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EXPERIENCES OF SURINAME AGRICULTURE IN THE CONTEXT OF TRADE AND ECONOMIC LIBERALIZATION

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1. INTRODUCTION

This paper reviews the performance of the agricultural sector in the Surinamese economy during the period of 1985 to 1995. This review is within the framework of the trade and economic liberalization in general, and its impact on the agricultural sector in particular.

Agriculture was included for the first time in the Uruguay round of trade negotiations under the auspices of the GATT that was finalized in 1994. The permission to Governments, both in the highly developed and developing countries, to employ a wide range of support mechanisms to stimulate agricultural production, was hereby restricted.

Trade and economic liberalization officially started in December 1992 with the launching of the Structural Adjustment Programme (SAP). In a later stage, Suriname also became signatory of the GATT agreement and member of CARICOM, with significant consequences for the trade regime.

2. Agriculture Production and Trade Performance

2.1 Agriculture Production Performance

Agriculture is an important component of Suriname's Gross Domestic Product (GDP), contributing on average 9 percent annually in the 1992-95 period. Within the agricultural crop sub-sector, rice production has been the largest contributor during the last few years, followed by bananas. The livestock and fisheries sub-sectors have also been important to agriculture as reliable revenue earners (See Table 1).

Notwithstanding its overall importance, agriculture recorded negative growth rates in 1994-96. Downturns were experienced in palm oil and vegetables, while uneven growth was registered in bananas and plantains. The livestock sub-sector experienced a negative annual growth average of 5 percent during that period.

TABLE 1: LAND USE IN AGRICULTURE (HA.) 1985 - 1995 SURINAME

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| Sub-sectors | Years | | |
|----------------------------------|---------|--------|---------|
| | 1985 | 1990 | 1995 |
| Rice | 74,890 | 52,005 | 61,390 |
| Bananas | 1,982 | 2,448 | 2,867 |
| Vegetables | 864 | 1,687 | 2,058 |
| Palm oil | 6,187 | 5,425 | 2,800 |
| Livestock | 20,000 | 29,190 | 29,925 |
| Total Agricultural area (ha.) | 112,486 | 98,392 | 105,507 |

The agricultural sector is a decreasing though an important source of employment in Suriname. Currently it absorbs an estimated 15.7 percent of the nation's workforce, second only to the Government.

Suriname's agricultural production value has experienced a relatively stable, though lackluster performance during the last several years. Nonetheless, this overall performance masks important changes that have taken place in the volume of goods produced during these years.

2.2 Agricultural Trade Performance

Suriname's overall structure of exports has changed considerably in the last several years. During 1985-95, the country's mineral exports, composed mainly of alumina, expanded rapidly and accounted for nearly two-thirds of the country's export earnings, compared with one-half of total exports in 1985.

The strong performances of the leading mineral export occurred at the expense of other sectors, most notably agriculture. In 1985, agricultural exports (including fisheries) accounted for 25 percent of total exports; in 1994, they accounted for about

22 percent. The contribution of rice to total exports fell significantly between 1985 and 1994, while that of bananas and plantains fell to a lesser extent. In contrast, the shares of shrimp, lumber, crude oil and other products grew during that period.

Preferential Arrangements

Suriname's rice and banana exports have preferential access to the European and Caribbean markets as a result of the country's participation in the LOME Convention with the European Union (EU) and CARICOM. Shrimp, fish and fish products are directed mainly to the United States and Japan and enjoy no preferential market access. Likewise, vegetables that are exported to Europe are mainly directed to the Dutch market and do not receive special treatment. Like other countries that also benefit from preferential arrangements, Suriname has become dependent on the support prices for its products, as well as on the reduced duties on, and assured demand for, the bulk of agricultural exports. This situation has dampened the desire of producers to search for new markets, diversify their exports and lower production costs as ways of improving their competitiveness. Unless steps are taken to

reverse the current situation, the expected removal of the preferential arrangements will further erode the agricultural sector, sharply reduce foreign exchange earnings and depress activity throughout the economy.

a. The European Union

As an Asian, Caribbean and Pacific Pact country, Suriname is permitted to export rice to the EU with a 50 percent import tariff reduction under a special ACP quota for all members of 125,000 tons for cargo (brown) rice and a total ACP quota of 20,000 tons for broken rice. The quota system works on a first-come, first-serve basis. Until recently, Guyana and Suriname were the major ACP rice suppliers. However, since 1991 Suriname has not taken advantage of the ACP quota system. Suriname has instead directed its rice exports to the European market through the Dutch Antilles, where value is added through the processing of cargo rice into semi-milled white rice. The rice then enters the European market free of duties and quantitative restrictions, since the Dutch Antilles are considered territories of the Netherlands (CTO). The stability of the LGO route for Surinamese rice exports is at stake since the major EU rice producers (i.e., Spain, Italy and France) are actively opposed to this trade arrangement.

Bananas: Suriname's banana exports are directed to the EU market under special provisions set forth by the LOME IV Convention, which covers the period 1990-2000. The duty-free quota for ACP banana producers on the EU market is set for Suriname at 38,000 metric tons of bananas.

Nevertheless, the largest amount exported by Suriname was about 33,800 metric tons in 1995. According to EC (1996) estimates, duty free access for Surinamese bananas represents a benefit of about ECU 75 a ton.

