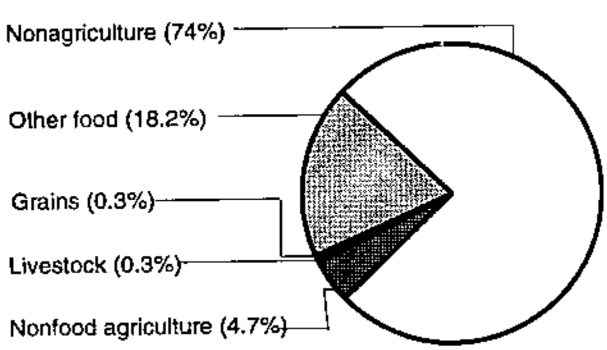
Agriculture *1991*

Major agricultural product: Fruits



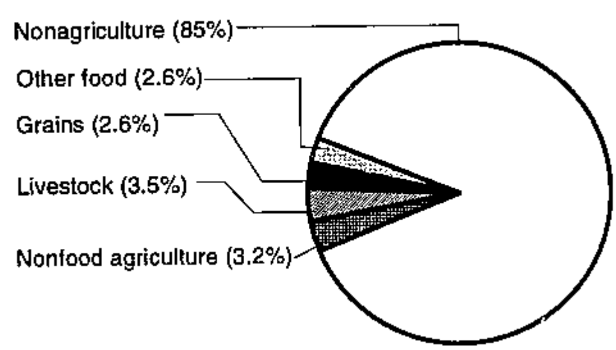
Exports *1992*

$ 1,051 million
Major agricultural export: Sugar



Imports *1992*

$1,687 million



Note: Numbers may not add to total because of rounding.

Food aid: 32,000 tons (cereals in grain equivalent)

Mexico

Constanza M. Valdes

Mexico, an upper middle-income country, ranks among the world's top producers and exporters of feeder cattle, coffee, fresh vegetables, and fresh fruit. The main agricultural items imported by Mexico are grains, oilseeds, livestock and poultry products. Mexico's leading trading partners are the United States, the European Union, Japan, and Canada. The United States takes about two-thirds of Mexico's agricultural exports and provides 95 percent of Mexico's imports. Mexico's agricultural trade with other Latin American countries is small, averaging less than 5 percent each year.

Agriculture generates slightly less than 10 percent of Mexico's GDP, but employs almost one-fourth of the country's labor force. Over 3 million people in the agricultural sector earn less than minimum wage, constituting the core of the extremely poor in Mexico. Agriculture in Mexico ranges from subsistence farmers on smallholdings with collective property rights (the "ejido" system of land tenure) to large capital-intensive producers. Over 48 percent of the agricultural land in Mexico is controlled by the "ejido" farmers. The grain sector contributes almost half the value of total agricultural production. Corn is the most important crop in terms of acreage and rural employment. The livestock and horticultural sectors contribute 42 and 8 percent of the value of total agricultural output.

In the past, the goals of Mexican agricultural policy were to support farm prices and incomes, and to ensure an adequate supply of low-cost food to low-income consumers. The Government maintained high tariffs, import licensing requirements, and official reference prices on imports of agricultural goods; import requirements were less restrictive for selected intermediate manufactured goods and capital goods used by the agricultural sector. These measures were accompanied by domestic subsidies and the establishment of public enterprises to offer additional support to the farm sector.

The Government actively subsidized agricultural producers and consumers through direct government intervention at every link in the marketing chain: production, storage, marketing and distribution of agricultural commodities, and food processing. The Government promoted domestic agricultural production through guaranteed price supports; import controls; farm input subsidies; and financial, marketing, and processing services to producers. Other agricultural support included technical assistance, research and development activities, seed improvement, and phytosanitary programs to protect Mexico's plant stock.

The external debt crisis, peso depreciation, and high domestic inflation of the early 1980's forced Mexico to adopt significant policy reforms and more market-oriented policies. Since 1987, Mexico has made key economic reforms. The Government tightened fiscal and monetary policy, relaxed foreign investment regulations, eliminated foreign exchange controls, privatized public enterprises, deregulated the land tenure system, and substantially reduced agricultural subsidies.

Consistent with domestic policy reforms, Mexico's trade regime has been substantially liberalized. Mexico joined the GATT in 1986 and moved further toward trade liberalization. Trade restrictions were reduced; export subsidy programs and the official import and export reference prices were eliminated; overall tariff rates were reduced and the number of items subject to import licensing was cut. Since then, Mexico has taken additional steps to liberalize trade, including the North American Free Trade Agreement (NAFTA), which became effective on January 1, 1994.

Under NAFTA, the bilateral arrangements between Mexico and the United States and Mexico and Canada have removed or phased out tariffs on a broad range of agricultural products. Mexico is permitting duty-free access to a portion of the market for certain highly sensitive commodities, including corn and dry beans. The import licensing restrictions have been replaced with either tariff-rate quotas or ordinary tariffs to be phased out within 10-15 years, depending on the product. During the transition period, each country may adopt or maintain special safeguard measures in the form of tariff quotas for certain products.

For non-NAFTA countries, import tariffs are levied on the c.i.f. value of most products imported into Mexico. In addition, import licensing and quantitative controls on competitive imports are still in place for several agricultural products. Applied tariff rates range up to 25 percent of the c.i.f. value of agricultural imports, but tariff bindings for virtually all agricultural products are set at the GATT maximum of 50 percent. Also, tariffs are escalated with the degree of processing.

Mexico maintains most favored nation (MFN) import tariffs on cattle (15 percent), beef (20 percent on fresh beef and 25 percent on frozen beef), durum wheat (10 percent), a 15-percent seasonal tariff on sorghum (May 16-December 15), and a 15-percent seasonal tariff on soybeans (August 1-January 31). In 1993, import tariffs on fertilizers, farm machinery and equipment were eliminated.

Licenses are required for non-NAFTA imports of several products, including yellow and white dried corn, wheat, unhulled barley, malt, dry beans, poultry meat, eggs, animal oils and fats, powdered and evaporated milk, and most cheeses. In recent years, products under licensing have accounted for an estimated 40 percent of the value of Mexican imports. Import quotas, allocated among importers according to past import levels and administered by the Ministry of Trade and Industrial Promotion (SECOFI), are applied on dairy products, some oilseeds, beer and wine. State trading through CONASUPO (Compañia Nacional de Subsistencias Populares) was, in the past, one of the most restrictive elements of Mexico's import regime. For years, CONASUPO monopolized the importation of a number of agricultural products, including corn, wheat, sorghum, powdered milk, and soybeans. CONASUPO remains the sole importer of powdered milk and administers most licenses for the importation of corn and beans, but it now allows the private sector to obtain some licenses for other agricultural products. Imports of corn and beans from NAFTA countries are handled by the private sector; the quota allowances for beans are auctioned and the quota allowances for corn are directly allocated to the individual importer.

Export regulations are less binding than import restrictions. Export licenses are required for coffee and several other agricultural products. Currently, no export quotas are in place for agricultural products, and the export subsidies, in the form of tax credits and exemptions under CEPROFI (Certificates of Fiscal Promotion) have been eliminated.

Mexico grants tariff preferences to member countries of ALADI and some Central American countries. The regional preferential tariff ranges from 14 to 48 percent, depending on the beneficiary country. Within the framework of ALADI, Mexico signed a free trade agreement with Chile in 1991; tariffs and other import restrictions for certain agricultural products will be eliminated by January 1996. Tariffs on a few sensitive commodities will be gradually phased out until they are completely eliminated in 1998. As a result of the agreement, total bilateral trade between Mexico and Chile increased to over $2 billion in 1993, four times its level in 1990.

Mexico, Colombia, and Venezuela finalized negotiations for a trade agreement on December 2, 1993, and implementation of the G-3 is expected in 1995. Initially established as a mechanism for policy coordination, the three countries agreed to phase out tariffs for 60 percent of traded agricultural products within 10 years. Mexico and Costa Rica signed a free trade agreement in April 1994, which is scheduled to go into effect in January 1995. Both countries will, immediately after implementation of the agreement, eliminate tariffs for three-fourths of traded agricultural products. Tariffs on more sensitive products (including bananas, sugar, beef, and poultry) will be phased out within 5-10 years. Negotiations for a bilateral trade agreement between Mexico and Bolivia, and Mexico and other Central American countries, are underway.

Mexico's economic reforms extend to agricultural production as well. Mexico substantially reduced price supports, input assistance, and consumer subsidies, and reformed the land tenure system. To reduce fiscal transfers, the Mexican Government has been restructuring and privatizing agricultural enterprises in the public sector through mergers, liquidation, and sales to private Mexican-owned firms.

In October 1993, Mexico announced PROCAMPO (Programa de Apoyos Directos al Campo), which replaces the traditional price support system based on high guaranteed minimum prices, which generally exceeded the world market price. Under PROCAMPO, the Government will make direct payments to farmers based on the number of planted hectares of corn, beans, wheat, rice, cotton, soybeans, safflower, barley, and sorghum. The payment rate will be based on fixed average yields. Payment rates per hectare will be held constant in real terms for 10 years, and will be phased out in equal installments from year 11 to year 15. The program will be phased in in 1993/94 and is expected to be fully operational by 1995. Subsistence farmers, who consume most of their crop output, generally have not benefited from Mexico's guaranteed price support system. PROCAMPO increases income support to about 2.5 million subsistence farmers. By limiting the area eligible for benefits, PROCAMPO more effectively directs agricultural support payments to those who need them most. Mexico also provides direct income support through regional policies to stimulate the production of corn, beans, wheat, and rice in the poorer areas of the country.

As part of the reform process, agricultural input subsidies are being reduced. Some inputs still provided at below-market prices include credit, crop insurance, improved seeds, irrigation water, and electricity. Producers of basic products (grains, oilseeds, eggs, meat, fruit, vegetables, and fodder), as well as producers of processed and exportable agricultural and livestock products, receive FIRA (Fideicomisos Instituidos en Relación a la Agricultura) credit. Agricultural credit is also granted by BANRURAL, a parastatal. Subsidized credit once represented a large transfer from the public sector to the farm sector, but this subsidy was sharply reduced in 1987. Interest rates for some low-income producers are still less than commercial rates, but this subsidy will be phased out over the next decade. AGROASEMEX, the National Crop and Livestock Insurance Company, provides agricultural insurance at premiums below market rates.

Mexican subsidies for irrigation originate in subsidies on water provided through surface irrigation systems. As part of the trend toward reduction of agricultural subsidies, irrigation facilities have been privatized and users contribute more to operational cost recovery. The electricity subsidy, which represented over 80 percent of the electricity cost for pumping ground water, was eliminated in 1990--an effective increase of 150 percent on the price of electricity for agricultural irrigation.

Subsidies to Mexican cattle producers and beef processors have been lower than to crop producers. Subsidies available to livestock producers include CONASUPO's feedgrain subsidy and animal health programs. The Mexican Government, through CONASUPO, absorbs handling, marketing and storage costs of feedgrains and soymeal that it sells to livestock producers. The Government also provides assistance to control and eradicate animal pests and diseases.

Deregulation of the domestic market was emphasized in December 1991 when the Government initiated a dramatic reform of the ejido system. The constitutional reform strengthens property rights by allowing farmers to receive title to their land, permitting owners to rent or sell their land. In addition, the new regulations permit the operation of joint stock companies through which the holdings of various individuals can be pulled together to exploit economies of scale; they also allow joint operations between private and ejido agriculture to encourage greater agricultural productivity.

Mexico has pursued low-cost food through marketing and processing subsidies and price controls at the consumer level. The Mexican Government also owned processing plants, and operated a network for distribution and retail sales. Consistent with current domestic policy reforms, CONASUPO has reduced its role in domestic marketing, processing, and distribution of grain and oilseed products. With the 1990 deregulation of the distribution and sale of corn products, CONASUPO now owns fewer processing plants and retail outlets.

For decades, the Mexican Government placed price controls on almost all basic foods, including corn products, wheat products, rice, beans, vegetable fats and oils, fresh and canned milk, butter, eggs, poultry, and pork. In March 1994, the Government eliminated price controls for all commodities except corn tortillas and milk. To enable food processors to sell their output at low consumer prices, CONASUPO offsets processors' high input prices with subsidies. CONASUPO purchases a significant portion of domestic agricultural production and sells it to processors at a lower price. Millers are then required to pass these reduced costs along the marketing chain to consumers. In 1990, the price of white corn tortillas was liberalized, but the subsidy is maintained for yellow corn tortillas.

CONASUPO has maintained a targeted subsidy program since 1986 to directly subsidize the price of corn tortillas for low-income consumers. The "tortibonos" food stamp program, the most costly in terms of fiscal subsidies, provides maize tortillas at preferential prices to close to 5 million people. Tortibonos are offered in CONASUPO-owned retail outlets (DICONSA) located in low-income urban neighborhoods. In addition, under a program initiated in 1990, the Government provides 2.7 million low-income households (earning less than 2 minimum wages) tortilla stamps to obtain 1 kilogram of free tortillas per day. The free tortillas represent about half the daily average household consumption, effectively providing a 50-percent subsidy to half of Mexico's population. A subsidy for milk consumption that benefits 7 million children is provided through CONASUPO's dairy products affiliate, LICONSA.

Mexico's policy reforms, including liberalization of agricultural trade restrictions and reduction of direct subsidies, are designed to move the country's farm sector in a more market-oriented direction. Both the NAFTA agreement and PROCAMPO will alter the structure of Mexican agriculture, providing incentives for Mexico's production of high-valued farm products (including fruits, vegetables, and livestock products) and lowering domestic prices of other crops. These changes reverse past policies aimed at stimulating the production of basic food crops, sometimes at the expense of export crops.

It is likely that price controls on consumer products will be eased and costly subsidies will be reduced in keeping with Mexico's market-oriented policy direction. However, subsidies targeted at low-income consumers are likely to continue through the anti-poverty program PRONASOL.

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Mexico

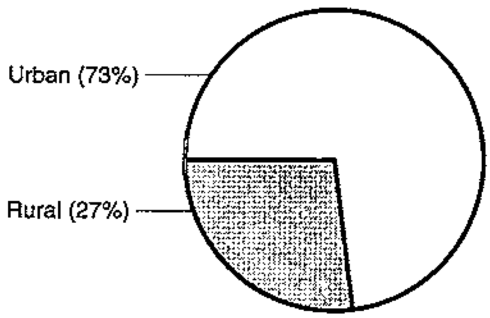
Official name Mexico

Type of government Federal Republic under a centralized government

Memberships CARICOM, CDB, ECLAC, FAO, GATT, G3, IBRD, IFAD, IMF, ISO, LAIA, RIO, UN, UNCTAD, UNIDO

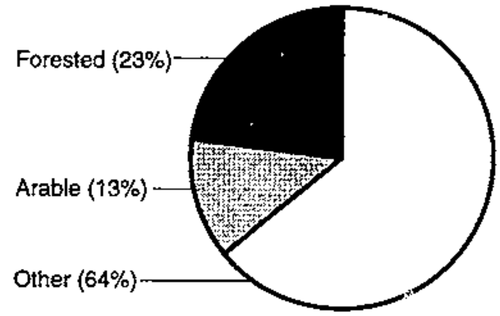
Population *1990*

88,598,000 persons



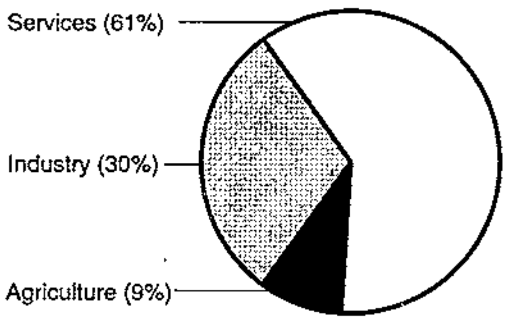
Land *1989*

191 mil. hectares (5,150,000 ha irrigated)



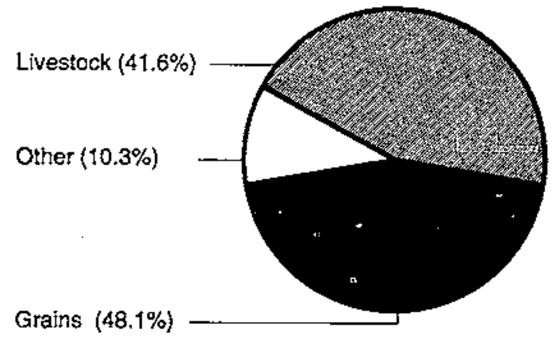
GDP *1992*

$328,000 mil.; $3,600 per capita



Agriculture *1993*

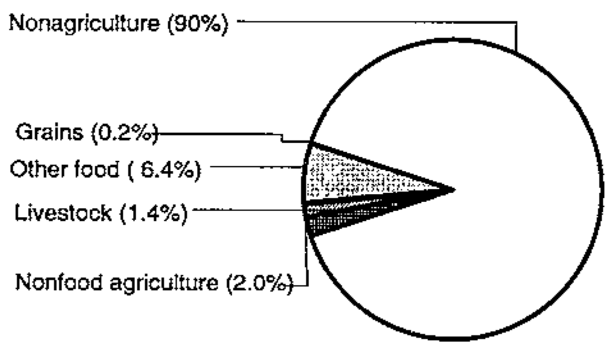
Major agricultural product: Corn



Exports *1992*

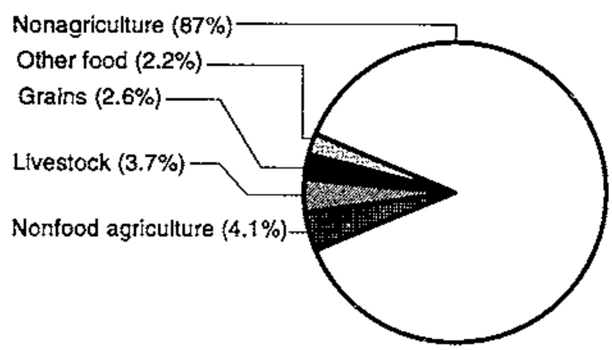
$27,531 million

Major agricultural export: Fruits, vegetables, live animals, coffee, tea, cocoa and spices



Imports *1992*

$ 48,138 million



Note: Numbers may not add to total because of rounding.

