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SUSTAINABLE AGRICULTURAL DEVELOPMENT: THE ROLE OF INTERNATIONAL COOPERATION

PROCEEDINGS
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Section Summary

Within the last decade structural adjustment programmes have been applied in most parts of the developing world. Successful and unsuccessful experiences exist and the analysis of the many examples has provided a deeper understanding of their role and their potential. With the deepening of the discussion, new issues emerge and the design of new projects becomes more complex. Moreover, with the transformation of the political systems in former communist countries yet more new requirements are added to the list. The new and overwhelming question concerns the route for the transformation of the centrally planned into market-oriented economies. This session provided an assessment of structural adjustment programmes focusing both on basic conceptual issues and on a wide range of country experiences.

In the discussion opening on Patrick Guillaumont's plenary paper Rebecca Lent spoke of lack of clarity in the definition of structural adjustment. For Bouanani and Tyner it is a combination of macro-economic stabilization and sectoral policy reform: 'Stabilization involves reducing balance of payments and government budget deficits and inflation to levels that can support sustained growth. Sectoral policy reform is aimed at providing incentives for the economy to function more efficiently and to earn more foreign exchange'.

While a general definition can be provided, one should not overlook the fact that the exact nature of reform is a function of specific characteristics of each country. A comparison among the various experiences discussed in this section of the programme soon reveals this. The issues in Africa are distinct from those in Latin America. Not only does Eastern Europe pose new issues, but the institutional conditions are very different from those in the other two regions. Since the ultimate goal of adjustment is to increase long-run growth rates, reforms must be able to increase investment rates. But this requires consistency and clear messages indicating that the process will not be reversed. Otherwise the private sector will not respond with higher investment. While the government can be instrumental in providing infrastructure, education and public goods in general (Alves, de Faro and Contini made this point in the first plenary paper) reforms must create conditions for an increased role of the private sector in the economy. Government investment, by itself, cannot be expected to sustain growth.

Ntangsi, analysing the recent experience of Cameroon with structural adjustment, identifies the lack of confidence of the private sector as one of the

*World Bank, Washington, USA.

problems for the success of the programme. In his words: 'there has for long been a lack of strong political commitment to the adjustment programme, a lack of policy dialogue between the public and private sectors, and a general lack of confidence in the latter from the former. ... The situation is compounded by the fact that the private sector is generally opposed to the thrust of the liberalization programme which breaks their monopolistic and oligopolistic power.'

A combination of sectoral and macroeconomic reforms is the usual prescription arising from World Bank and IMF-sponsored structural reforms. The correction of the macro-economic imbalances is usually the initial step. Otherwise, sectoral reforms will face severe problems. Dias's paper may be seen as an attempt to model this in the case of Brazil. Wage rigidity with high government deficits may transform the required changes in relative prices that follow the sectoral reforms into further inflationary pressures and higher deficits. The difficulties faced by the Brazilian economy are, to a large extent, caused by the inability to make the fundamental macro-economic changes required. Valdés raises the question of whether the trade and price reforms can wait until macro-economic stabilization is achieved. He indicates that we may not have enough experience with reforms in LDCs to support either position. However, he indicates 'that the only case for delaying the agricultural trade and price policy reform is in countries suffering unsustainable macro-economic policies accompanied by high and variable rates of inflation, and by variability in the key macro-economic variables, namely the real exchange rate and the real interest rate'.

The impact of policy reforms on the poor was brought into the discussion by Eugenia Muchnik. She argued that, in the case of Chile, a country which undertook a successful reform process, a large number of small farmers have not benefited and, in consequence, specific actions should be taken. This is indeed an area in which the government should have an active role, not only to guarantee that the benefits of improved growth will be widely distributed (more on this later), but also to facilitate the adjustment of the groups more vulnerable during the transition period. In particular, higher relative food prices require specific actions to alleviate the impacts on low-income groups.

One of the urgent questions associated with these policy reforms is the role of the government in the process. It seems that one can usefully distinguish what can be done in terms of coping with the problems associated with the transition and what can be done to foster growth. There was very little said with respect to the former role. On the second issue, Alves, Faro and Contini analyse a range of areas in which intervention is indeed required. They emphasize investments in human capital, especially education and health: 'If investments in rural people are not made, either agriculture will not develop or, if it succeeds in advancing, a mass of poor people will be left behind, with sad implications for income distribution, urban unrest, and political instability.' According to the authors, other areas for government action include infrastructure, land titling (an issue also stressed by Valdés), insurance for outstanding loans to reduce the risk of lending institutions and, in their words, 'The governments cannot be denied the role of counterbalancing significant actions of other governments to protect their agriculture or to counterbalance

large fluctuations of the world economy'. Even though highly controversial, the last two statements seem to have been ignored in the discussions that followed the presentations.

Brooks and Braverman argue that, in the case of Eastern European countries, 'The essence of the agricultural transition is the state's withdrawal from its traditional role as a residual claimant of (positive and negative) rents to use of agricultural resources. That role will pass in stages to owners of land, where it ordinarily resides in a market economy.' The legal and economic aspects of the distribution of land in Romania, Bulgaria, Hungary, Czechoslovakia and Poland occupy a central part of this paper. Nonetheless, it is argued, 'The change in property rights, however, will not quickly produce the decollectivization that many observers expect. Under current conditions of acute stress caused by depressed domestic and foreign demand, positive real interest rates and partial liberalization of prices, few producers will leave the cooperatives. Decollectivization will gain momentum as the economic outlook for the sector improves, market infrastructure develops and cooperatives are given incentives to divest their collective production activities.' The authors also call attention to the fact that the liberalization of food prices at the retail level, which many feared, has been completed in some countries and is fairly advanced in others. So far the worst fears of many policy makers and governments have not materialized.

The debate on structural adjustment is a lively one. This was clear in this meeting from many of the discussion openers statements and in the large number of questions coming from the floor in the Plenary and in the Invited Paper sessions. Our purpose was to bring this debate once more to the IAAE meeting so that we could exchange views, increasing our knowledge and, perhaps, contributing to the elaboration of better programmes in the future.

Chairpersons: Antonio Brandão, Harold Riley, Theodor Dams. Rapporteurs: H.S.Dillon, D.Roldan, D.Metzger.

Floor discussion: W.Ampousah, T.Akiyama, D.Belshaw, J.Kydd, J.Ntsangi, M.Petit, J.van Rooyen, A.Sarris, C.Short, I.J.Singh, L.D.Smith, E.Tollens, J.Torres-Zorrilla, E.S.de Obschatko.