Latin American producers, who claim discrimination in favor of former European colonies and overseas territories in Africa, the Caribbean and the Pacific, have contested the European banana import regime. In May 1996, the World Trade Organisation (WTO) established, based on complaints of the United States, Ecuador, Guatemala, Honduras and Mexico, an independent dispute panel to rule on the EU's banana import regime.

b. The Caribbean Community (CARICOM)

Suriname's membership in CARICOM as of July 1995 and its accession to the Common Market in January 1996 marked the first time that the country had become a member of any regional arrangement.

The short experience of Suriname's duty free trade within CARICOM shows a modest increase in both imports from and exports to CARICOM members in 1996. The preliminary figures over 1997 indicate increasing intra-CARICOM trade. However, the intra-regional trade deficit, US\$27.5 million in 1996, tends to increase. While the Caribbean exporters made good use of the new opportunities of Suriname's membership, the Surinamese export producers have not yet aggressively explored the opportunities. (See Tables 2 and 3).

Table 2: Suriname CARICOM Exports
(in Millions US \$.)

| Items | 1996 (US \$) | 1997 (Jan- April) | Share in Total 1996 trade | Share in CARICOM 1996 Trade |
|----------------------|--------------|----------------------|------------------------------|-----------------------------------|
| Total Exports | 446,540 | 161,510 | 100% | |
| CARICOM | 15,302 | 8,545 | 3.4% | 100% |
| of which: | | | | |
| • Trinidad | 11,258 | 15,758 | 6.8% | 73.4% |
| • Guyana | 358 | 1,360 | 0.9% | 6.3% |
| • Barbados | 5,813 | 2,885 | 1.3% | 13.4% |
| • Jamaica | 2,365 | 1,290 | 0.5% | 6.0% |

Source: Ministry of Trade & Industries,
Suriname

Table 3: Suriname CARICOM Imports
(in Millions US

| Items | 1996 (US \$) | 1997 (Jan- April) | Share in Total 1996 trade | Share in CARICOM 1996 Trade |
|----------------------|--------------|----------------------|------------------------------|-----------------------------------|
| Total Exports | 441,638 | 168,023 | 100% | |
| CARICOM | 42,790 | 21,437 | 9.7% | 100% |
| of which: | | | | |
| • Trinidad | 30,125 | 15,758 | 6.8% | 73.4% |
| • Guyana | 3,755 | 1,360 | 0.9% | 6.3% |
| • Barbados | 5,813 | 2,885 | 1.3% | 13.4% |
| • Jamaica | 2,365 | 1,290 | 0.5% | 6.0% |

Source: Ministry of Trade & Industries,
Suriname

3. Policy Developments affecting the Agricultural sector

3.1 Macro-economic Conditions

Much of the responsibility for the poor long-term performance of the agricultural sector can be attributed to poor economic policies and unfavorable macro-economic conditions. Maintenance of a chronically overvalued official exchange rate between 1984 and 1992 discouraged (legitimate) agricultural exports, promoted smuggling, and encouraged agricultural and food imports at the expense of domestic production. Moreover, it favored capital-intensive production and an excessive degree of mechanization, which not only displaced agricultural labor but also made the sector vulnerable to shortage of spare parts. The subsequent application of a multiple exchange rate system from 1992 until mid-1994 further distorted production incentives for agricultural producers. Foreign exchange rationing and an import-licensing system raised costs and often prevented farmers from obtaining necessary inputs when desired, if at all.

After 1992, the above problems were compounded by an increasingly unstable macroeconomic situation. Rapid inflation, which reached a peak of 369 percent in 1994, confused price signals to agricultural producers and reduced confidence, thereby adversely affecting private investment. In addition, large fluctuations in the inflation rate in combination with an unresponsive banking system created volatile real interest rates, further discouraging private investment in agriculture.

Since mid-1995, the Central Bank of Suriname was able to stabilize the exchange rate and thereby brought about a sharp

decline in the rates of inflation. The improvement in economic conditions boosted confidence in the Surinamese economy and laid the ground for an upturn in private investment in the productive sectors, including agriculture.

The investment law that is currently in place in Suriname originated in 1960 and is outdated. The general objective of the new Investment Law of 1997, now in preparation, is to provide the appropriate framework for an investor-friendly climate in Suriname. However, the discussion on the appropriate mechanisms is not yet finalized.

3.2. Agricultural Infrastructure Policy

The deterioration of the infrastructure is caused predominantly by the following factors:

- the lack of funds available to the public sector, which has led to the recurrent postponement of maintenance activities;
- the absence of authorized institutions capable of managing existing infrastructure;
- the division of responsibility for maintenance within the government administration;
- the unresolved issue of how maintenance cost should be shared among different government ministries and between the public and private sector.

One of the most important constraints relates to the lack of clear responsibilities and accountability in the institutional structure of the government agencies involved in

maintenance of infrastructure. In general, the Ministry of Public Works for primary roads and waterways, the Ministry of Regional Development for secondary roads and waterways, and the Ministry of Agriculture for tertiary roads and waterways.