Food aid: 184,000 tons (cereals in grain equivalent)

Nicaragua

Christine Bolling

Nicaragua is a Central American country of 4 million people. Agriculture, the mainstay of the Nicaraguan economy, accounts for approximately one-third of GDP and three-fourths of export earnings. Grains are the dietary staples and the principal source of income for most small farmers. Nicaragua imports tallow, vegetable oil, powdered milk, poultry, and rice. It occasionally imports sugar for re-export to the United States under the U.S. sugar quota. As the economy adjusts to peacetime production, the composition of imports may change. Beef and coffee are the current leading agricultural exports, and cotton has been an important foreign exchange earner.

The Chamorro administration inherited a devastated economy from the Sandanista Government in 1991. Civil strife limited Nicaragua's growth potential during the 1980's. At the end of the decade, production was well below the level of 1980, exports were half of the pre-1980 level, underemployment was rampant, the inflation rate was 13,500 percent, and a large external debt had accumulated. The Chamorro administration has moved to curb inflation and strengthen the balance of payments. In 1991, the Government implemented an ambitious stabilization program, including a sharp devaluation of the currency and a tight credit policy.

Agriculture is an important part of economic reform. The World Bank and Inter-American Development Bank helped design a program to revitalize Nicaragua's agricultural sector in 1992. Reforms include replacing price supports for producers of basic grains with a price stabilization mechanism, reducing the role of the state-owned grain marketing monopoly (ENABA) eliminating quantitative restrictions on agricultural trade, and decontrolling of most consumer prices.

Resolution of conflicting landownership claims resulting from the Sandanista Government's expropriation and land redistribution programs is one of the most difficult problems facing the Chamorro administration. The Sandanista Government had appropriated or confiscated many privately owned enterprises, in addition to 990,000 hectares of land owned by the former Somoza regime. This land constituted the Area de Propiedad del Pueblo (APP). Additional land was also expropriated and assigned to cooperatives and individual farmers. Toward the end of the Sandanista era, redistribution of APP land accelerated, some of which was tranferred to officials in the Sandanista Government. The Chamorro Government has continued to redistribute APP land to ex-soldiers, ex-rebels, and farmworkers. However, the old land legislation could not guarantee adequate titling of land and security of ownership. Under a new initiative, the Government will (1) issue titles to those who received land in the agrarian reform, (2) review property transfers that took place in early 1990, and (3) resolve property claims arising from Sandanista confiscations. Some property confiscated by the Sandanista Government, such as feed mills, has been returned to the original owners.

The role of ENABA in the marketing and pricing of grains is being reduced to meet World Bank and USAID loan conditions. ENABA markets 10 percent of the country's grain. Producer price supports have also been eliminated as part of the agreements with IMF and the World Bank. ENABA also plays a smaller role in international trade than before. It still imports dry beans, but the private sector now imports all corn and virtually all rice.

Limited subsidies exist for farm inputs. In 1992, long- and short-term loans to revitalize the beef and dairy industries were offered by the Nicaraguan Investment Fund (FNI) through local banks. Long-term, 10-year loans have a grace period of 3 years; short-term loans are for 24 months.

While Nicaragua has lowered tariffs to many countries, other moves impede free trade. Nicaragua joined the Central American Common Market (CACM) in 1993, diverting some third-country trade to CACM sources. The agreement provides for intraregional mobility of capital, labor, and virtually all goods. It also establishes a common external tariff for member countries. Nicaragua receives special consideration under the agreement because of its economic difficulties.

Imports of rice, corn, and sorghum from countries that are not CACM members are subject to Nicaragua's price band system. Minimum import prices amounted to \$127/ MT (metric ton) for yellow corn, \$137/ MT for white corn, and \$125/ MT for sorghum in late 1993. The effective tariff implied by the minimum import prices for these commodities was approximately 17 percent *ad valorem*. The c.i.f. reference price for rice in October 1993 was $341/MT, which implies an *ad valorem* tax rate of 33.9 percent. The Government also assesses a 5-percent *ad valorem* stamp tax on rice imports.

Wheat and beans are outside the price band system. Wheat imports face an *ad valorem* tariff of 1 percent plus a 5-percent stamp tax. Wheat flour imports face a 15-percent *ad valorem* tariff and a 5-percent stamp tax. Dry beans are subject to a 15-percent *ad valorem* tax plus a 5-percent stamp tax and a 15-percent general sales tax. Small red beans have a base *ad valorem* tax of 20 percent plus general sales and stamp taxes.

The Government eliminated permits and licenses for nearly all products from outside the CACM. Poultry is a significant exception. Imports of chicken parts were banned in September 1992; in April 1993, import license requirements were dropped, but the tariff was set at 250 percent with a 20-percent consumption tax. Tariffs and import taxes on whole broilers were increased slightly to 45 percent.

Coffee, the principal export, is handled through ENCAFE, a government corporation that buys coffee from private producers for export. Nicaragua joined the Association of Coffee Producers in 1993. As part of the Association's Retention Program, about 20 percent of the exportable supply of coffee will be withheld from the international market to boost world prices.

President Chamorro also signed an export promotion decree establishing a package of incentives for exporters of nontraditional goods. Exporters of nontraditional products are exempt from 60-80 percent of income tax liabilities and gain preferential access to foreign exchange. Tax benefit certificates (CBT's), equivalent to 15 percent of the f.o.b. value of exported nontraditional goods, are issued to exporters. The exporters must ship more than 25 percent of their goods outside of Central America to qualify for CBT's. Exporters of beef, coffee, cotton, sugar, and molasses are allowed to import inputs used to produce export products duty-free and are exempt from the current 15-percent value-added tax.

The Nicaraguan currency, the cordoba, has been overvalued by as much as 40 percent, acting as an implicit tax on export products. The Chamorro government has devalued the currency from 1 cordoba per $U.S. in 1991 to 6 cordobas per $U.S. in 1993.

Nicaragua's economy is in transition as it recuperates from the war years of the 1980's. After a 20-percent decline in real GDP during the 1980's, the economy grew by 0.8 percent in 1992 and stagnated in 1993. Inflation fell to 3.5 percent in 1992. Agricultural output declined in 1991, but improved in 1992.

Nicaragua is attempting to move toward a free-market economy, and is implementing World Bank policy mandates. Insecure land tenure discourages investment in long-term agricultural projects. Other policies often create price distortions. Parastatals such as ENABA still have a role in the marketplace, and some products, such as poultry, are heavily protected. The prices of a few other commodities continue to be supported at levels well above world prices by the price band system. Production of export commodities such as cotton and sesameseed are implicitly taxed by Nicaragua's overvalued currency.

It is difficult to foresee if Nicaragua will be further integrated in, or isolated from, world agricultural markets in the near future. The Government's future agricultural policy choices will likely be influenced by the results of the policy reforms adopted in recent years. These results are extremely difficult to predict, given the major structural changes in the economy and the changes in the structure of incentives facing the agricultural sector.

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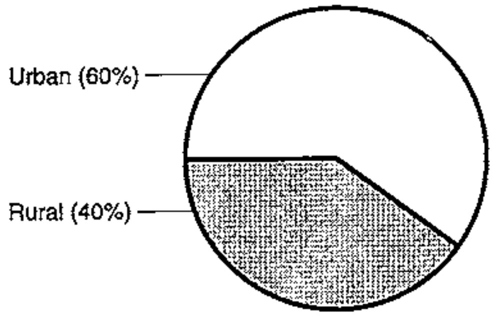
Nicaragua

Official name	Republic of Nicaragua
Type of government	Republic
Memberships	CACM, ECLAC, FAO, GATT, IBRD, IFC, IFAD, IMF, UN, UNCTAD, UNIDO, WFTU

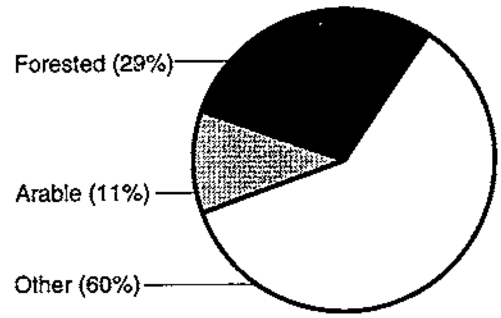
Population *1990*

3,871,000 persons



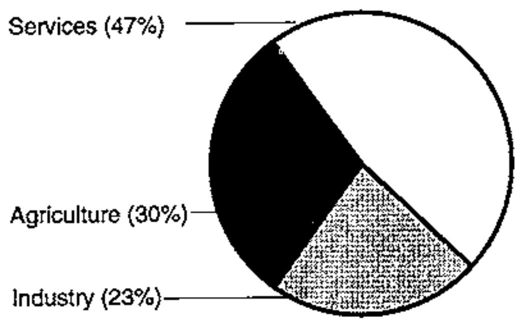
Land *1989*

13 mil. hectares (85,000 ha irrigated)



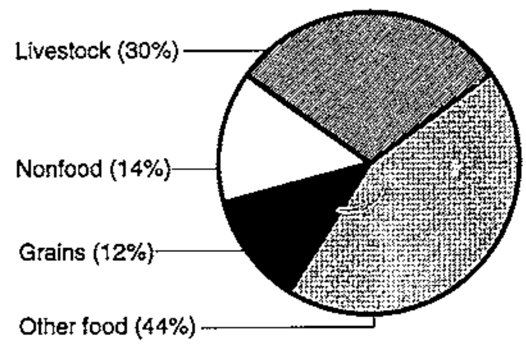
GDP *1991*

$2,300 mil.; $290 per capita



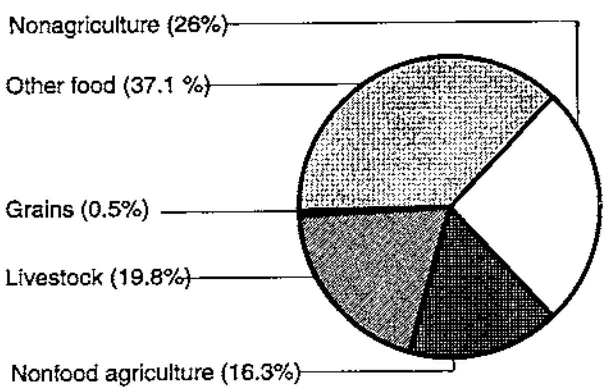
Agriculture *1991*

Major agricultural product: Fruits



Exports *1992*

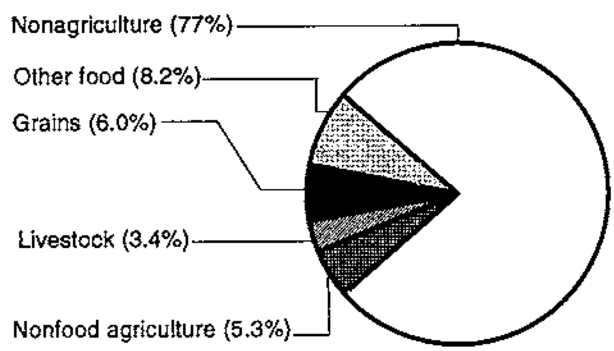
$236 million
Major agricultural export: Coffee, green and roasted



Note: Numbers may not add to total because of rounding.

Imports *1992*

$ 907 million



Food aid: 96,000 tons (cereals in grain equivalent)

Panama

Christine Bolling

Panama is a small Central American country of 2.5 million people, best known for the Panama Canal and as the second largest free trade zone after Hong Kong. Agriculture accounts for 10 percent of GDP, 25 percent of the labor force, and 39 percent of Panama's export earnings. Agriculture is divided between commercial export products, such as bananas, sugar, and shrimp, and subsistence crops, such as rice, corn, and beans. Most agriculture is conducted at a subsistence level.

The United States is Panama's primary trading partner, accounting for one-third of Panama's agricultural exports and one-half of its agricultural imports in 1992. Bananas remain Panama's principal export, accounting for almost half of export earnings. Shrimp, sugar, coffee, and tropical fruits are other important exports. Panama's principal agricultural imports include wheat, corn, and soybean products.

Panama's compliance with World Bank loan requirements and 1991 bid for accession to the GATT are shaping economic policy in the early 1990's. The Government is privatizing state-owned enterprises and liberalizing its trade regime to reduce the role of the state in the market.

Quotas, permits, and other quantitative restrictions on imports of various grains, pulses, meats, and vegetables were eliminated in 1993, but trade barriers remain high. *Ad valorem* tariff rates are 40 percent for industrial products, 50 percent for some 227 agroindustrial product classifications, and 60-90 percent for 60 sensitive agricultural products. Specific duties were eliminated on about 280 tariff line items. Permit requirements for corn imports were eliminated, but a 15-percent *ad valorem* tariff is applied to a minimum reference price of $6.50 per hundredweight. This tariff increases to 35 percent during the domestic harvest. Fees paid by corn importers to the Agricultural Marketing Institute have been abolished.

The rice quota system has been replaced with a 90-percent tariff at a reference price of $13 per hundredweight. Companies registered by the Ministry of Commerce and Industry under Law 3, such as poultry producers and processors, pay only a 3-percent tariff. Potatoes, onions, beans, green peas, and sorghum all have a fixed import levy plus an *ad valorem* tax.

The Government grants tax credit certificates (CAT's) to exporters of nontraditional products. In 1993, to compensate producers for Mexican trade restrictions, beef exporters were made eligible for CAT's until Mexico reduces its beef tariff. The Minister of Agriculture also eliminated export permits in the same year, so beef exports only have to meet the phytosanitary requirements of the importing country.

Corn, sorghum, kidney beans, and red beans are not allowed to be imported until the sale of the domestic supply is assured. These trade policies increase domestic prices; for example, corn producers received $237 per ton in 1993, compared with $140 per ton for U.S. corn delivered to Panama. Powdered milk is subject to an import quota. Poultry producers are also protected from foreign competition. The Government currently requires import permits and phytosanitary certificates for poultry imports. During the first half of 1993, the Panamanian Assembly passed legislation restricting poultry imports; the Panamanian Supreme Court is now determining the constitutionality of the law.

The Government is able to maintain control in the sugar industry through the ownership of 2 sugar mills, which produce 40 percent of the country's sugar.