The air transportation possibilities are also frequently identified as a constraint on agricultural competitiveness. Suriname Airways (SLM) and Royal Dutch Airline (KLM) dominate Suriname's air transport sector, which provide services to the United States, Europe, and the Caribbean. Irregular air services in terms of the availability of the number of flights and cargo space, and frequent changes to flight schedules and routings create difficulties for exporters of fresh fish, fruit and vegetable and horticultural products. The two direct weekly flights scheduled to transport a maximum of 2 times 15 tons of cargo to the Netherlands were reported to be insufficient. The cost of air freight from Suriname to the Netherlands and to Miami was reported to be higher than from other locations at about the same distance or farther to those same countries. The demonopolization of the air cargo industry, coupled with the introduction of rate structure by SLM and KLM that would be equal for all products, would help to decrease costs for exporters and encourage the use of air cargo as in the transportation of agricultural products.

3.3. Agricultural Credit

Suriname's financial and capital markets are underdeveloped in terms of diversity of financial instruments, active competition among banks, and access to credit at affordable terms. In 1994, a modest stock exchange was introduced by a group of entrepreneurs supported by a large insurance

company that recognized the need for the more efficient allocation of funds.

The supply of funds available for lending by commercial banks is currently tight. This situation is in part due to current lending regulations. Commercial banks are unable to use increases in demand deposits as a lending source. One of the effects of the limited sourcing of funds for lending is that, although competition for deposits exist among the commercial banks, the competition does not appear to be overly active. Another effect is that the spread between lending and deposit rates is large and has been growing over the last few years. A smaller spread would likely increase competition and greater bank efficiency in sourcing funds. Bank licensing is authorized by the Central Bank of Suriname, which bases its judgement on the advice of the Bankers' Association. The criterion used to approve new licenses is unclear. The Bankers' Association consists of all 7 commercial and development banks, of which five are Government-owned (Agricultural Bank, Peoples Credit Bank, Post Office Savings Bank, National Development Bank, Trade and Industries Bank) and two are privately owned (Surinaamsche Bank and ABN-AMRO).

Nominal interest rates for agricultural loans range between 35 and 40 percent. These rates were considered by most producers, exporters and importers to be excessively high. The percentage of commercial loans directed to agriculture has remained fairly even in recent years with exception of 1995, averaging about 14 percent of total commercial bank loans.

4. Trade Policies

4.1. Imports

The national imports have been fluctuating with the availability of foreign exchange,

which is also visible for the national imports of food and beverages. The imports of raw material for the agricultural sector, including fisheries, remained relatively constant in US dollars. (See TABLE 4).

TABLE 4: AGRICULTURAL SECTOR IMPORT PERFORMANCE

| Items | 1985 | 1990 | 1995 |
|-------------------------------------|-------------|-------------|-------------|
| Total National Import (US\$) | 329,075,000 | 558,400,000 | 350,200,000 |
| Food Import (US\$) | 18,993,000 | 38,800,000 | 17,500,000 |
| Raw Material Import (US\$) | 11,935,000 | 11,600,000 | 11,000,000 |
| Agriculture & Fisheries | | | |
| Food Import as % of Total | 5.8% | 6.9% | 5.0% |

Source: Statistical Office, Paramaribo, Suriname

a. Tariffs

Customs tariffs form an important policy instrument in Suriname, which underwent a major change in 1995 with the entry of the country into CARICOM. Prior to the reform, multiple tariffs ranged between 0 and 100 percent under the Brussels Tariff Nomenclature (BTN) classification system. The new Harmonized System (HS) is used as the basis for duty-free entry of goods originating from CARICOM countries and for % the Common External Tariff (CET). The current CET ranges from 5 to 40 percent.

In addition to tariffs, all imports are subject to a consent tax equal to 2 percent of the cost, insurance and freight (CIF) product value and a statistical tax equal to 0.5 percent of the CIF product value.

Despite the tariff reductions and the duty free entry of CARICOM products, several

agricultural producers have complained that tariffs on inputs for agricultural production remain high. In response to lobbying efforts, the Government has introduced a law to reduce existing tariffs on certain products used in agricultural production and agro-industry to 0 percent (for e.g., fertilizers, plant materials and possibly packaging materials); tariffs on imports of machinery, which ranged from 0 to 5 percent in mid-1996, will likely remain unchanged.

b. Non-Tariff Measures

In Suriname, several types of non-tariff measures (NTMS) are used extensively as part of the country's import substitution strategy. In practice, all goods are permitted in the country with prior authorization to import by the Minister of Trade and Industry (MTI). To date, no concrete steps have been taken to reduce this type of protection.

Quantitative restrictions are also used to control imports in Suriname and are currently in effect for fruits and vegetables, wood and rice. While details on the permitted levels of imports were not available for wood and rice, according to MTI officials an importer is permitted to bring into Suriname US \$1,000 (valued at fob) of fruits and vegetables on a weekly basis.

Import licenses are required for all international trade transactions. Despite the fact that the license is considered to be automatic under WTO trade rules, the numerous and lengthy procedures required, impose costs in terms of time, financial resources and productivity, and reflect the inward oriented policies that have characterized the Surinamese economy for so many years. Two types of import licenses are required. The first is an import-operating license, granted to citizens or to local corporations. The required activities not only consume time but also lack transparency, and have to be renewed every 3 years. The second type of license is an import license that is required for every shipment of goods entering Suriname. The approval process begins by seeking a signature and approval stamp from the Plant Protection Department of the Ministry of Agriculture (MoA) if the shipment is for agricultural products. If a specially prohibited product is listed on the license application (e.g., materials for plant propagation or certain types of seeds), an additional signature is required from the MoA. The importer arranges payment terms (i.e., letter of credit, cash against documents or payment after receipt of goods), which are finalized by the commercial bank with a stamp on the application form. The importer then takes the application to the MTI, where it is verified that the imports are allowed into the country. This amount of time represents

a considerable delay in business operations, estimated at a minimum of five days, especially when trying to import spare parts that are urgently needed in the production process.

Quality controls and standards, anti-dumping measures and countervailing duties do not exist in Suriname. Customs procedures, which are often applied as a NTM, appear to be trouble-free in Suriname. Initial steps were taken to establish a Bureau of Standards without much progress.

4.2. Exports

A limited number of restrictive trade practices are still in effect in Suriname, including export taxes and export licenses. Export taxes are imposed in a manner similar to import taxes; there is a consent tax of 0.01 percent and a statistical tax of 0.5 percent of the fob value. No export quotas are in effect, except for those products exported under the LOME Convention, and no export prohibitions are operative.

Like imports, licenses are required for all exports shipped from Suriname and are also considered to be automatic under WTO trade rules. Similarly, two types of licenses are required: the export operating license and the export license. All exporters are required to obtain an export operating license to operate, and that operating license is valid for three years. An export license is required of every shipment leaving Suriname. Despite this improvement, export licensing remains an impediment to trade mainly in terms of time and productivity since the approval involves several visits to the MTI and the MoA.

The overall bottleneck for rice is the requirement of the signature of the MTI.

Rice exports are subject to additional steps that do not apply to other agricultural products, such as undergoing and paying for quality control checks by the Customs Administration and the Ministry of Agriculture before the shipment leaves Nickerie, approval by SUREXCO, and payment of export taxes to that organization. Nonetheless, other agricultural export products require several approvals. As an example, a completed export license for a shipment of fresh vegetables that was granted by the MTI contained no less than seven stamps and signatures, six of which originated in the MTI.

Despite recent improvements, Suriname's licensing system continues to act as a significant disincentive to trade, especially for agricultural exports. It is overly restrictive in that licenses are required for every shipment; it uses an inadequate price valuation system; its foreign exchange surrender requirements financially binds exporters and actively encourage them to under-invoice shipments, it binds importers to payments which, are usually arranged without government intervention; it provides no flexibility in shipment changes which are especially important for agricultural products; it causes the inefficient operation of MTI; and most importantly, it restricts trade of all types which impacts on the overall performance of the economy.

Export customs procedures, like import customs procedures, do not appear to hinder international trade transactions in Suriname. More flexibility was recently introduced into procedures for air cargo exports by allowing exports to be processed directly at the airport rather than in Paramaribo (45 km away). However, complaints were voiced by the Customs officials, who suggested that the existence of an x-ray inspection system

would eliminate the need to open boxes. Customs officials are required to open boxes to comply with narcotics inspections, and often damage packaging material, which can be particularly problematic for agricultural exports.

Export Promotion

With the exception of the newly launched Suriname Trade Promotion Organization (STPO), there is an absence of export promotion policies in effect in Suriname. Duty waiver and temporary admission schemes are not permitted under CARICOM trade rules; an export insurance scheme is also non-existent and few sources of export financing are available. No export free zones have been developed to promote exports. The Internet will provide a valuable source of information to promote exports, once exporters and producers become aware of the service and the benefits that can be derived from its use. As such, the STPO, the MoA or the MTI could develop and implement a simple marketing campaign to promote the use of the Internet.

4.3. Price Distortions

Until recently, price controls were imposed on many agricultural commodities and some basic food imports with the objective of lowering inflation and protecting consumers. Since the sale price was held below the cost of production, private agricultural production of affected commodities diminished gradually and state agricultural enterprises suffered heavy financial losses. In 1993-94, the Government lifted the minimum farmgate and retail control prices on sugar, meat and other products, including palm oil. In July 1995, price controls were lifted on milk. Rice remains the only commodity whose price is controlled and is

subject to the conditions set forth in the country's rice agreement. A retention scheme and minimum export price mechanism are the main features of the rice agreement, although export taxes (US \$15 a ton) and other fees required as part of the agreement are also important policy measures impacting on the rice sector.

4.4. International Trade Agreements

The benefits of the Uruguay Round (UR) are difficult to quantify for the CARICOM states and Suriname in particular. The economic models used to estimate the projected changes depend on many assumptions. While they have some validity at the level of world trade as a whole, their utility is limited for the smaller countries. The benefits and costs for Suriname must be analyzed and interpolated indirectly, using predictions for the major trading partners and their potential traded commodities, and services.

Despite the openness of the Surinamese economy, national economic policy decisions are taken with limited recognition of the implications for other member states of the region or its international trading partners. This resulted in a degree of control of its own policies, legislation, and administrative measures. Membership of the WTO, however, brings significant external obligations to Suriname, and many previously established domestic policies must be reviewed in the light of their international implications.

The WTO and its implementation of the UR will provide Suriname, and other developing countries, with a framework of improved predictability and transparency. The expansion of the North American Free Trade Area (NAFTA) into the Free Trade Area of the Americas (FTAA), and changes in access

to the EU market and the CARICOM Single Market and Economy will take place within the rules and regulations of the WTO.

The future access to and competitiveness of the agricultural sector in the European and North American markets is among the most pressing issues facing the country. Most of Suriname's agricultural exports receive special preference under LOME arrangements that are likely to be eroded as a result of the UR.