Panama's prospects for the near future depend on the Government's ability to implement economic reform programs that improve public sector efficiency and eliminate widespread market distortions. The Government also faces the challenge of managing revisions under the Panama Canal Treaties.

The Government has declared its policy commitment to trade liberalization, but liberalization is proceeding very slowly. In agriculture, government policies favor the producer over the consumer, and the Government has slowed its efforts to transform the heavily protected agricultural sector to an open-market economy. The Government's principal trade liberalization accomplishment has been to make trade barriers transparent, rather than to reduce trade barriers.

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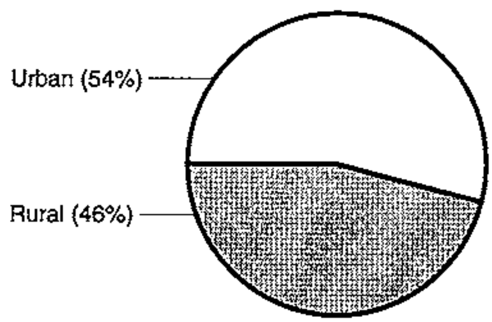
Panama

Official name Republic of Panama
Type of government Centralized Republic
Memberships CACM, ECLAC, FAO, IBRD, IMF, LAIA, UN, UNCTAD, UNIDO, WFTU

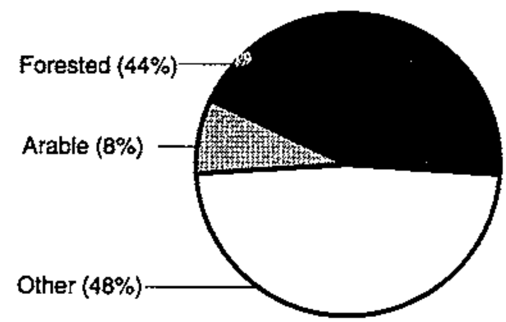
Population *1990*

2,418,000 persons



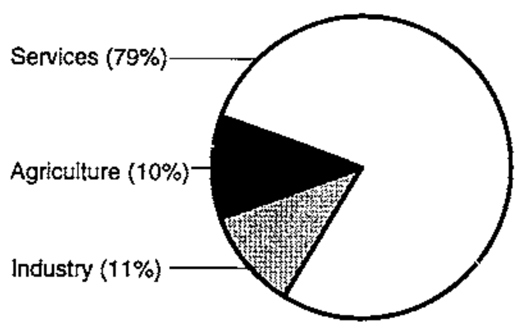
Land *1989*

8 mil. hectares (32,000 ha irrigated)



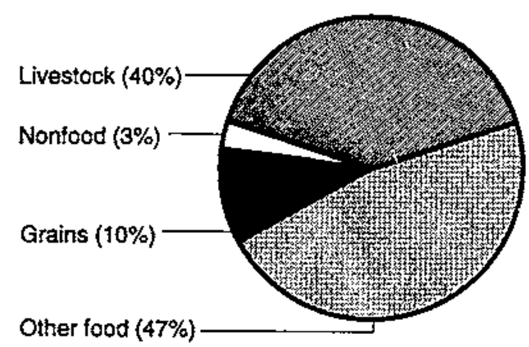
GDP *1992*

$6,000 mil.; $2,400 per capita



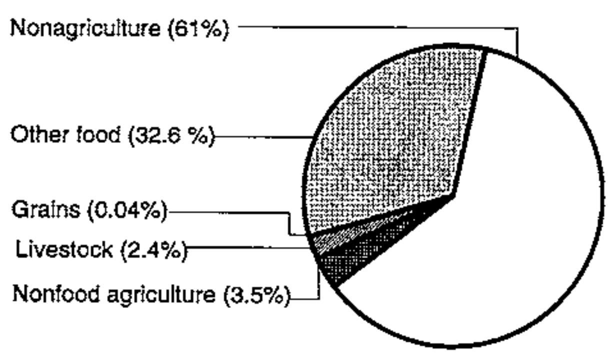
Agriculture *1991*

Major agricultural product: Fruits



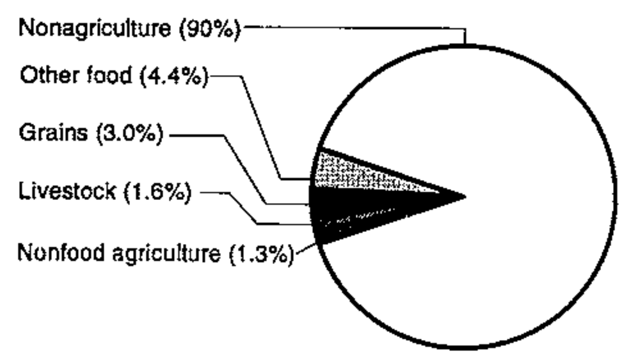
Exports *1992*

$465 million
Major agricultural export: Vegetables, fruits and nuts



Imports *1992*

$1,955 million



Note: Numbers may not add to total because of rounding.

Food aid: 45,000 tons (cereals in grain equivalent)

Paraguay

David Peacock

Paraguay's economic fortunes are inextricably linked to developments in its agricultural sector. Agriculture accounts for over 20 percent of GDP, half of the nation's employment, and 75 percent of exports. The agricultural sector has become increasingly dependent upon two export commodities, cotton and soybeans, which account for 70 percent of all exports. The promotion and rapid expansion of cotton and soybeans was a deliberate policy choice that began in the 1970's. Given Paraguay's small domestic market of 4.5 million persons, officials looked for commodities with an export potential to provide income for a population that is mostly rural. Cotton production expanded among the country's campesinos, the three-quarters of Paraguay's farmers with less than 20 hectares of land, while soybean output expanded on larger mechanized farms.

The coup d'etat in February 1989 marked the end of the 34-year Stroessner regime and the beginning of a new set of policies intended to deal with macroeconomic problems that had accumulated in the 1980's--budget deficits, inflation, external debt, and negative real interest rates. Although Paraguay's macroeconomic ills were not as extreme as in neighboring countries, recent Paraguayan Governments changed policies to address these concerns. The cornerstone of the new system is a 10-percent value-added tax and tight credit. Because interest rates increased sharply in 1991, the Central Bank has since reduced reserve requirements and rediscount rates.

Paraguay does not use direct trade or agricultural price policies to alter prices of its export commodities. Paraguay also has no controls on foreign exchange transactions. Foreign currency prices are set by supply and demand in the market, and foreign exchange may be freely acquired at banks and exchange houses. The Central Bank, however, does have the authority to participate in the foreign exchange market to avoid unusual fluctuations. As part of the 1989 reforms, the Government lifted explicit controls on foreign exchange and established the unified floating currency. The guaraní (the Paraguayan currency) continues to be regarded as overvalued into the early 1990's since domestic inflation has exceeded the devaluation of the currency. The overvalued currency is due in part to high short-term interest rates and the corresponding inflow of foreign investment capital.

In the early 1990's, oilseed crushers were concerned that they would face inadequate supplies of soybeans since raw soybean prices were attractive compared with soybean oil and meal on the world market. Soybean producers, exporters, and crushers made an agreement in early 1993 for exporters of raw soybeans to pay $4.40 per ton into a special fund. While the press reported that the special fund would go into diversification programs, trade sources indicated that it was to be used as a rebate to exporters of soymeal. While the Government was a party to the agreement, there was no mechanism to enforce its provisions nor any indication of its permanence.

Wheat millers are supposed to buy all domestic wheat before they are allowed to import. Under such an arrangement, it would be possible to maintain domestic prices above world prices if legal and contraband imports of wheat and flour are controlled. While import licenses have not been used, special tariff treatment restricts imports of products that compete with domestic production. Such temporary prohibitive measures have been applied to imports of seasonal agricultural products, but this mechanism has not been effective in excluding contraband wheat flour imports, which reduce domestic prices. Even so, local production has become the major source of wheat and wheat flour for domestic consumption. Wheat is grown as a second crop with soybeans in Paraguay, and the area sown to both wheat and soybeans has expanded rapidly since 1970.

Paraguay became a member of the GATT in 1993, offering a plan for import duties of 0, 5 and 10 percent for inputs, capital goods, and finished consumer goods. Prior to this plan, Paraguay had a two-tier tariff schedule. Duties from 5 to 35 percent were assigned to products for the purpose of generating revenue, while duties from 35 to 70 percent were applied to items competing with local production or considered to be luxuries.

Paraguay joined Argentina, Brazil, and Uruguay in signing the Treaty of Asunción creating MERCOSUR in March 1991. MERCOSUR is a regional integration scheme to create a common market by the end of 1994. All tariff barriers on trade between the participants will be dismantled. All internal tariffs are to be reduced to zero by the end of 1994 between Argentina and Brazil, while Paraguay and Uruguay are permitted a list of excepted products for which they have an additional year to eliminate the duties. Nontariff barriers are also to be completely eliminated. As a result, goods, services, capital, and labor will circulate freely between the four countries by January 1995. A common external tariff is to be established.

Paraguay and the other members of MERCOSUR signed a framework agreement on trade and investment with the U.S. Government in June 1991. The agreement will facilitate discussion of matters leading to a potential free trade area as envisioned in the Enterprise for the Americas Initiative.

Paraguay has no functional price intervention programs for food and agricultural products. The Government continues to offer a support price for cotton, but has neither the resources nor a mechanism to enforce the price floors. Until 1990, the Government also disseminated official reference prices for wheat and soybeans, but they were not compulsory and the producer usually did not receive the official price.

Some temporary actions have been taken, or sanctioned, such as the soybean "export tax" agreement. In 1992, the Government provided a $63-million subsidy intended for cotton producers in the face of lower world cotton prices. The subsidy was disbursed through the gins to encourage them to pay higher prices to cotton farmers than would have been considered profitable based solely upon the f.o.b. prices.

The Government has focused its research and extension funds on cotton. The private Paraguayan Cotton Association, CADELPA, is also assuming an increased role in extension of cotton technology. Paraguayan cotton is sold at a premium on the world market. By law, all cotton seed not used for planting is to be crushed so that it cannot be sold in competitor countries. The prohibition of cotton seed imports was suspended when a shortage of seed for the 1992/93 crop year prompted the Government to allow the importation of U.S. cotton seed.

Private marketing channels connect cotton gins or exporters, through middlemen (acopiadores), to farmers to distribute credit and inputs to producers and to market their product. The Central Bank has provided rediscounts for loans from the private banking system to the gins or exporters. The exporters and gins then finance middlemen who, in turn, provide credit and inputs to Paraguay's cotton producers. Private banks have been required to put a minimum of 10 percent of their portfolio in agricultural loans. The Central Bank also advances funds to Paraguay's publicly operated development bank (Banco Nacional de Fomento -- BNF) to finance agricultural activities of smallholders. Soybean producers and larger farmers tend to receive their loans directly from formal credit sources. Given the importance of the Central Bank rediscount to the agricultural credit system, the amount of available credit and the interest rates charged can be influenced by policy directives.

Paraguay has considerable land for expanding cultivation. The agrarian reform program will likely encourage expansion of cropland area. There has been considerable pressure to settle landless farmers on "surplus" land, and improvements in the organization and administration of the agrarian reform program were intended to accomplish this objective. The implication is that newly settled small farmers will bring additional areas of subsistence crops, cotton, and tobacco into production. Owners of larger tracts of forested land will likely feel pressure to clear and cultivate such land to avoid invasion by squatters or expropriation by the Government as a result of this program. Undoubtedly, this second force will contribute to additional area devoted to soybeans. However, concerns about the environmental impacts of recent and additional land clearing may slow expansion.

Intervention in agricultural markets is modest in Paraguay. Production and commercial activity is generally guided by market prices. An overvalued exchange rate may have penalized Paraguayan agricultural producers, while negative real interest rates may have provided them with a subsidy. Paraguay's export-oriented agricultural expansion effort has been a considerable success, although it has left the country vulnerable to changes in the international market for cotton and soybeans. Paraguay's continued high rural population indicates that neither the country's policies nor resources favor urban growth or employment. Even after the completion of the world's largest hydroelectric dam on its border with Brazil, the Paraguayan economy continues to be highly dependent upon its agricultural sector. Finally, MERCOSUR membership gives Paraguay access to a market of 190 million people with a combined GDP of approximately $420 billion.

This should improve Paraguay's prospects for attracting investment and participating in regional economic growth.

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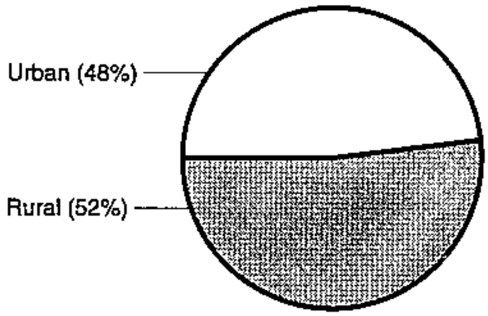
Paraguay

Official name Republic of Paraguay
Type of government Republic
Memberships ALADI, ECLAC, FAO, GATT, IBRD, IFC, IMF, LAIA, MERCOSUR, OAS, UN, UNCTAD, UNIDO

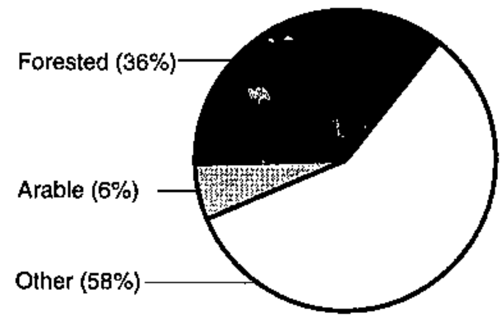
Population *1990*

4,277,000 persons



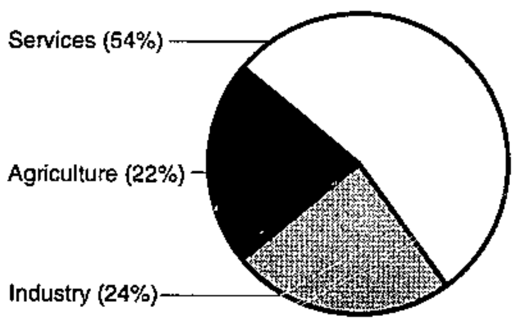
Land *1989*

40 mil. hectares (67,000 ha irrigated)



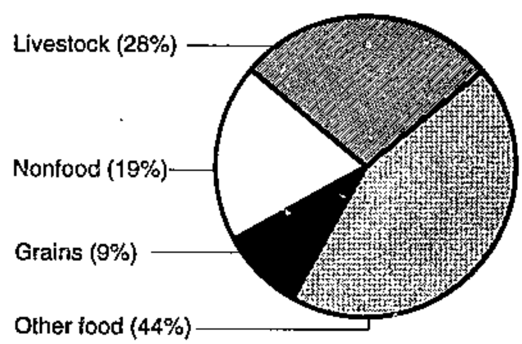
GDP *1992*

$7,300 mil.; $1,500 per capita



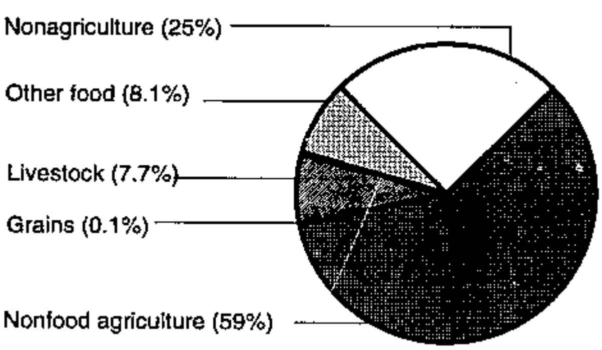
Agriculture *1991*

Major agricultural product: Roots and tubers



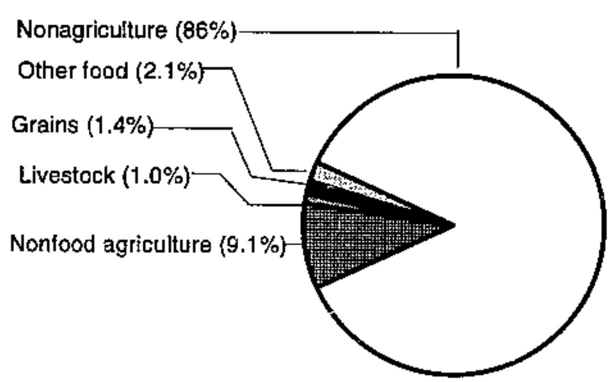
Exports *1992*

$657 million
Major agricultural export: Cotton lint



Imports *1992*

$ 1,237 million



Note: Numbers may not add to total because of rounding.