Under the terms of the LOME convention, all fish products are exempted from customs duties. For rice, the convention provides for a reduction of the third-country levy for paddy and broken rice of 50%. However, if a quantity of total imports of 125,000 tons (husked rice equivalent) of rice and 20,000 tons broken rice is exceeded, third-country treatment will apply for rice imports from that country.

Despite its substantial benefits to ACP countries, the future of the benefits of the convention is severely threatened. The EU agreed to continue trade privileges and other aid until the year 2000, after which the ACP countries will face greater competition for these privileges and financial resources from the rest of the world. The discussions on the new LOME Convention after 2000 have already started. It may be replaced by smaller regional agreements due to the differing needs of the various ACP regions.

Traditionally, exports of fish and fish products to the USA have been limited to relatively minor quantities. For Suriname, this lack of market penetration could be attributed to infrastructural constraints and poor market information. While the GATT agreement on agriculture excludes fish and fish products (which fall under other

liberalization categories), it is expected that shrimp exports from Suriname will be adversely affected by increased production and processing efforts by the Mexican industry under NAFTA. However, the losses in foreign exchange that may occur would likely be offset by increased demand for seafood within the rest of the Caribbean.

The establishment of a Free Trade Area of the Americas (FTAA) by the year 2005 will reflect the progressive dismantling and elimination of barriers to trade and investment in the Western Hemisphere. In addition, Governments pledged not to raise barriers to trade and investment to non-member countries. Accordingly, the Governments agreed on a range of issues, including trade in goods and services, subsidies and investment.

The FTAA faces a number of potential problems. The fear of loss of sovereignty may be sufficient to rouse anxieties of governments of smaller countries. Some experts feel that no significant economic logic exists for a hemispheric free trade agreement for most countries based on existing trade and economic linkages. Furthermore, there is concern for the consequences of gaining access to one trade scheme (FTAA) which could affect another scheme (EU). Under the provisions of the LOME Convention, ACP countries cannot give to another developed country better treatment than that which it extends to the EU, nor can they discriminate among EU countries. The FTAA could jeopardize Suriname's trade preference that needs to be dealt with in negotiations with the EU. The FTAA seems to be of significant potential benefit to the region, particularly those economies with stronger macroeconomic environments, sufficient infrastructure, and entrepreneurial dynamism. However, the

procedural impediments to attaining an acceptable agreement, also for the smaller economies, are very likely to delay it well beyond the year 2005.

CARICOM members are scheduled to reduce the CET from 45 percent to 20 percent in 1998. Due to the high level of subsidies used by other countries in agricultural production and exports, a special rate of 40 percent was assigned to primary agricultural products, which could be changed based on developments in the UR. Raw sugar, refined sugar, fresh citrus, and citrus fruit juices are all subject to 40 percent tariffs. In an important exception, rice duties are 25%, with possible future reductions upon further review. In spite of the CET, the liberalization of the agricultural trade is unresolved as of yet, and there are still some restrictions on the movement of factors of production, which supposedly have been liberalized.

Suriname as a CARICOM member is a beneficiary of the bilateral treaties with Venezuela and Columbia. The shares of Suriname's agricultural exports to Venezuela and Colombia are negligible. The ACS can be seen as an important preparatory phase for the smaller countries in the Caribbean. Its trading impact, however, should not be overstated, since the export mix of all the member countries overlaps considerably.

5. Determinants of Agricultural Competitiveness

Introduction

The trade and economic liberalization process is forcing the producers towards increasing competitiveness in all sectors of the economy in a relatively short period of

time. Both policy makers and members of the business community have already begun to address the issue of competitiveness. In response to the globalization of the world economy, competitiveness has developed into a multidimensional concept that takes into consideration the ability to export, the efficient use of factors of production and natural resources, and increasing productivity of factors that ensures the rising living standards of a nation (Haque, 1990). Competitiveness broadly depends on the simultaneous interaction of three sets of factors that enable a country to compete:

- (i) Economic policies and incentives;
- (ii) Factor endowments and infrastructure conditions; and
- (iii) Institutions and programmes

The way in which these factors are applied varies from country to country and depends on history, culture and values. Based on Suriname's past economic performance and political background, the most important types of economic policies and incentives that are likely to influence the country's agricultural competitiveness are those that affect macroeconomic stability and those that create an incentive structure to promote agricultural exports. The macroeconomic conditions, however, are still tenuous. The country lacks an overall export promotion strategy that encompasses export credit and insurance schemes, a comprehensive information network, a modern investment law, and unencumbered and transparent export and import procedures. Nonetheless, Suriname's natural resource endowments and its low population to land ratio, tropical climate and access to international markets by sea provide the country with an inherent comparative advantage in the production of agricultural products. However, Suriname has not fully exploited its comparative

advantage through competitive production and marketing practices.

Factor and infrastructure conditions will also have important effects on the overall competitiveness of Suriname's agriculture, but will likely influence certain sub-sectors more than others. For example, access to credit at reasonable terms and the availability of land for private ownership are important factors influencing Suriname's general ability to compete in agriculture. However, the upgrading of infrastructure and in particular irrigation and road networks would impact on the rice sub-sector more than others.