Food aid: 1,000 tons (cereals in grain equivalent)

Peru

Miriam Stuart

Peru, with a population of 22 million people, is one of the poorest countries in Latin America. Per capita income is about $1,100, and according to a World Bank study, over half of the population has inadequate income to buy a standard basket of basic necessities. Agriculture contributes about 7 percent to total GDP, and Peru's main agricultural products include palm oil, fruits and vegetables, sugar, coffee, cocoa, cotton, rice, corn, dry beans, plantains, and potatoes. Peru is also one of the world's top fishmeal producers and exporters. Fishmeal exports accounted for 10 percent of total export earnings in 1992. Other important exports include coffee, cotton, fish and shellfish, raw sugar, cocoa butter, fruit juices, asparagus, and cut flowers. Peru's major agricultural imports include grain, refined sugar, powdered milk, soybean oil and meal, and beef.

Peru has three distinct types of agriculture due to the country's topography and climate. One type is the altiplano agriculture of the indigenous Andean mountain people, who produce grains, potatoes and other tubers, legumes, vegetables, llamas and sheep. The second type is located in the coastal valleys along the Pacific Ocean where water for irrigation and good climate account for the most productive land in Peru. These coastal valleys produce export crops, including sugarcane and cotton. The third type of agriculture is in the selva region, or tropical forests along the border of Brazil, where coffee, tea, cacao, rice, corn, bananas, horticultural products, and cassava are grown.

Between 1981 and 1990, Peru's GDP contracted an average of nearly 1 percent per year while inflation rates rose, peaking at 7,500 percent in 1990. Peru was declared ineligible for loans by international lenders in the late 1980's, and by 1990, the country's external debt had reached nearly 60 percent of GDP. To restore economic vitality to Peru, the Fujimori administration implemented a sweeping reform program in 1990. The Government lifted controls on food and other prices, implemented a broad privatization program, revamped the tax structure, restructured external debt, and slashed government spending to match revenues. The Fujimori administration also liberalized the exchange rate regime, eliminated multiple exchange rate regimes, and removed restrictions on use of foreign currency and on trade transactions. Most barriers to agricultural trade were stripped away, and many agricultural programs and subsidies were completely eliminated by the reforms. At present, government intervention in the farm and food sectors is minimal.[3]

Peru no longer has import quotas or bans, restrictive licensing schemes, state trading monopolies, export subsidies, or other nontariff trade barriers on agricultural commodities, with the exception of a handful of food staples. In addition, tariffs have been lowered significantly and the schedule simplified to two rates. Tariffs on bulk commodities or less processed goods are now 15 percent, and tariffs on highly processed items are 25 percent. However, most imported goods, including agricultural commodities and production inputs, are also subject to an 18-percent sales tax.

Only 18 grain, sugar, and dairy products are under an import protection scheme of variable levies or price bands, officially called "anti-dumping surcharges." The surcharges are adjusted weekly by the Ministry of Agriculture, and are used to bring the import price up to a minimum price set by the Government. This official minimum import price is based on the 5-year average international price, and is adjusted periodically. The surcharge is calculated from the difference between the lowest among a set of international benchmark market prices and the minimum import price. For example, if the official minimum wheat import price is set at US$168 per ton, and the lowest f.o.b. price of the benchmark prices in the United States, Argentina, or Canada is US$110, the surcharge levied that week would be $58 per ton. The same surcharge would be levied on all shipments received, regardless of actual f.o.b. value or origin. This method allows the Government to maximize revenues from the surcharge while giving farmers some price protection. As part of the terms of a 1992 agricultural loan from the IDB, Peru has agreed to phase out variable "anti-dumping surcharges" or to replace them with a flat 10-percent duty, but no specific schedule has been announced.

Dairy farmers receive additional import protection via restrictions on the blending of imported nonfat dry

[3] A state of emergency was declared for agriculture in 1992, which provided one-time assistance to the sector. A $150-million grant was issued for production input assistance in drought- and flood-damaged areas and for development programs. This special emergency funding expired at the end of 1993.

milk and butter oil with domestic fresh milk in the production of popular and inexpensive "recombined" milk. Law SD009-92 permits only evaporated milk producers to import milk derivatives, and requires that 80 percent of recombined milk be domestically produced fresh milk. Under this law, the share of domestic products in recombined milk is scheduled to increase over time.

Peru, as a member of ALADI, grants preferential duties to ALADI partners. Peru was a member of the Andean Group, but temporarily withdrew in late 1991. In 1994, the Government announced that Peru would rejoin the Andean Group over a transitional period. Peru was also granted benefits under the U.S. Andean Trade Preference Act (ATPA) in 1993. The ATPA was designed to encourage the production of nondrug agricultural goods in the Andean countries by granting broad tariff concessions.

The Government is setting up a new farm credit institution in which the rural banks, or "cajas rurales," will be administered by the farmers themselves. All direct farm subsidies, income support programs, and government-funded research laboratories were eliminated in the 1990 reforms, along with the Agrarian Bank, which had supplied subsidized credit to farmers. Farmers had little access to production credit in recent years, but some "cajas rurales" plan to offer loans in 1994.

Recent land reforms are likely to increase capital investment by Peruvian farmers. A 1991 amendment to the 1969 Agrarian Reform Law allows farmers to use their land as collateral for bank loans. In 1993, Peruvians approved a new constitution, which permits the buying and selling of land without government restriction.

To protect the fishing industry, the Government imposes occasional harvesting bans during fish breeding cycles to prevent the depletion of anchovies, sardines, and other species. The government-owned fishing company, PESCA PERU, and other public fishing industry enterprises are scheduled for privatization during 1994.

Recent economic indicators show that Peru is on the path to economic growth and stability; GDP grew by more than 6 percent in 1993, and the inflation rate was a comparatively low 40 percent. Arrears with international lenders were cleared by mid-1993, and international creditworthiness was restored. International investors are returning to Peru, and the Government has successfully increased tax revenues and clamped down on budget deficit growth. However, extremely high poverty rates and underemployment of over 50 percent persist; the reforms have yet to bring sustained, widespread economic growth to all households or sectors. Peru initiated a massive system of social programs in 1991 to alleviate poverty and mitigate the social costs of the structural adjustment process on the poor. These programs are administered under the National Fund for Social Compensation and Development (FONCODES), and are funded by both the Government of Peru and international lenders. This type of program should enable Peru to continue its national austerity program while mitigating social unrest caused by extreme poverty.

While the macroeconomic picture has improved, the agricultural sector has not fully recovered. Despite the liberalization of the exchange rate regime, the Central Reserve Bank of Peru has maintained an overvalued new sol with respect to the U.S. dollar. This overvaluation, estimated to be 30-50 percent, makes import prices less expensive than domestic prices, thereby encouraging food imports at the expense of domestic production. Commercial interest rates also are high, restricting farmers' access to production or investment loans.

Peru's farmers face other important constraints. In recent years, terrorist attacks directed at farmers have reduced agricultural production, as farmers abandoned their land in fear. The Government's current antiterrorist campaign has only recently improved security in rural areas; there are reports that the crackdown on terrorist activities by the Fujimori administration has enabled some farmers to return to their lands.

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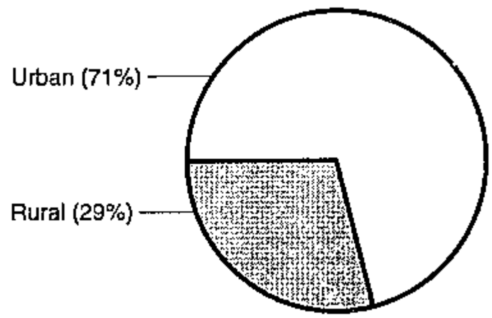
Peru

Official name Republic of Peru
Type of government Republic
Memberships AG, ALADI, ECLAC, FAO, GATT, IBRD, IFAD, IFC, IMF, ISO, LAIA, OAS, RIO, UN, UNCTAD, UNIDO, WFTU

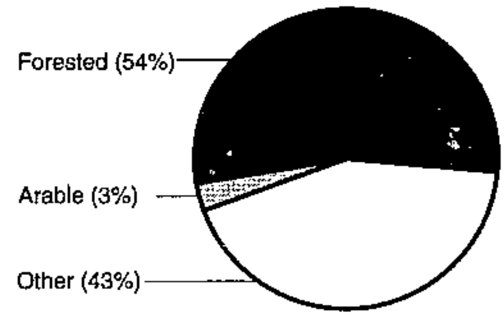
Population *1990*

21,550,000 persons



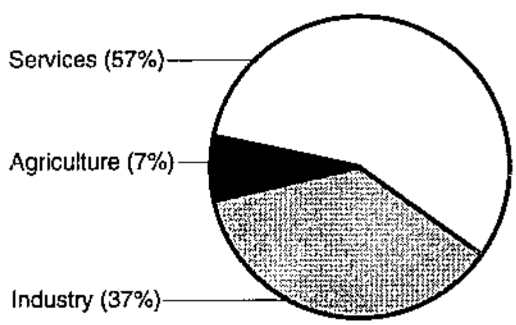
Land *1989*

128 mil. hectares (1,250,000 ha irrigated)



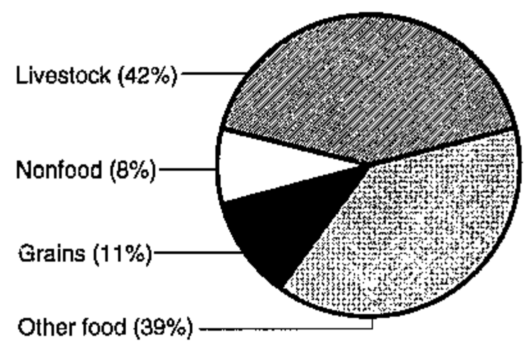
GDP *1992*

$25,000 mil.; $1,100 per capita



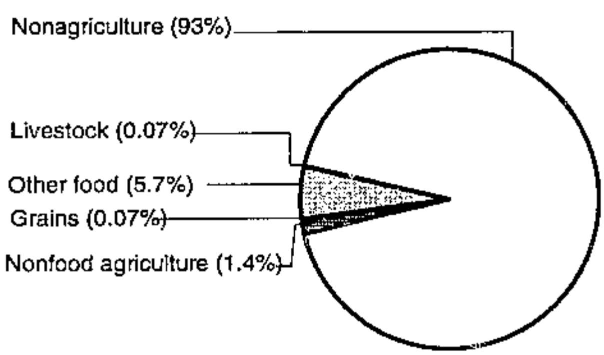
Agriculture *1991*

Major agricultural product: Roots and tubers



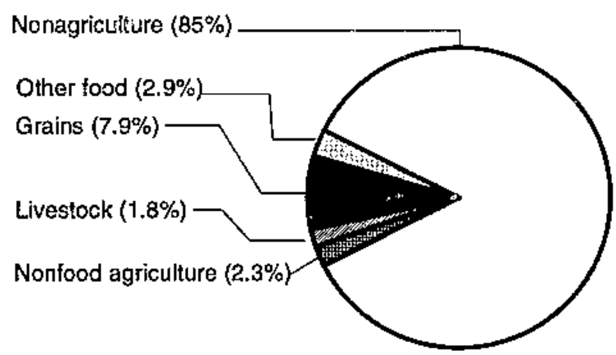
Exports *1992*

$3,484 million
Major agricultural export: Coffee, green and roasted



Imports *1992*

$4,861 million



Note: Numbers may not add to total because of rounding.

Food aid: 340,000 tons (cereals in grain equivalent)

Trinidad and Tobago

Richard Brown

Trinidad and Tobago is a small island country of nearly 1.3 million people. It has substantial oil reserves, and petroleum-based industries account for 35 percent of GDP and 75 percent of export earnings. Agriculture accounts for less than 10 percent of both GDP and exports, and provides employment for 11 percent of the workforce. Trinidad's principal agricultural exports are sugar, cocoa, citrus, and coffee. Trinidad produces rice and vegetables for domestic consumption, but is dependent on imports for feeds, wheat, and other food grains. Food and beverage imports account for one-fifth of total imports. The United States, with a 50-percent market share, is the primary trading partner, followed by the United Kingdom, Canada, CARICOM members, and the European Union.

High oil prices in the 1970's fueled an economic boom, and by 1980 Trinidad and Tobago ranked third in the Western Hemisphere after the United States and Canada in per capita income. The decline in petroleum prices in the 1980's caused Trinidad's economy to falter. Shortly after the elections of 1991, the new Government confirmed its interest in reforming policies which may discourage investment. A structural adjustment loan from the World Bank is helping to finance the transition to a more open economy.

During the oil boom, rising wages in the petroleum sector pulled labor from agriculture into other industries. However, in recent years, the Government has renewed its interest in agriculture, since food imports had become a significant drain on foreign reserves.

Trinidad and Tobago implemented the Common External Tariff (CET) of the Caribbean Common Market (CARICOM) in 1991. CARICOM countries have uniform tariffs on all imports from nonmember countries and duty-free access amongst themselves. Imports from nonmember countries are charged *ad valorem* tariffs of 45 percent for wheat flour and 30 percent for rice. Wheat, corn, and soybeans, listed as basic necessities not produced by other CARICOM countries, are allotted duty-free status.

Until recently, imports were regulated by import licenses or complete bans. Import licensing requirements for 64 items were eliminated in 1992; these items are now subject only to tariffs. Items requiring licenses include paddy rice, wheat and wheat flour, sweetened milk, evaporated milk, corn, coconuts and products, soybeans and products, other oilseed oils, cakes and meals, many fruits and vegetables, raw sugar, cocoa, coffee, beef, pork, broilers and broiler parts. Many of these products also have stamp taxes and surcharges from CARICOM. Cereals, many fruits and vegetables and their products have surcharges of 20-55 percent, but these fees are being phased out. Goods of CARICOM origin are usually exempt, although Trinidad and Tobago temporarily suspended coconut oil imports from CARICOM countries in 1992. Trinidad and Tobago also levies a stamp tax of 20 percent of the c.i.f. value plus a 15-percent value-added tax on all imports.

Producer prices for rice, chicken, and pork are supported by the CET. Rice farmers receive high domestic price supports. Pork producers are protected by quantitative limits on imports. Domestic prices for poultry slightly exceed international prices. Broilers and broiler parts require import licenses and broiler parts are subject to an additional 20-percent surcharge. Copra is Trinidad's principal oil crop, and is subsidized through price guarantees. Coffee is supported at a price 127 percent above the world market price by a direct subsidy to farmers. The small subsidy that dairy farmers received for milk used for processing was abolished in 1992. This left numerous small farmers in debt to the Agricultural Development Bank with little hope of repayment.

The Government owns Caroni, the country's only sugar company and the largest food processing firm. Caroni is the largest employer on the islands, with 10,000 workers, 5,000 independent cane farmers and 1,000 independent service contractors. Labor union pressure has obliged Caroni to harvest cane by hand, and high wages make Trinidad a very high-cost sugar producer. Caroni also runs the country's rice mill, and has often absorbed much of the social costs of the Government such as building of roads, schools, and cemeteries. Caroni's debts to the Government have been forgiven to allow payment of back wages. Caroni prices retail bagged sugar lower than the bulk price charged to industrial buyers. Caroni is diversifying from sugar by converting cane area to rice, citrus, and pasture.

Parastatals process most of the islands' agricultural products, and include National Flour Mills, National Agricultural Market Development Company, Ltd., National Fruit Processors, National Poultry Co., Ltd., Fertilizers of Trinidad and Tobago, Trinidad Nitrogen Company, Caricom Corn and Soybean Company, and Caribbean Food Corporation. Most parastatals are designed to achieve social goals, but several are also efficient and profitable.

Agricultural producers are eligible for loans at subsidized interest rates through the Agricultural Development Bank, which generally operates at a loss. The Government has formulated a Land Rationalization and Development Programme (LRDP) to provide secure legal title to land.

A low food cost policy keeps the prices for certain basic food items (wheat, fresh and processed beef, milk, and canned sardines) low through price controls.