The development of key institutions and programmes will also be crucial to the competitiveness of Suriname's agriculture, and will affect the long-run competitiveness of the sector. In particular, the strengthening of the Ministry of Agriculture in its strategic planning capabilities, research and extension services, statistical services, and staff training is needed to jump-start the sector's growth and facilitate the private sector's response to international market needs and opportunities. Likewise, the support of the newly founded Suriname Trade Promotion Organization (STPO) will help to promote selected sectors and industries with the involvement of the private sector, and can stimulate the development of other private-sector based promotion institutions. Multilateral and bilateral technical assistance can play an important role in Suriname's ability to compete in agriculture, particularly if such assistance aims to maximize results and complement both the public and private sectors' efforts to revitalize the sector.

Measurement of the degree of competitiveness of the agricultural sector and specific agricultural products in Suriname is complex since it relies on the

comparisons of macro-economic and sector- and industry-specific conditions across countries. The factors that are most likely to affect competitiveness are summarized here:

Enhancing the Competitiveness of Rice

While rice producer and export associations in Suriname are of the general opinion that Surinamese rice is competitive in the world market and could maintain its competitive edge with the removal of preferential markets, the rice sub-sector requires important policy actions and technical support to ensure that Suriname is able to maintain and expand its market shares. Specific suggestions for improving the competitiveness of rice are as follows:

- Reduce export transaction costs by eliminating unnecessary export transaction fees and reducing the time required to process exports;
- Upgrade the infrastructure systems that have the greatest impact on rice, including the immediate installation of a proper irrigation system and improved road maintenance programme;
- Reduce production costs by lowering the cost of financing through monetary policy reform that would introduce active competition among banks and broaden the type and amount of funds that are to be included in their lending base;
- Improve the quality of rice by supporting rice research, investigating the feasibility of constructing parboiling facilities and promoting Surinamese rice as a high quality product.

Enhancing the Competitiveness of Bananas

Given the low yield, the outdated harvesting system, and high production costs relative to other Latin American banana producers, it is likely that the Surinamese banana industry will not be economically viable without the protection currently afforded by the preferential market arrangements. SURLAND management started picking up this challenge and, with financing provided by Fyffes and the European Union, is now implementing a project to upgrade sprinkler system, and upgrade the packing and handling equipment. In addition, a trial programme to alter the layout of the planting system is planned. The new system would entail a deeper drainage ditch than that which is presently used, resulting in reduced drainage maintenance costs and irrigation water run-off losses.

Despite the fact that funding has been secured to upgrade the infrastructure of the banana industry, important elements impacting on competitiveness remain to be addressed:

- in the short run, the issue of continual conflict in management should be resolved and a stable environment should be put in place and maintained;
- in the medium to long run, the privatization of SURLAND should be considered as an option to enable the banana industry to compete at an international level;
- analysis of detailed production costs should be undertaken to identify which

cost factors could be reduced through improved efficiency;

- a marketing scheme in conjunction with Fyffes should be developed to promote the Cavendish type of bananas in the British and other European markets so that consumers could recognize the Surinamese product once the market is liberalized.

Factors Influencing the Competitiveness of Palm Oil

Due to pest and plant disease, social unrest that resulted in the abandonment of many plantations, and the shortage of foreign exchange to purchase the necessary spare parts and equipment, the palm oil production is almost abandoned. In recent years, the Government of Suriname considered revitalizing the oil palm industry. However, there is some doubt about the revival of the industry to upgrade it to international standards. Europe is the main export market for Suriname's palm oil, and its main competitor in that market is Malaysia, which has a competitive edge over Suriname in many respects. Production costs in Malaysia are reported to be far below those of Suriname (FAO, 1992), especially in terms of labor and transportation. The oil extraction percentages are reported to be higher in Malaysia than in Suriname. Given these restrictions and the characteristics of the palm oil industry in Suriname, it is unlikely that opportunities exist for exports of this product and that the expansion of the industry will extend beyond satisfying domestic demand for vegetable oils.

Enhancing the Competitiveness of the Fisheries Industry

If the fisheries industry is to realize its full potential, policy initiatives must be taken by the government to improve its international competitiveness. It is recommended that:

- legislation on export quality and standards for fish products and other products be finalized and implemented, which would respond to the quality demands of Suriname's major export markets;
- additional manpower be designated to regulate landings through the reallocation of government resources to avoid increased costs, which would result in more accurate statistics;
- allocation of additional manpower to patrol the coastal waters of Suriname through the reallocation of government resources to avoid increased costs, which would ensure that illegal fishing by non-Surinamese boats is enforced;
- Surinamese fishing industry be targeted for export promotion policies, such as export guarantee and insurance schemes;
- consideration be given to the privatization of STIVI, SAIL and CEVIHAS.

Enhancing the Competitiveness of Fruits and Vegetables

Taking into consideration the overall small size of the fruit and vegetable industry in Suriname, the following actions are recommended to improve this sub-sector's competitiveness in international trade:

- establish standards and quality control for chemical inputs to assist producers in meeting requirements of the EU market and to produce a healthier product;
- improve access to information and marketing skills by promoting fruits and vegetables as targeted sub-sectors at the STPO, and by promoting the availability of the CARTIS trade information system and the Internet;
- promote competition in air transportation by allowing more foreign companies to offer their services in Suriname, and by promoting the idea of cooperatives who could join efforts in combining shipments for volume requirements;
- institute certification standards for both state and private owned plant nurseries which would improve uniformity and plant propagation.

Enhancing the Competitiveness of Livestock

Given the current state of the livestock sector in Suriname, substantial changes in the direction of policy, technical assistance and investment would be needed to bring Surinamese beef up to a level where it could compete in international markets, and are reflected in the following recommendations:

- establish a Bureau of Standards and implement quality and nutritive standards for livestock feed, thereby increasing producer confidence in feed mills and improving the quality of the export product;
- as part of the design of a new agricultural census, clearly define queries on farm type, size and type of livestock product produced and purpose of production, thereby providing accurate statistics to be used in policy making;
- provide technical assistance to improve the drainage system and implement a regular maintenance schedule, which would improve grasslands and result in increased productivity;
- improve slaughterhouse facilities, irrespective of whether or not a beef export trade can be developed, to ensure that phytosanitary measures are implemented and health regulations are carried out;

- undertake research on alternate sources of feed, such as rice waste (broken rice and rice bran) as a component for feed to supplement maize;
- upgrade veterinary services and implement extension services on a regular basis in the livestock sub-sector, which would reduce the incidence of animal diseases and improve competitiveness.

6. Conclusions

Suriname, as a member of WTO and CARICOM, committed itself to the worldwide process of trade and economic liberalization. Despite its progress in the implementation process, there are still several barriers to a liberalized economy and trade. While neither the real long term impacts of liberalization on competitiveness nor its social cost are clear, at least Suriname should work on:

- an enabling government
- a stable macro-economic environment
- an attractive investment climate
- a dynamic entrepreneurial class
- a human resource development programme
- an export oriented production strategy
 - an international competitiveness support programme

ANNEXES

ANNEX 1: SURINAME AGRICULTURAL AREA SOWN (HA) 1985-1995

ANNEX 2: SURINAME AGRICULTURAL PRODUCTION 1985-1995

ANNEX 3: SURINAME MAJOR EXPORTS 1980-1995

ANNEX 1: SURINAME AGRICULTURAL AREA SOWN (HA) 1985 - 1995

| CROPS | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Paddy | 74.890 | 75.136 | 71.155 | 69.520 | 69.860 | 52.005 | 60.085 | 68.750 | 58.640 | 60.010 | 61.390 |
| Vegetables | 864 | 920 | 1.491 | 1.243 | 1.202 | 1.687 | 2.112 | 2.046 | 2.573 | 2.554 | 2.058 |
| Sugarcane | 2.523 | 2.523 | 2.523 | 2.523 | 2.495 | 2.273 | 2.291 | 2.245 | 2.245 | - | - |
| Bananas | 1.641 | 1.625 | 1.761 | 1.986 | 2.076 | 2.073 | 2.216 | 2.131 | 2.150 | 2.149 | 2.150 |
| Oil palm | 6.187 | 6.128 | 6.173 | 6.124 | 6.128 | 5.425 | 4.835 | 4.625 | 4.163 | 3.870 | 2.800 |
| Coconut | 1.208 | 1.342 | 1.292 | 1.280 | 1.308 | 1.304 | 1.584 | 1.421 | 1.423 | 1.416 | N.A. |
| Citrus | 2.146 | 2.165 | 2.085 | 2.084 | 2.239 | 2.275 | 2.425 | 2.506 | 2.544 | 2.495 | N.A. |
| Other crops | 3.086 | 3.068 | 3.167 | 3.167 | 2.610 | 2.700 | 3.167 | 3.395 | 4.198 | 4.092 | N.A. |
| TOTAL AREA | 92.545 | 92.907 | 87.670 | 89.647 | 87.918 | 69.742 | 78.715 | 87.119 | 77.936 | 76.586 | 75.582 |
| SMALLHOLDER | 31.359 | 30.209 | 29.008 | 23.914 | 30.167 | 21.256 | 28.922 | 30.549 | 32.350 | 29.499 | N.A. |
| LARGE SCALE | 61.686 | 62.698 | 58.662 | 60.733 | 57.751 | 48.486 | 49.793 | 56.570 | 45.586 | 47.087 | N.A. |

ANNEX 2: SURINAME AGRICULTURAL PRODUCTION 1985-1995

ANNEX 2A: AGRICULTURAL CROP PRODUCTION 1985-1995

| CROPS | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Paddy (dry: 14%) | 299.185 | 299.954 | 271.600 | 256.244 | 260.895 | 196.010 | 229.260 | 261.080 | 216.980 | 217.980 | 242.077 |
| Vegetables | 5.601 | 4.233 | 15.891 | 13.816 | 15.583 | 23.153 | 33.122 | 35.937 | 43.923 | 38.370 | n.a. |
| Sugarcane | 118.225 | 110.967 | 18.786 | 18.875 | 18.492 | 725 | 779 | 0 | 0 | 0 | n.a. |
| Bananas | 13.139 | 43.744 | 43.204 | 52.894 | 45.943 | 47.943 | 49.971 | 49.886 | 47.495 | 47.502 | 49.700 |
| Oil palm (FFB) | 38.212 | 30.296 | 1.990 | 11.609 | 13.953 | 7.695 | 7.814 | 10.640 | 8.681 | 6.890 | n.a. |
| Coconut | 6.947 | 8.513 | 10.130 | 8.698 | 11.270 | 10.956 | 12.086 | 9.522 | 11.762 | 10.896 | n.a. |
| Citrus | 12.019 | 11.624 | 14.176 | 12.131 | 15.242 | 15.992 | 16.005 | 16.916 | 18.968 | 19.233 | n.a. |