CARICOM tariffs are being reduced over a 5-year period, and Trinidad and Tobago is dismantling price controls except for a few items consumed by lower income groups. Trinidad and Tobago is also liberalizing foreign exchange. The number of items requiring import licenses has been declining.

Liberalization under CARICOM obligates Trinidad, despite its own large supplies, to import coconut oil from St. Vincent and St. Lucia under the CARICOM Fats and Oils Agreement.

Although the Government has liberalized certain components of its trade policy regime in recent years, import licensing requirements and the CET continue to shelter Trinidad's agricultural sector from world market prices at the expense of its consumers. These price policies, in combination with other transfers to the sector, have caused Trinidad's agricultural ouput to increase sharply in most years since 1989.

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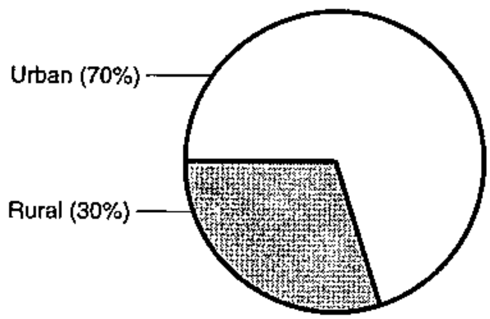
Trinidad and Tobago

Official name Republic of Trinidad and Tobago
Type of government Parliamentary Democracy
Memberships ACP, CARICOM, CDB, ECLAC, FAO, GATT, IBRD, IFAD, IFC, ILO, IMF, ISO, OAS, UN, UNCTAD, UNIDO, WFTU

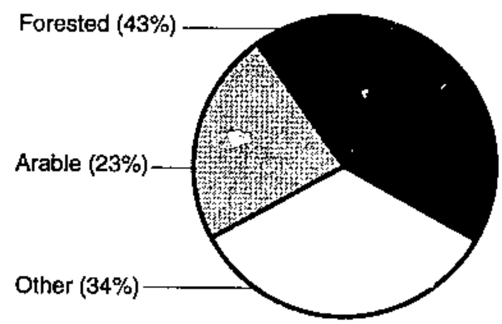
Population *1990*

1,281,000 persons



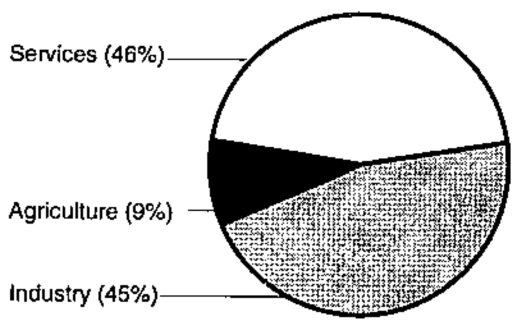
Land *1989*

.513 mil. hectares (22,000 ha irrigated)



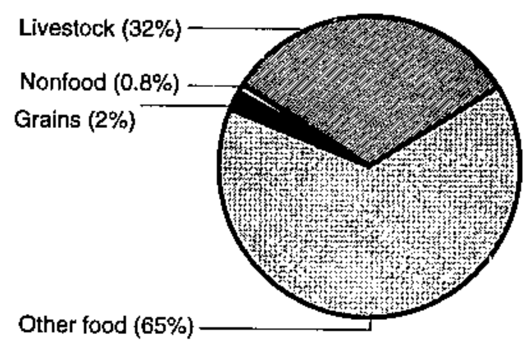
GDP *1991*

$5,000 mil.; $3,800 per capita



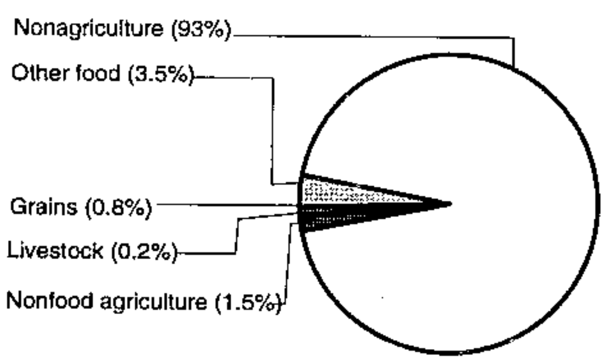
Agriculture *1991*

Major agricultural product: Sugar, centrifugal raw



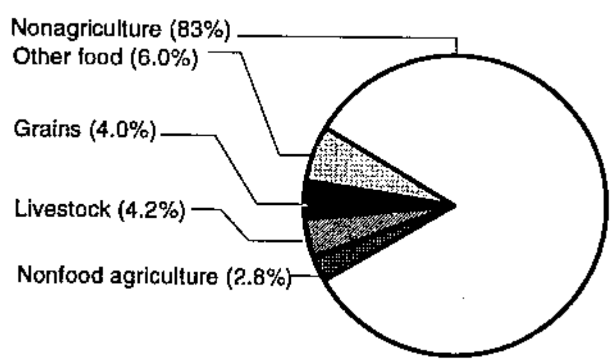
Exports *1992*

$1,867 million
Major agricultural export: Sugar



Imports *1992*

$1,429 million



Note: Numbers may not add to total because of rounding.

United States

Richard Kennedy

Agricultural production and employment are a small part of the U.S. economy, but the total economic activity associated with agriculture--production, processing, transportation, and marketing of food and fibers--accounts for nearly 16 percent of all U.S. economic activity and 18 percent of employment. Agricultural exports usually account for 10-12 percent of all U.S. exports and agricultural imports 5 percent of total imports. The agricultural trade surplus has averaged about $17 billion in fiscal years (FY) 1990-93, compared with an average deficit of $123 billion for nonagricultural products. Each year, agricultural exports usually represent about 20 percent of the value of agricultural production. Exports represented a large percentage of output for these crops in FY 1992: wheat (67 percent), rice (42 percent), cotton (38 percent), soybeans (34 percent), and corn (21 percent). Exports of livestock products--especially beef, poultry, and eggs--represent a growing segment of agricultural exports, but account for less than 5 percent of output in most cases. Exports of dairy products are much smaller now than in the late 1980's when subsidized exports of nonfat dry milk equaled almost 40 percent of domestic use.

Most U.S. farm programs originated in the 1930's and were designed to aid a farm population that made up one-quarter of the U.S. population and whose incomes were generally much lower than those of nonfarm households. These programs aim to support the incomes of producers of certain agricultural commodities at a level above that which the market would have otherwise permitted in the face of rapidly rising productivity and slower growth in demand. Farm policies in the 1990's largely have continued those in the late 1980's, which moved toward greater market orientation. In earlier years, the need to dispose of surpluses generated by U.S. domestic programs had contributed to the creation of important domestic and foreign food aid programs. Today, decisions about the programming of commodities for these programs are largely independent of surpluses.

Farm programs are governed by a body of "permanent" legislation--especially the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949--that remains operative over an indefinite time period unless repealed or amended temporarily for a specific time period. In recent years, major revisions to farm legislation have been made on a 5-year cycle. The most recent major revisions were those contained in the 1990 Farm Act.[4] Although some of its provisions add to permanent legislation, most apply to the operation of programs in 1991-95.

Most of the programs authorized by this legislation are financed by the Commodity Credit Corporation (CCC), which was created to stabilize, support, and protect farm income and prices; to help maintain balanced and adequate supplies of agricultural commodities; and to help in their orderly distribution. It is managed by a board of directors under the direction of the Secretary of Agriculture. CCC program spending in a particular fiscal year is financed with borrowing from the U.S. Treasury up to a congressionally specified aggregate limit. The Congress traditionally reimburses the CCC for its net realized losses as of the end of that fiscal year out of the following year's budget. Thus, spending for most CCC programs is not limited in advance by the annual congressional agricultural appropriation, but by whatever limits, if any, that appear in the legislation authorizing those programs. The Congress, however, often sets spending limits for some programs in advance of the new fiscal year by amending the authority for those programs through legislation such as the budget reconciliation acts of recent years.

Program Overview

A set of interacting programs provides income and price support to producers of certain agricultural products. Direct income support is primarily in the form of payments to program participants who produce grains and cotton in connection with a target-price system. Roughly two-thirds of U.S. farm operators, however, do not receive Federal payments either because they do not produce program commodities or do not participate in programs for those commodities. Market prices of several major field crops and milk products are supported by measures that act to restrict domestic market supply.

[4] Public Law 101-624, Food, Agriculture, Conservation, and Trade Act of 1990 (FACTA) and the section dealing with agriculture (Title I) of Public Law 101-508, the Omnibus Reconciliation Act of 1990, which amends it, were both enacted in November 1990 and together are referred to here as the "1990 Farm Act." The "1985 Farm Act" is Public Law 99-198, Food Security Act of 1985.

Measures include planting restrictions (some with conservation objectives) for grains and cotton; marketing quotas for sugar, peanuts, and tobacco; marketing orders for milk and certain fruits and vegetables; and commodity acquisitions or reserve programs for grains, oilseeds, cotton, and processed dairy products (butter, cheese, and dry milk). Prices of grains, oilseeds, cotton, tobacco, and raw sugar are supported more directly by nonrecourse commodity loans backed, except for tobacco and sugar, by government stock-acquisition measures. Prices of dairy products are supported by administered minimum prices guaranteed by government purchases of butter, cheese, and nonfat dry milk. Domestic food assistance programs enhance producer prices by augmenting demand for food products by low-income people.

U.S. trade policies originate largely out of efforts to enhance prices of domestic agricultural commodities and to limit expenditures on domestic price and income support programs. Import restrictions are the sole source of price protection for beef, the primary source for sugar, and are also important for cotton, rice, peanuts, vegetable oils, tobacco, and some fruits and vegetables. Export subsidies help support prices for wheat, barley, vegetable oils, dairy products, frozen poultry, and eggs, as do concessional foreign food aid programs (primarily for grain, vegetable oils, and dairy products).

Supply Controls

The Acreage Reduction Program (ARP) enhances market prices of wheat, rice, feedgrains, and cotton by inducing producers to accept restrictions on output in exchange for eligibility for program benefits such as income support payments and commodity loans. To be eligible, producers must place in an Acreage Conservation Reserve (ACR) an amount of land specified each year under the ARP. The amount is expressed as a percentage of a farmer's base acreage. Base acreage is an average of plantings--including acreage considered planted--in the previous 5 years for wheat and feedgrains and of the previous 3 years for cotton and rice. Land designated as ACR must be planted to or maintained in protective cover crops or certain approved nonprogram crops. A zero ARP was set for 1994 wheat, rice, and feedgrains, compared with zero ARP's in 1993 for wheat, barley, and oats; 10 percent for corn; and 5 percent for rice and sorghum. A zero ARP will be in effect for wheat in 1995. The ARP for upland cotton was increased from 7.5 percent in 1993 to 11 percent in 1994. This "set-aside" is based on the stocks-to-use ratio for the previous year, and increases as the ratio becomes larger. Authority exists for a paid land diversion program--payments to farmers for voluntarily idling land--but it has not been exercised since 1987.

The "flex" and "conserving use for payment" program provisions[5] also help to support prices to the extent that they result in lower production than would occur otherwise, although price support is not the primary aim of either program. Farmers responding to the "conserving use for payment" program requirements for 1993 and 1994 received deficiency payments for, but did not plant the specified program crop on acreage equal to these percentages of total acreage enrolled in the program for that crop: corn (6.5 and 3.3 percent, respectively), sorghum (15.5 and 13.8 percent), barley (28.1 and 26.1 percent), oats (25.8 and 20.6 percent), wheat (8.3 and 7.5 percent), upland cotton (2.8 and 1.5 percent), and rice (12 and 6.3 percent). Farmers subject to "flex" in 1993 and 1994 crops either planted to another crop or idled land equal to these percentages of all acreage enrolled in the program for that crop: corn (6 and 5.3 percent, respectively), sorghum (6.4 and 5.2 percent), barley (11.3 and 9.5 percent), oats (13.3 and 12.7 percent), wheat (7.3 and 6.5 percent), upland cotton (1.5 and 0 percent), and rice (11.4 and 9.5 percent).

Quotas limiting the marketing of peanuts and tobacco curb the domestic supply, and similar quotas have been established for sugar when the import-tariff quota failed to provide adequate price protection.

Prices of several commodities are also enhanced by the Conservation Reserve Program (CRP). Since the program's inception in 1986, farmers under 10-year contracts have removed a total of 36.5 million acres of highly erodible land from production and planted permanent vegetative cover. In exchange, they have received annual rental payments and half the costs of establishing the cover. The goal was to retire 40-45 million acres by 1995, but the Congress did not appropriate funds for new enrollments in FY's 1993 and 1994. A similar program aims at conservation of wetlands. CRP contracts will begin to expire in 1995.

Direct Income Support

Direct income "deficiency payments" are made to producers of wheat, rice, corn, sorghum, barley, oats, and upland and extra-long staple cotton who participate in the ARP and comply with certain

[5] Known as the "0/92 and 50/92" provisions before 1994, when they became the 0/85/92 and 50/85/92 provisions. See description under Direct Income Support.

conservation requirements. The payment rate equals the amount by which an administratively determined "target price" exceeds the higher of an average market price and the effective loan support level. Payments equal that rate multiplied by the number of acres eligible for payment, multiplied in turn by the farm's program yield. Program yield in most instances is the farm's average yield for 1981-85--the same program yield mandated by the 1985 Farm Act. Target prices for 1991-94 crops (except extra-long-staple cotton) were set at the minimums authorized by the 1990 Farm Act--corresponding to the lowest levels reached under the 1985 Farm Act.

The "conserving use for payment" and "flex" program provisions affect the level of deficiency payments. Under 0/92 provisions, producers of 1991-93 wheat and feedgrain program crops who were eligible for deficiency payments had the option of devoting from 8 to 100 percent of their maximum payment acres (MPA) to conservation uses or to minor oilseeds (soybeans excluded), sesame, or crambe, but still receiving deficiency payments as if they had planted 92 percent of their MPA to the program crop. (MPA equals the crop's established base acreage, minus acreage required to be idled under the ARP, and minus normal flex acreage. Flex acreage is described below.) Producers of cotton and rice had a similar option (50/92 provisions), except that they were required to plant at least 50 percent of their MPA to the program crop. The Budget Reconciliation Act of 1993 revised the 0/92 and 50/92 provisions for 1994 and 1995 crops by authorizing deficiency payments as if only 85 percent of the MPA had been planted to the program crops. Wheat and feedgrain producers, to be eligible, now must devote at least 15 percent of MPA--but still no more than 50 percent for cotton and rice--to conservation uses or the approved alternative crops. However, if producers plant minor oilseeds, industrial or experimental crops, or suffer prevented planting or failed acres because of adverse weather conditions, they may still receive up to 92 percent of their original deficiency payment.

The flex acreage provisions cut government expenditures by reducing the acreage eligible for deficiency payments in the wheat, feedgrain, rice, and upland cotton programs, but gave such farmers the flexibility of planting this nonpayment acreage to other crops that may bring greater market returns. After meeting the ARP requirements of a particular program crop, farmers are ineligible to receive deficiency payments on "normal flex acreage" (NFA)--the next 15 percent of the acreage base for that crop. Such farmers, however, may idle or plant on this acreage nearly any crop they wish--including the original program crop--without reducing their historical acreage base. The only crops excluded are fruits, vegetables, tobacco, peanuts, nuts, tree crops, trees, and wild rice. Farmers also have the option of planting another 10 percent of their program acreage ("optional flex acreage") to other crops without losing base. However, they lose deficiency payments for each acre of optional flex acreage planted to an alternative crop. Those crops ordinarily eligible for commodity loans, including the designated program crop, remain eligible for loans when harvested from flex acreage.

Current farm legislation attempts to protect against loss of income from natural disasters by authorizing crop insurance and direct financial payments. Multiple-peril Federal crop insurance partially compensates producers for revenue losses to specified crops caused by natural disasters. Farmers pay insurance premiums with a Federal subsidy of up to 30 percent to private insurers. Indemnity payments are guaranteed to the extent that per-acre yields fall short of a level chosen by farmers on enrollment--35-75 percent of the farm's historical yields, depending upon the premium paid. Direct disaster payments may be authorized if Federal crop insurance is not available or if the Secretary of Agriculture determines that insurance and other assistance are insufficient to relieve the economic emergency created by substantial production losses.