ANNEX 2B: LIVESTOCK PRODUCTION

| PRODUCTS | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------|
| Milk (1.000 litres) | 10.220 | 12.000 | 12.500 | 14.400 | 16.000 | 10.850 | 10.590 | 12.000 | 10.000 | 11.500 | |
| Eggs (per 1.000) | 61.776 | 44.400 | 63.300 | 64.000 | 60.000 | 61.000 | 61.000 | 40.000 | 40.000 | 42.000 | |
| Beef (tons) | 1.531 | 1.319 | 1.337 | 1.511 | 2.254 | 2.254 | 2.661 | 2.637 | 2.183 | 1.840 | |
| Pork (tons) | 1.563 | 1.356 | 1.298 | 1.331 | 1.666 | 1.666 | 1.976 | 1.450 | 1.400 | 920 | |
| Goat and sheep (tons) | 6 | 4 | 7 | 8 | 10 | 10 | 11 | 8 | 7 | 7 | |
| Poultry (tons) | 10.440 | 9.750 | 9.450 | 10.260 | 11.415 | 11.415 | 9.563 | 8.800 | 6.760 | 3.935 | |

ANNEX 2C: FISHERIES PRODUCTION (IN METRIC TONS)

| ITEMS | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|--------------|------|
| Inland shrimps | 205 | 146 | 182 | 198 | 313 | 117 | 637 | 269 | 416 | 376 | |
| Crabs | 40 | 22 | 12 | 38 | 26 | 52 | 1 | 27 | 4 | 1 | |
| Fish | 2.900 | 2.380 | 2.170 | 3.456 | 2.961 | 3.333 | 7.096 | 13.182 | 9.470 | 5.677 | |
| Sea shrimps | 2.410 | 3.289 | 3.477 | 2.941 | 2.452 | 2.929 | 3.083 | 2.836 | 2.641 | 2.452 | |
| TOTAL | 5.555 | 5.837 | 5.871 | 6.633 | 5.752 | 6.431 | 10.817 | 16.314 | 12.531 | 8.506 | |

ANNEX 3: SURINAME'S EXPORTS BY REGION & COUNTRY 1986 - 1994 ('000 Surinam Guilders)

| Region & Country | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|-----------------------------|---------|---------|---------|---------|--------|--------|--------|---------|---------|
| North America | 102,738 | 116,469 | 145,631 | 129,410 | 96,097 | 82,772 | 73,617 | 613,122 | 986,257 |
| Canada | 1,982 | 6,897 | 6 | 22 | 1 | 83 | 3 | 141 | 810 |
| United States | 100,756 | 109,572 | 145,625 | 129,388 | 96,096 | 82,689 | 73,614 | 612,981 | 985,447 |
| Central America | 562 | 2 | 159 | 1 | 0 | 2 | 614 | 27 | 824 |
| Guatemala | | | | | | | | 25 | 5 |
| Honduras | | | | | | | | | |
| Mexico | | | | | | | | 2 | |
| Panama | | | 1 | | | 2 | 614 | | 1 |
| Other C. American countries | 562 | 2 | 158 | 1 | | | | | 818 |
| Caribbean Islands | 12,141 | 10,044 | 19,117 | 75,262 | 14,371 | 19,764 | 73,201 | 65,167 | 711,901 |
| Barbados | 19 | | | 5 | 1 | | 3 | 119 | 3,555 |
| Cuba | | | | | | | | | |
| Dominican Republic | 351 | | 4 | 64 | 35 | | 24 | | |
| Grenada | 392 | 307 | 42 | | | | 456 | 2 | |
| Guadeloupe | 6,017 | 3,401 | 6,372 | 5,070 | 247 | 223 | 1 | 778 | |
| Jamaica | | | 40 | | | | 3,330 | 75 | 3,708 |
| Martinique | 3948 | 3,732 | 4,120 | 1,271 | 2,692 | 3,073 | 41,356 | 2,504 | |
| Netherlands Antilles | 1,298 | 518 | 1,269 | 758 | 652 | 997 | | 34,746 | 7,981 |
| Puerto Rico | 12 | | 177 | | | | | 8 | 596,788 |
| St. Lucia | 17 | | 114 | | | | | | |
| Trinidad & Tobago | 7 | 1,687 | 6,771 | 68,048 | 10,733 | 15,465 | 27,842 | 26,936 | 99,856 |
| Other Car. Islands | 80 | 399 | 208 | | 11 | 6 | 9 | | 13 |
| South America | 90,835 | 45,586 | 50,043 | 60,783 | 41,090 | 53,597 | 66,038 | 370,984 | 271,651 |
| Argentina | | | | | | | | | |
| Brazil | 52,739 | 37,490 | 48,255 | 59,691 | 40,444 | 52,527 | 63,767 | 365,882 | 259,539 |
| Columbia | | | 39 | | | | 9 | 7 | 79 |
| French Guyana | 2,940 | 2,246 | 1,599 | 944 | 456 | 604 | 425 | 3,438 | 6,423 |
| Guyana | 1,680 | 1,490 | 150 | 148 | 190 | 465 | 1,714 | 1,420 | 4,662 |