Federal insurance is available for some 50 crops, including all program crops and many specialty crops, but less than 40 percent of farmers buy such insurance. When large-scale disasters have struck, Congress usually has responded to pleas for help from those not covered by insurance with major expenditures to provide *ad hoc* disaster relief to uninsured and insured farmers alike. Insured farmers, however, may not collect both insurance and disaster payments for the same loss.

Price Policies

Prices of wheat, rice, feedgrains, oilseeds, and upland and extra-long staple cotton are supported directly by a stock-acquisition program that is tied to a nonrecourse loan program. Farmers who comply with program requirements, including planting restrictions, may obtain 9-month (10-month for cotton) nonrecourse loans at an established loan rate by pledging crop production (including grains, oilseeds, sugar, and cotton) as collateral. Such farmers may either wait to redeem the loan and sell the crop at a later date or forfeit the crop to the Government and retain the loan proceeds. The Government stores the forfeited commodity, which is not available to the market unless prescribed price levels and other conditions are met.

The nonrecourse loans may be extended for wheat and feedgrains by entering them into the Farmer-Owned Reserve (FOR). The Government subsidizes both storage costs (until the market price reaches 95 percent of the target price) and interest costs (until the market price reaches 105 percent of the target price). Entry into the reserve must be permitted whenever both these conditions exist: (1) the market price falls below 120 percent of the loan rate, and (2) the stocks-to-use ratio rises above established trigger levels (37.5 percent for wheat and 22.5 percent for corn). Opening of the FOR is optional when only one of these conditions prevails, and is prohibited if neither prevails. The Government may set the reserve maximum at 300-450 billion bushels for wheat and 600-900 million bushels of feedgrains; no minimum is specified. Farmers may remove their grain from the FOR at any time by redeeming their support loans.

Minimum basic loan rates for food grains, feedgrains, and cotton are calculated annually at 85 percent of a commodity's average price over the previous 5 years (excluding the highest and lowest years), except that the rate cannot be reduced more than 5 percent from the previous year. The Secretary of Agriculture has the option ("Findley" adjustment) to reduce the basic rate for grains by 5 percent if the current year's stocks-to-use ratio is between 15 and 30 percent, and by 10 percent if the ratio is greater than 30 percent. Authority exists for a further 10-percent reduction to maintain competitive market position. Downward adjustments of close to 15 percent were made in 1991-93 for wheat (10 percent in 1991) and feedgrains, but only 5 percent in 1994. Separate minimum loan rates were established for soybeans, upland cotton, and rice.

Despite the existence of a loan rate for sugar, prices ordinarily are supported by an import tariff-quota because of a legal requirement that support must be costless to the Government. Domestic marketing allotments may be imposed to further control domestic sugar supplies. Corn sweetener manufacturers also benefit because the price supports permit them to charge higher prices than otherwise while gaining a larger share of the general sweeteners market.

Marketing loans were mandated by the 1990 Farm Act for cotton, rice, and oilseeds and were authorized at the Government's discretion for wheat and feedgrains. Marketing loans were not implemented for wheat and feedgrains until they were mandated for 1993-95 crops by 1990 legislation that required their implementation if the United States had not signed the Uruguay Round GATT agreement by June 30, 1992. The marketing loan gives farmers the option of repaying nonrecourse commodity loans at a repayment rate that may be set lower than the regular effective loan rate. When market prices are below the loan rate, farmers can profit by selling their commodities at the prevailing market price and pocketing the difference between the loan rate and the lower marketing loan repayment rate. Exercise of this option helps minimize potential loan forfeitures and government accumulation of stocks while making U.S. commodities more competitive overseas.

Milk and dairy product prices are supported by government bulk purchases of butter, cheese, and nonfat dry milk at announced prices, and by regional marketing orders for milk.

Domestic Food Aid

The Federal and State governments subsidize food assistance to needy people. The sources of money and commodities for these programs include appropriations, customs receipts (Section 32), and surplus commodity stocks. Some programs, such as the Food Stamp Program, provide the equivalent of cash to individuals and families for purchase of a wide variety of food at the retail level. Others provide surplus commodities or cash for purchase of commodities and for program administration to institutions that distribute the assistance. A large proportion of the assistance consists of "entitlements" that draw first on the availability of surplus commodities and then upon appropriations to provide a prescribed level of assistance. Other assistance, including a program to provide States with emergency food relief, represents a "bonus" dependent upon the availability of surplus government stocks. Some of the food distributed is derived from government agreements with private food processors to convert designated surplus commodities held by the CCC into a variety of products that are sold at prices reflecting the value of donated ingredients.

Trade Policies

The United States is a founding member of the General Agreement on Tariffs and Trade (GATT) and a signatory to the multilateral trade agreement that concluded the Uruguay Round of GATT negotiations in December 1993 but awaits approval by the U.S. Congress. Acceptance would commit the United States to membership in a new World Trade Organization intended to replace the GATT. The United States is also a party to agreements intended to lead to free trade in agricultural and other products among Canada, Mexico, and the United States.

The U.S. Generalized System of Preferences (GSP) eliminates duties on a wide range of products imported into the United States from designated, mostly developing, beneficiary countries. Under the automatic "competitive need" provision, if any beneficiary supplies more than 50 percent of total U.S. imports of a product or if imports from them are worth more than a specified dollar figure, eligibility must be withdrawn. Competitive need limits do not apply to the 38 least developed beneficiary countries. If a country's per capita GNP exceeds a certain limit indexed to growth in U.S. GNP, its benefits are automatically terminated after a 2-year phase-out. Beneficiaries may also be "graduated" when they are considered no longer to need preferences to compete in the U.S. market.

Import Restrictions

Section 22 Import Restrictions. Quotas and import fees are used to restrict agricultural imports that "might materially interfere" with domestic price support programs under Section 22 of the Agriculture Adjustment Act of 1933. The United States has received a waiver from the GATT that permits such restrictions without being subject to adverse proceedings under GATT rules. Restrictions have been imposed under this authority for cotton, peanuts, dairy products, and sugar.

Meat Import System. The Meat Import Act of 1979 requires the President to consider restrictions on imports of certain meat items--primarily beef and veal--if the USDA quarterly estimate of meat imports equals or exceeds the trigger level determined by a formula in the Act. The Act provides for a basic import quota for beef, veal, mutton, and goat that is adjusted annually according to production and countercyclical factors. The trigger for activating the quota was reduced to 1,259.2 million pounds (product weight) in 1993. The production adjustment factor allows beef imports to increase over the long term as domestic output expands. Increases in live cattle imports reduce the production adjustment factor, thus tightening meat imports. The countercyclical factor is designed to offset the short-term price-depressing effects of cyclical increases in domestic beef production by restraining imports. To avoid triggering the quota, however, the United States has negotiated Voluntary Restraint Agreements (VRA's)--most recently in 1991-94--with its largest suppliers, Australia and New Zealand, to curtail meat imports. U.S. beef imports from Canada, the third largest supplier, are excluded from coverage under the Act by the North American Free Trade Agreement (NAFTA).

Sugar Tariff-Rate Quota (TRQ). The United States on October 1, 1990, replaced its absolute quota system with a tariff-rate quota system (TRQ). The size of the quota is based on an estimate of the amount needed to balance domestic supply with projected sugar use in order to maintain the sugar program at no net cost to the Government. The overall quota is allocated among individual countries. The TRQ imposes a nominal "first-tier" tariff on within-quota sugar (currently 0.625 cent per pound, but zero for beneficiaries of the Generalized System of Preferences or the Caribbean Basin Initiative). Above-quota sugar is subject to a very high, second-tier duty (16 cents per pound). Almost all countries covered in the TRQ are exempt from the first-tier duty, but all countries are subject to the second-tier duty on over-quota sugar, except Canada which is exempt under the U.S.-Canada Free Trade Agreement. Canada is not subject to the TRQ but the tariff on its sugar is set to equal the TRQ's first-tier duty and is progressively being reduced until it reaches zero in January 1998. The TRQ for Mexico is increased in two stages during the NAFTA transition period, at the end of which all restrictions on sugar trade between the two countries--except those applying to sugar imported duty-free into the United States for refining and re-export--are to be eliminated.

Export Programs

Export Enhancement Program (EEP). The CCC provides a minimum of $500 million in CCC commodities or cash bonuses each fiscal year to U.S. exporters who choose to participate in the EEP, which enables them to counteract the subsidized exports of foreign competitors. A minimum of 25 percent of EEP funding must be targeted to high-value and value-added exports. Most bonuses are now in the form of cash because of the reduction in recent years of CCC commodity stocks. Wheat exports have been the largest beneficiary of the program; barley, barley malt, table eggs, frozen poultry, rice, vegetable oils, wheat flour, and semolina also benefit. Other similar programs supporting exports include the Sunflowerseed Oil Assistance (SOAP), Cottonseed

Oil Assistance Program (COAP), and Dairy Export Incentive Program (DEIP).

Market Promotion Program (MPP). Up to $200 million in CCC funds or commodities are authorized to partially reimburse participating organizations (private companies, regional State trade organizations, and nonprofit agricultural trade organizations) for the cost of carrying out foreign market development and export promotion projects in designated countries.

Export Credit Guarantees Programs. Guarantees are provided by CCC for the repayment of up to $5 billion annually of short-term (GSM-102--up to 3 years) and $500 million of intermediate-term (GSM-103--3 to 10 years) commercial credits extended to finance U.S. agricultural export sales. Up to $200 million in guarantees is allocated for exports to emerging democracies. The Government's assumption of repayment risks under the guarantees permits the obtaining of a lower commercial interest rate than otherwise.

Food Aid

Title I of the Food for Peace Program (PL 480) provides for sales of U.S. agricultural commodities to developing countries through long-term concessional financing or for local currencies. Th. program provides export financing over payment periods of 10-30 years, grace periods on payments of principal of up to 7 years, and below-market interest rates. Under Title II, food commodities are donated for distribution by recipient governments and public or private agencies in response to emergency conditions, or for distribution by private voluntary agencies or cooperative and international organizations for nonemergency assistance. Under the Title III Food for Development Program, food assistance is provided on a grant basis to least developed countries through government-to-government agreements. The commodities for these programs currently are purchased in the market, but government-held stocks may be used when available. Funds have also been provided for modifying direct credit agreements authorized by PL 480 in connection with debt restructuring for Latin American and Caribbean countries under the Enterprise for the Americas Initiative. The United States maintains a Food Security Wheat Reserve for programming through PL 480 when domestic supplies of wheat are limited or when emergency situations require urgent humanitarian assistance. These commodities were eligible for allocation under the Food for Peace Program in FY 1993: wheat and wheat products, rice and rice products, feed grains and feedgrain products, dry edible beans, dry edible peas, lentils, plant protein meals, edible vegetable oils (soybean oil, sunflowerseed oil, peanut oil, and cottonseed oil), soy-food products, soybeans, peanuts, sunflowerseeds, potatoes and potato products, pork, dairy products (butter and butteroil and nonfat dry milk), Atlantic mackerel, Atlantic dogfish, edible and inedible tallow, cotton, and solid wood products. The Section 416(b) program (Agricultural Act of 1949) authorizes the donation to needy countries'overseas of CCC commodity surpluses. In recent years, the commodities have included corn, sorghum, butter and butteroil, and nonfat dry milk.

An Evolving Agricultural Policy

The policies implemented under the 1990 Farm Act were largely a continuation of those under the 1985 Farm Act with some adjustments for the global market situation. Target prices were continued at the minimums reached under the 1985 Farm Act. Thus, the safety net for farm income provided by deficiency payments was maintained, although program yields upon which deficiency payments are based were similarly frozen. In addition, the new flex acreage program reduced government budgetary exposure for deficiency payments while providing farmers greater flexibility in taking advantage of market opportunities. Average annual direct government payments to producers were estimated to be about $2.6-$3.6 billion less in 1991-94 than the $12.6-billion average for 1986-90. The proportion of net farm income these payments represented was also less--about 20-21 percent, compared with 31 percent--in part because of stronger commodity prices in 1991-94 that strengthened market revenues and reduced price-sensitive government payments. Net farm income averaged roughly $4.2-$6.7 billion higher than the $40.6 billion achieved for 1986-90, but was $0.2-$1.7 billion lower in 1986-90 when adjusted for inflation.[6]

The aggregate value of transfers to producers provided by U.S. commodity and noncommodity programs--the Producer Subsidy Equivalent (PSE)--equaled 19 percent of gross receipts during 1988-92. The five commodities with the highest PSE's during 1988-92 were (with the percentage PSE in parentheses): sugar (48 percent), rice (43 percent), barley (42 percent), dairy (41 percent), and wheat (39 percent). Sugar and dairy support is provided primarily by administered-price programs, supplemented by import restrictions or export

[6] The data on government payments reflect the fact that estimates for 1994 are expressed as a range.

subsidies that limit domestic supplies and help keep domestic prices higher than world prices. Rice, feedgrains, and wheat benefits come mostly from direct income payments financed by U.S. taxpayers, but these commodities also receive price support benefits from the Export Enhancement Program that subsidizes foreign consumption of U.S. products at below-market prices.

Net budgetary outlays on commodity programs in 1991-94 averaged about $3.6 billion less than the average of $15.5 billion for 1986-90. The greatest reductions have been in the price-support/stock-acquisition program, where average net outlays are estimated down from an average of $5.8 billion annually in 1986-90 to less than $1 billion annually in 1991-94. Market conditions and the exercise of discretionary authority to reduce loan rates have resulted in loan rates generally below market prices during the life of the last two farm acts--maintaining a price floor while reducing government budgetary exposure from acquisition of surplus stocks. Government-held stocks of grains and oilseeds have continued the decline begun with the 1985 Farm Act. The largest increases in budgetary outlays have been those providing subsidies under various export subsidy and credit-guarantee programs. They were negligible in 1986-90, but their average net cost rose to $1.5 billion for 1991-94. Emergency payments responding to weather disasters averaged an estimated $1.3 billion for 1991-94, reflecting continuing reliance on *ad hoc* disaster appropriations to help protect farmers' incomes against such emergencies despite the existence of the Federal Crop Insurance Program.

The major forces likely to drive future changes in U.S. agricultural policy are pressures to reduce agricultural expenditures in response to the national budget deficit and policy reforms growing out of recent international and regional trading agreements, especially the yet-to-be-ratified Uruguay Round GATT agreement. Environmental and consumer-safety issues are expected to have more prominence. Expiration of the 1990 Farm Act, which established the basic framework for farm legislation for 1991-95, allows a major revamping of farm policy.

The United States in December 1993 reached agreement with the other GATT members on a set of comprehensive agricultural policy reforms growing out of the Uruguay Round of Multilateral Trade Negotiations. Legislation implementing the agreement is expected to be introduced during 1994 and must be voted up or down without amendment under the "fast-track" procedure within 90 days after its introduction. The United States and the other signatories must meet certain requirements for agricultural policies in the areas of internal support, export subsidies, import access, and phytosanitary regulation. The United States has already met the requirements for a 20-percent aggregate reduction in internal support from 1986-90 levels, and its deficiency-payment system need not be altered.

The requirement having the greatest impact on U.S. programs is that which, at the end of 6 years, calls for progressive reductions in budgetary outlays and in the quantities of products subject to export subsidies on a product-specific basis from the average in the 1986-90 base period. Outlays must be reduced at least 36 percent, and quantities subsidized must be reduced by at least 21 percent. Reductions may be smaller in the early years than in later years. New subsidies are prohibited for exports not receiving subsidies in the base period. Among the commodities covered by EEP, DEIP, COAP, and SOAP, wheat export subsidies would be cut the most.

Nontariff barriers (NTB's) such as the Section 22 quotas and the meat import quota are to be converted to tariff-rate quotas, initially providing equivalent protection to the old NTB's. Existing tariffs are to be bound at current levels, and both old and new tariffs are to be reduced by 36 percent on a simple average basis over 6 years, with a minimum cut of 15 percent for each product. Minimum access of 3 percent of base-period domestic consumption must be guaranteed for imports and increased to 5 percent by the end of 6 years; the current level of access must be assured where access is already greater than 5 percent. Special quantity- and price-triggered import safeguards may be established for products for which NTB's were converted to tariffs.

The prospect of reduced budgetary expenditures for existing farm programs has already led to discussions of alternative agricultural policies in connection with a 1995 Farm Bill. The question has arisen whether current policies should be maintained with small adjustments on the margin, or whether fundamental changes are required. One approach provides some form of income guarantee under which per-acre revenue would not fall below some fraction of a revenue target. Leases under the CRP begin to expire in 1995, raising questions about the future of the program, alternative approaches to conservation, and how current farm programs might need to be changed if a large quantity of land in the CRP were returned to production. Mitigating the impact of natural emergencies on farm income is a perennial issue already receiving legislative attention. The proper relationship of commercial agriculture to rural development with respect to government programs may also receive increased attention.

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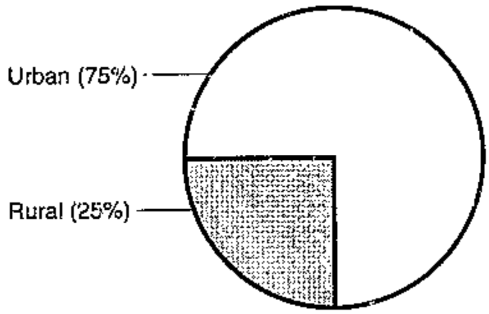
United States

Official name	United States of America
Type of government	Federal Republic; strong democratic tradition
Memberships	AfDB, ECLAC, FAO, GATT, IBRD, IDA, IFAD, IFC, ILO, IMF, ISO, OAS, UN, UNCTAD, UNIDO

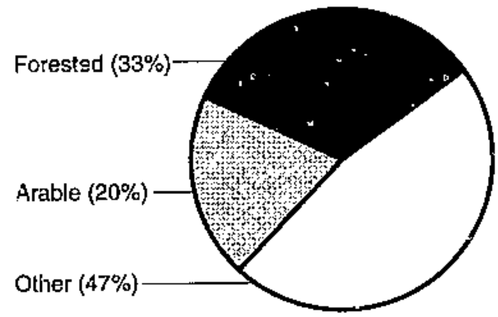
Population *1990*

249,224,000 persons



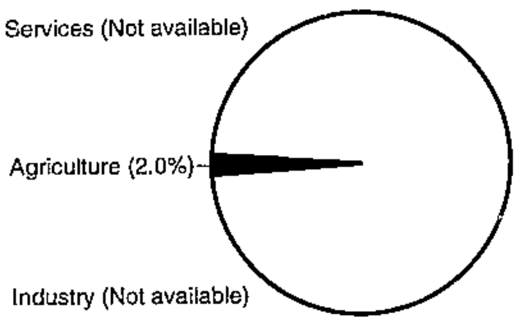
Land *1989*

917 mil. hectares (18,102,000 ha irrigated)



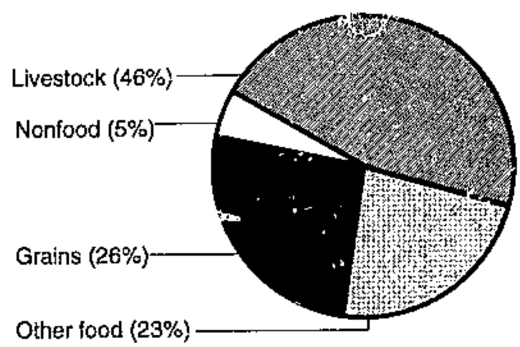
GDP *1992*

$5,951,000 mil.; $23,400 per capita



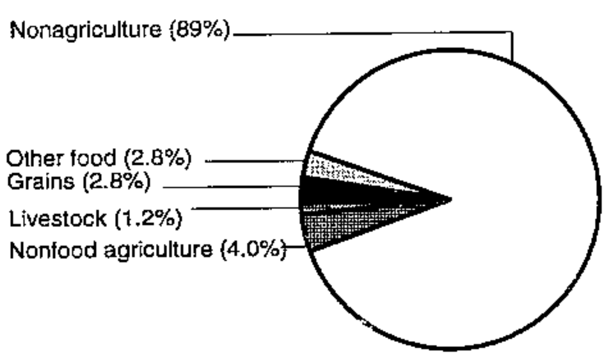
Agriculture *1991*

Major agricultural product: Corn



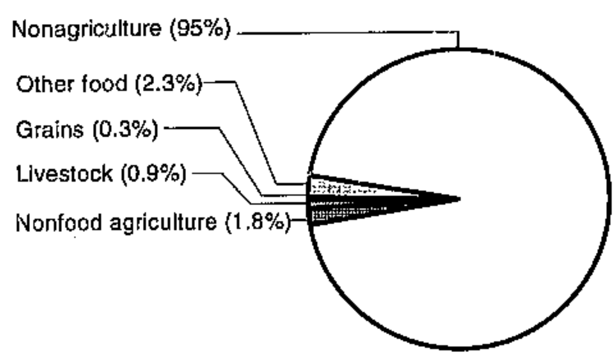
Exports *1992*

$447,829 million
Major agricultural export: Grain and oilseed products



Imports *1992*

$548,295 million



Note: Numbers may not add to total because of rounding.

Food aid (Donor): 4,707,000 tons (cereals in grain equivalent)

PB95-138194 USDA/SB-892 GLOBAL REVIEW OF AGRICULTURAL POLICIES: 02/02
WESTERN HEMISPHERE. (STATISTICAL BULLETIN.) / D. ROBERTS, ET
AL. ECONOMIC RESEARCH SERVICE, WASHINGTON, DC. AGRICULTURE
AND TRADE ANALYSIS DIV. SEP 94 106P

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Uruguay

Christine Bolling

Uruguay is a small country of 3 million people located on the Atlantic coast of South America, with strong economic ties to Argentina, Brazil, and Paraguay. Uruguay is a relatively open economy, so macroeconomic disturbances in neighboring giants, Argentina and Brazil, can cause shifts in demand and major exchange rate fluctuations. Uruguay has relied on exports as the basis for economic growth, particularly because of the small size of its domestic market. Uruguay's economy has been growing since 1985, following a return to democratic power from a military regime and the increased liberalization of trade. Relative to many Latin American countries, Uruguay has had remarkably stable macroeconomic conditions. Inflation, however, remains a chronic problem in Uruguay, and has affected policy choices.

Agriculture contributes 10 percent of GDP and employs 15 percent of the work force. Uruguay is a major producer of meat and wool. Livestock and livestock products dominate Uruguay's agriculture; ranches cover three-fourths of the land area. Uruguay also produces grain, oilseeds, fruits, and vegetables. Beef, wool, hides, fish, and rice provide about 40 percent of the country's total export earnings. Uruguay imports mate tea, corn, plantains, and coffee. Uruguay's main trading partners are Brazil, the European Union, the United States, and Argentina.

During the past decade, Uruguay has had two administrations that have promoted reform. The Sanguinetti Government (1985) placed emphasis on stabilizing the economy, restructuring external debts, and creating conditions for sustained growth. The LaCalle Government (1990) launched a stabilization program to reduce inflation and the public sector deficit. The administration's agenda also included the extension of the tariff reduction plan, the promotion of export growth, and the diversification of the agricultural and manufacturing sectors. The Government adopted a series of stringent fiscal measures, including increases in agricultural income taxes, excise taxes, and value-added taxes. Impetus for liberalization also came from conditions attached to a World Bank structural adjustment loan (1985) and from the Uruguay Round of the GATT. Uruguay has been a member of GATT since 1953.

Despite periodic slippages, trade policies have aimed at greater integration of the economy into the world market. Nearly all imports are without restrictions or licenses. Tariffs for many items were reduced during the 1980's, but these cuts were offset by the introduction of reference prices for products such as wood products, fabrics, and apparel. The Government maintains a four-tier tariff system with a maximum *ad valorem* tax of 20 percent as of 1993. Agricultural raw products are imported at 6 percent *ad valorem*, down from 12 percent in 1992. The *ad valorem* tax, called the Tasa Global Arancelaria (TGA), consists of two parts: the single customs duty (Impuesto Aduanero Unico a la Importación, IMADUNI) and the import surcharge (recargos). Both components apply to the c.i.f. price of imports, or to reference prices.

Uruguay recently rescinded two of its principal agricultural trade barriers: (1) the use of minimum import prices (called "minimum export prices") that restricted imports of wheat, wheat flour, and sugar, and (2) a conditional ban on milling wheat imports. "Minimum export prices" imposed floors, in U.S. dollars, upon which customs duties were calculated. The importer was obliged to pay a sliding surcharge (recargo movil) representing the difference between the "minimum export price" and the declared c.i.f. import price. The "minimum export price" regime was abolished in the 1993/94 crop year. The ban on imports of milling wheat (unless local wheat was unavailable at the "minimum export price" and a certificate of need had been obtained) was abolished in the 1992/93 crop year.

Imports of bread, fish, beef, offals, edible fats and oils, rice, flour and milling byproducts, pastas and noodles, sugar, mate, coffee, and tea are also charged a 12-percent value-added tax (VAT). Fresh fruits and vegetables, agricultural machinery, and powdered milk are not charged the VAT. Wines, beer, fruit juices, tobacco, cigarettes, and cigars are also charged an excise tax.

There are export taxes (at a maximum of 5 percent) but no VAT's on live animals, boned beef, greasy wool, raw hides and skins, and tallow. The prohibition of the export of live nonpedigree cattle ended in 1992.

A drawback scheme, which rebates domestic taxes on exports, operates for exports of beef, lamb, poultry, wool tops, wool yarns, cotton clothing, fresh milk, butter, rice, sorghum, malted barley, sunflower oil, linseed oil, garlic, onions, apples, pears, peaches, and prunes. Firms manufacturing for export are exempt from income tax, capital tax, and other taxes within the framework of the Industrial Promotion Law.

All exports are registered by the Banco de Republica Oriental de Uruguay (BROU) before being loaded and are subject to phytosanitary regulations. The National Meat Institute (INAC), a public entity, also registers, controls, and provides prior authorization for export contracts on beef.

Historically, most of Uruguay's trade was outside of Latin America, but developed countries have generally increased their non-tariff barriers to agricultural imports over the years. For example, barriers to entry and subsidized exports by the European Union and the United States and restrictions by Japan slowed Uruguayan exports of beef and dairy products. Restrictions such as these by major trading partners have caused Uruguay to reorient trade toward its neighbors. Together with its Southern Cone neighbors, Argentina, Brazil, and Paraguay, Uruguay has agreed to create a customs union, MERCOSUR. The goal of MERCOSUR is to eliminate tariffs and nontariff barriers among its members by January 1, 1995. Uruguay has already cut its tariffs on the products of its MERCOSUR partners, as required by the treaty signed in Asunción in March 1991. Further Uruguayan tariff reductions on 960 sensitive trade items will be phased in.

Uruguay is an active member of ALADI; it is also a member of GATT. Because of ALADI and GATT membership, 80 percent of Uruguay's imports are subject to most-favored-nation tariffs. The remaining 20 percent enjoy preferential tariffs under different ALADI agreements. Uruguay also has agreements with the European Union that cover market access for beef, mutton and lamb, and citrus fruit.

The Uruguayan Government also maintains a freely convertible currency. A crawling-peg exchange rate policy has been in effect since 1986. The band in which the Uruguayan peso is allowed to float was widened from 4 to 6 percent of the nominal peg in 1992. The Central Bank intervenes in the exchange market through the purchase of U.S. dollars to smooth excessive fluctuations in foreign exchange outflows and inflows.

Uruguay has only a few agricultural parastatals. They participate in the production, processing, and trade of goods, such as sugar and alcoholic beverages, but the Government is considering divesting of these activities. The Adminstration for Gasoline, Alcohol, and Cement (ANCAP) holds a monopoly in the production and trade of distilled alcohol and certain other alcoholic beverages.

The National Dairy Products Cooperative (CONAPROLE), established in 1936, is obliged by law to purchase all milk delivered by domestic producers to its plants. CONAPROLE purchases about 56 percent of domestic production.

Government intervention in the agricultural input markets is modest. Specific legislation governs the importation, production, marketing, and exportation of fertilizers and their raw materials for processing. Prior authorization is required by the Ministry of Agriculture and Fisheries before fertilizer and other raw materials can be imported. Domestically produced fertilizers are not subject to the value-added tax. Agricultural inputs such as seeds, vaccines, fencing wire for agricultural use, veterinary drugs, frozen animal semen, agricultural machinery for rice producers, and machinery for the sugar industry are imported duty-free.

The Government controls only a few food products through its consumer policies, principally through Decree 205/991 of April 1991. Retail and household consumption prices for milk are set for the whole country every 4 months by the Ministry of the Economy. The Ministry of Livestock, Agriculture, and Fisheries determines prices by taking into account the producer price (also set every 4 months), as well as pasteurization and distribution costs. The domestic price for milk for industrial use is set lower than export and consumption prices.

Bread prices are regulated only for "panne de consumo popular" (general consumption bread) by using a formula with three parameters: raw material, labor, and general expenses. Price adjustments take place when the combined cost of the inputs increases more than 4 percent.

The National Office for Trade and Basic Foods (DNCA), created in 1947 as part of the Ministry of Economy and Finance, is charged with importing basic food products. The agency's role is limited to importing sunflower oil from Argentina and yerba mate from Brazil. The National Food Institute (INDA) distributes food baskets consisting of rice, powdered milk, sugar, and flour to the needy. Dining halls for low-income persons are run by the Collective

Food Assistance Service, and meals to the needy are provided by the Institutional Food Supplementation Service.

In sum, most changes in policy affecting agriculture have been in the trade arena. Uruguay's relatively modest agricultural trade barriers are more transparent and lower than they were a decade ago.

MERCOSUR may dramatically increase markets for Uruguayan products. Brazil's share of Uruguay's exports increased from 5 percent in 1970 to 30 percent in 1990, and has the potential for further growth. It is uncertain whether Uruguay's net agricultural exports to its MERCOSUR trading partners will increase, however. Uruguay's relatively small economy will be vulnerable to changes in Brazil and Argentina. Predicted trade flows will shift if there are large changes in bilateral exchange rates within the customs union.

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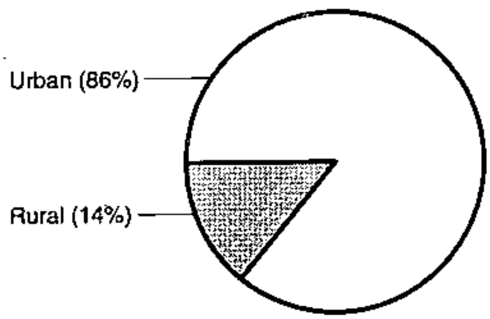
Uruguay

Official name Oriental Republic of Uruguay
Type of government Republic
Memberships ECLAC, FAO, GATT, IBRD, IFAD, IFC, ILO, IMF, ISO, LAIA, MERCOSUR, OAS, RIO, UN, UNCTAD, UNIDO

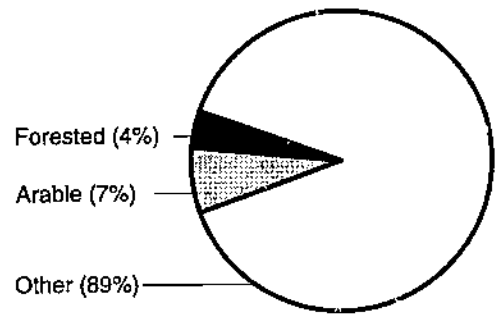
Population *1990*

3,094,000 persons



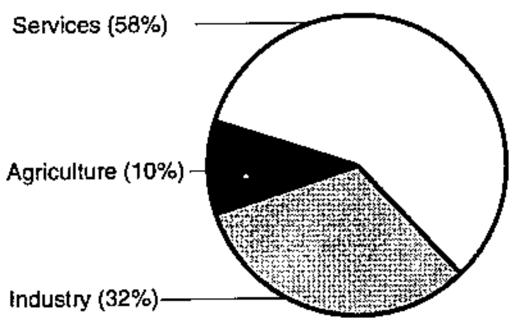
Land *1989*

17 mil. hectares (110,000 ha irrigated)



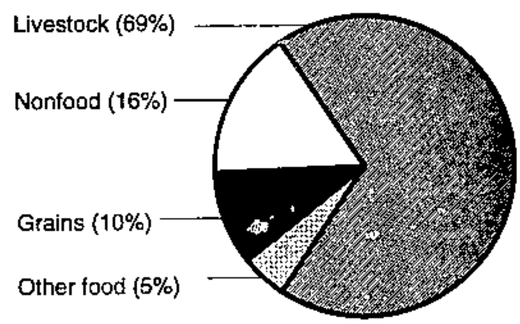
GDP *1992*

$9,800 mil.; $3,100 per capita



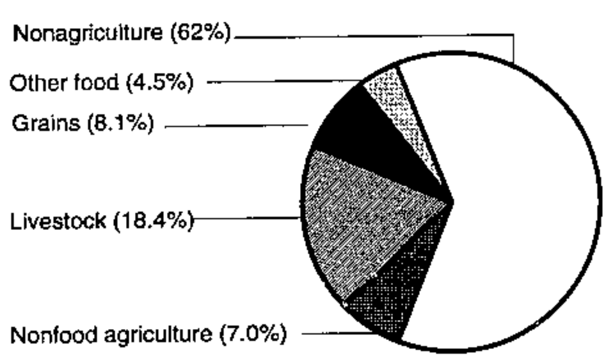
Agriculture *1991*

Major agricultural product: Rice, paddy



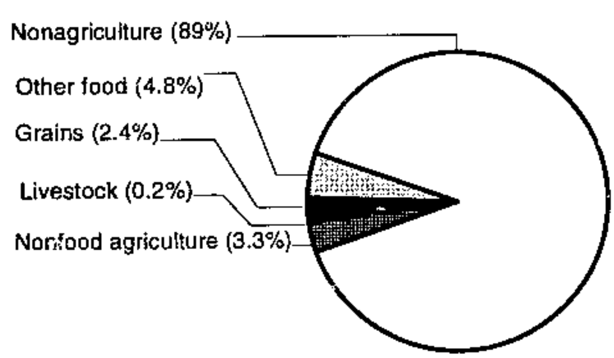
Exports *1992*

$1,702 million
Major agricultural export: Meat products



Imports *1992*

$2,058 million



Note: Numbers may not add to total because of rounding.

Food aid: 83,000 tons (cereals in grain equivalent)

Venezuela

Richard Kennedy

Venezuela's economy and ability to import are heavily dependent upon petroleum exports. Fluctuations in the world price of oil strongly influence Venezuela's exchange and inflation rates, which greatly affect agriculture and the rest of the economy. The country's arable land is limited, and its small agricultural sector supplies only about one-third of the highly urbanized population's food consumption. Venezuela has one of the highest per capita incomes in Latin America, helping make it the largest market for U.S. agricultural exports in South America. Bread and pasta consumption from imported wheat is eroding the previous dominance of domestically produced white corn and rice in diets. Domestic meat production makes the largest contribution to agricultural output and requires substantial imports of feedstuffs. Imports also meet most vegetable oil requirements. Agricultural exports are minor, led by coffee, cocoa beans, and cotton.

In 1989-93, the Government attempted to create a more efficient and competitive economy less dependent upon the petroleum sector, government subsidies, and other forms of government intervention. Reforms promised longer term economywide growth in incomes, but created stress for those having to make difficult adjustments in the short run. The large number of poor consumers suffered the loss of food subsidies and rising food prices; agricultural producers faced the loss of production subsidies and reduced protection from imports.

Since 1989, the Central Bank has maintained a managed unified floating exchange rate. A serious financial crisis in early 1994, however, led to the establishment of emergency foreign exchange controls in July 1994. All quantitative restrictions on agricultural imports have been eliminated. The fall 1992 harvest was the last to benefit from these restrictions on feedgrains, soybeans, and soybean meal imports.

Tariff rates were reduced in January 1992 to a maximum of 20 percent of an import's c.i.f. value. Venezuelan law permits the duty to be increased up to 60 percent (that is, from 20 percent to 32 percent) should the import pose a particular threat to domestic producers. Venezuela has invoked this option for feedgrains, cheese, and orange juice, citing the need to protect Venezuelan markets from subsidized foreign products.

A "price-band" import tariff system introduced in 1991 had reduced taxes on agricultural imports. The system was modified in 1993 to better protect domestic producers and to make the price band more compatible with the common external tariff (CET) under the Andean Pact. (Implementation of the CET was to become effective January 1, 1994, but was postponed until January 1, 1995.) A major justification offered for the price-band system was the need to protect against subsidized exports. The 1993 system subjects imports of sensitive agricultural products (for example, grains, oilseeds and their products, meat and dairy products, and sugar) to an *ad valorem* duty plus a variable surcharge. The surcharge equals the difference between a minimum import price and the import's c.i.f. invoice price, if it is lower than the minimum price. The minimum price is a 5-year monthly average of f.o.b. export prices plus an estimate of c.i.f. costs.

The Andean price band initiated in 1994 calculates the variable surcharge in the same manner, except that the invoice price is replaced by an indicative reference price equal to a published f.o.b. market price plus the estimated c.i.f. cost. It also covers other agricultural products by tying the calculation of their variable surcharges to those charged for specified "marker" products (for example, the surcharge on pork imports may be some percentage of the surcharge on corn).

Venezuela initiated a comprehensive value-added tax (VAT) at the wholesale level on October 1, 1993. Domestically produced unprocessed agricultural commodities (including rice and grain sorghum) and certain processed staples (table rice, corn and wheat flour, bread and pasta, meat, including processed meats, chicken eggs, canned sardines, and powdered milk and baby formula) were exempted. Nevertheless, the tax appeared to be levied on agricultural commodities, including feedgrains and soybean meal, at the time of importation. The extension of the VAT to the retail level on January 1, 1994, provoked strong popular protest, and the retail VAT was suspended shortly after the inauguration of a new Venezuelan administration in February 1994. The wholesale VAT was replaced at the end of July by a new tax on wholesalers as part of a package of measures designed to reduce the Venezuelan budget deficit.

Sanitary certificates from the Ministries of Health (*nota 3*), Agriculture (*nota 6*), or country of origin (*nota 5*) are required to import certain agricultural products. The *nota 6* requirement is used aggressively by the Ministry of Agriculture; for instance, certificates for all agricultural imports were denied for several weeks during 1993 when many domestic agricultural producers were demanding more protection from imports. Venezuela's use of such certification since early 1993 to limit pork imports from all sources and poultry from the United States has been alleged to be disguised import restrictions. The ban was relaxed in December 1993 for processed pork certified to be cooked at a prescribed temperature.

Venezuela provides export rebates for cocoa beans. The export monopolies for coffee (FONCAFE) and cocoa beans (FONCACAO) have been eliminated, as have export controls on rice, legumes, and cornmeal.

Venezuela has preferential tariff arrangements with many Latin American countries. The country has signed agreements to promote free trade among Andean Pact members, with Central America, with CARICOM, with Chile by 1995, and with Argentina by December 1995. Most important among these is the bilateral agreement with Colombia which eliminated all barriers to trade in December 1991. A free trade agreement signed by Venezuela, Colombia, and Venezuela (the G3 countries) is to go into effect in 1995. Venezuela acceded to the GATT on September 1, 1990.

Government-administered minimum producer prices for rice, palm oil, sugar cane, and wheat have been discontinued. The farm-gate price for fluid milk and the prices charged by processors for powdered milk remain fixed. The Government has sold nearly all of its sugar mills and eliminated its marketing monopoly, but still operates storage facilities.

Agricultural credit is subsidized. BANDAGRO, an arm of the Government and previously the principal agricultural bank, is being disbanded, leaving agricultural lending largely to the commercial banking system. The recently restructured Fondo de Crédito Agropecuario (FCA) is a state entity that supplies funds for agricultural lending to both private and public banking institutions. FCA-supplied funds are re-loaned to farmers at 85 percent of the nonpreferential commercial rate offered by large banks. The banks are not compensated for the lower interest rate, and their exemption from paying the income tax on earnings from agricultural loans was removed in 1990. The agricultural portfolio requirements for commercial banks was reduced from 22.5 percent to 17.5 percent, then to 12 percent in November 1992. The banks, however, reached agreement with the Government in September 1993 to return to the 17.5-percent requirement. ICAP, a Government institution, also obtains funds from the FCA and provides supervised loans to small producers for working capital and purchases of capital equipment at a subsidized interest rate (7 percent since 1991) plus a 3-percent fee for technical services.

Other input costs are subsidized as well. Irrigation fees paid by farmers cover only 1-2 percent of the costs of irrigation. The subsidy on fertilizer was reduced significantly in 1990, but still amounted to 30 percent of the cost in 1991. Farmers receive a 24-percent discount for electricity. Agriculture remains exempt from the Venezuelan income tax. An investment tax credit is available for investments in fixed assets for agriculture and stockraising.

Nearly all price controls throughout the economy were eliminated during the early 1990's, including those for basic food stuffs. They were replaced by direct subsidies targeted to low- income groups. In addition, the Government tried to limit the magnitude and frequency of increases in food prices by informal agreements with producers and processors. In June 1994, however, the Government introduced emergency price controls on basic necessities in response to a financial crisis. Items targeted included rice, grains, flour, bread, pasta, fruits, vegetables, sugar and sweets, pork, beef, poultry, fish, eggs, milk, fats and oils, salt, chocolate, condiments, and non-alcoholic beverages.

The 1989-93 policy reforms have gone a long way toward freeing up the country's agricultural and food sector to permit more efficient allocation of the country's fiscal and agricultural resources. Extension of the domestic reforms would imply elimination of administered minimum producer prices, reduction of remaining input subsidies (credit, fertilizer, and irrigation), and divestiture of remaining government production (sugar) and storage facilities. The price-band system and phytosanitary regulations remain substantial obstacles to trade liberalization. The stress of reform and the operation of economic forces outside of agriculture has been manifest in two failed coups and the President's removal from office in 1993. The severe financial crisis in 1994 added to the uncertainty about the future course of economic reform. The new president, inaugurated in February 1994, had already indicated that some of the reforms had either gone too far or had been adopted too rapidly, but much remained to be revealed about his specific intentions, particularly for agriculture.

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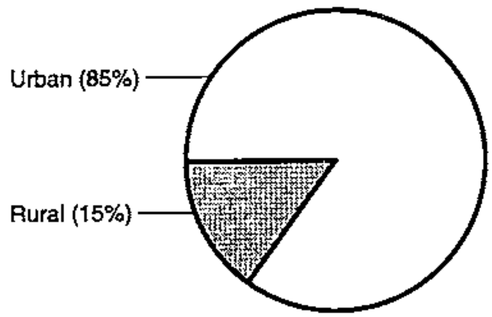
Venezuela

Official name Republic of Venezuela
Type of government Republic
Memberships AG, ALADI, ECLAC, FAO, GATT, G3, IBRD, IFAD, IFC, ILO, IMF, ISO, OAS, LAIA, RIO, UN, UNCTAD, UNIDO, WFTU

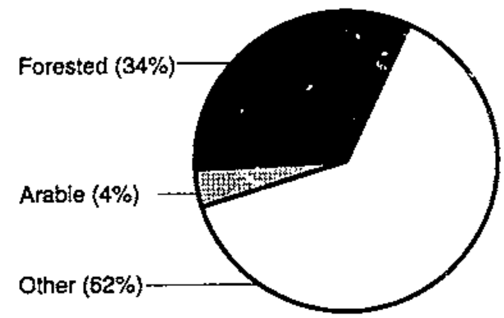
Population *1990*

19,736,000 persons



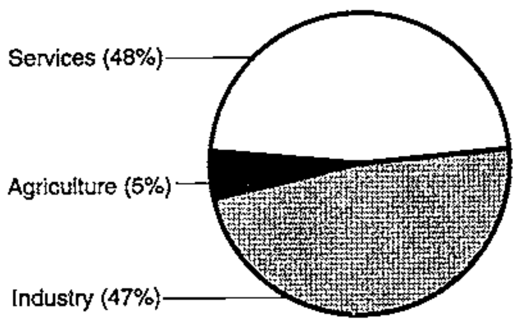
Land *1989*

88 mil. hectares



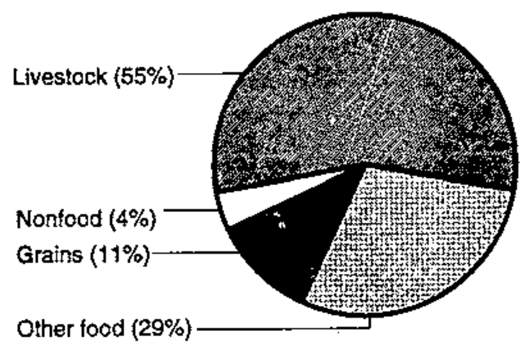
GDP *1992*

$57,800 mil.; $2,800 per capita



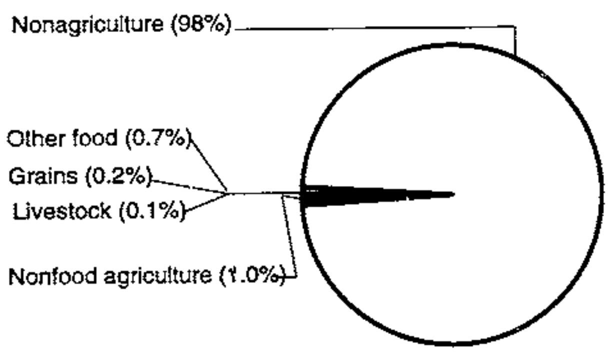
Agriculture *1991*

Major agricultural product: Fruits



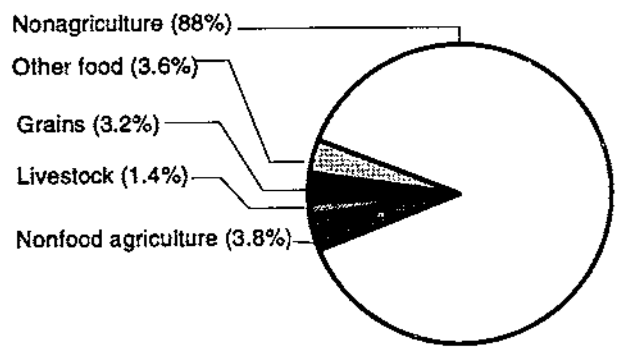
Exports *1992*

$14,150 million
Major agricultural export: Coffee, green and roasted



Imports *1992*

$10,700 million



Note: Numbers may not add to total because of rounding.

Data Sources

Official name:	*The World Factbook 1993*
Type of government:	*The World Factbook 1993*
Memberships:	*The World Factbook 1993*
Population:	*FAO Production Yearbook 1990*, table 3
Rural	*FAO Production Yearbook 1990*, table 3
Urban	*World Development Report 1993*, table 31
Land:	*FAO Production Yearbook 1990*, table 1
Arable	*FAO Production Yearbook 1990*, table 1
Forested	*FAO Production Yearbook 1990*, table 1
Other	*FAO Production Yearbook 1990*, table 1
Irrigated	*FAO Production Yearbook 1990*, table 2
Gross Domestic Product:	*World Factbook 1993*
Per capita income	*World Factbook 1993*
Share of GDP	
Industry	*World Development Report 1993*, table 3
Services	*World Development Report 1993*, table 3
Agriculture	*World Development Report 1993*, table 3
Share of agricultural production	*FAO Production Yearbook 1990* and *AGROSTAT*[7]
Livestock	*FAO Production Yearbook 1990* and *AGROSTAT*
Grains	*FAO Production Yearbook 1990* and *AGROSTAT*
Other food	*FAO Production Yearbook 1990* and *AGROSTAT*
Nonfood	*FAO Production Yearbook 1990* and *AGROSTAT*
Major agricultural product(s)	*World Agriculture: Trends and Indicators, 1970-89*
Exports and imports:	*FAO Trade Yearbook 1990*, tables 151-167, and *AGROSTAT* database
Major agricultural export(s)	*World Agriculture: Trends and Indicators, 1970-89; The World Factbook 1993*
Food aid/food aid donor:	*The Food Aid Monitor - World Food Aid Flows, Transport and Logistics, 1991*

[7] The data for Mexico are from the *Cuatro Informe de Gobierno*, published by the Office of the President of Mexico in 1993.

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