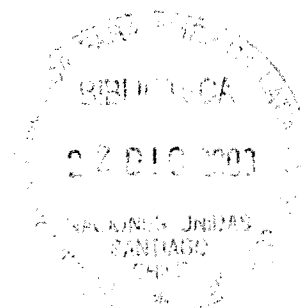


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Two decades of adjustment
and agricultural development in
Latin America and the Caribbean

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Abstract

This document reviews two decades of economic adjustment in Latin America and the Caribbean and assesses the impact of this adjustment on agriculture (and in some cases on the rural sector as a whole). The main conclusions are outlined below.

Firstly, there has been a tendency to underrate the performance of the agricultural sector in Latin America and the Caribbean not only before, but also during and since implementation of the reforms and economic adjustment. Secondly, the crisis affected agriculture later than the rest of the economy and, despite major differences between and within countries, the sector's performance was considerably better than expected. Thirdly, economic reforms were not applied to agriculture until the second half of the 1980s or even later, the exceptions being Chile, where reforms were introduced at an early stage, and Mexico, Cost Rica and Bolivia, where only partial changes were made. Fourthly, the reforms included the removal of subsidies and the cut-back or elimination of agricultural credit, technology and extension services, which had negative implications for the sector. Fifthly, the new model of development introduced in Latin America and the Caribbean with structural adjustment is rather exclusionary. The economic growth dynamic is concentrated among producers which have trade linkages or are integrated with national and international agribusiness concerns that are associated essentially with transnational corporations.

Furthermore, it is overoptimistic to believe that small farmers would stand to benefit in terms of modernization from contractual integration with agribusiness concerns.

I. Introduction

This paper ¹ analyses two decades of economic adjustment in Latin America and the Caribbean, with special attention to its impact on the agricultural (and in some cases, the rural) sector. It presents a critical evaluation of the dramatic structural changes that had been taking place in Latin America and the Caribbean towards the end of the century and considers the implications of the new international financial crisis affecting the region, focusing on a sector that has not been given sufficient significance in the process of reforms.

The context changed gradually during the 1990s. The “Washington Consensus”, which had previously held sway among the international financial institutions (IFIS), giving primary importance to the correction of relative prices may have still been influential, but had been complemented or partly replaced by neo-institutional and even neo-structuralist ideas, following serious, recurrent market failures and the negative effects of “over-adjustment” in relation to the “minimal state” (Killick, 1989, 1995; Streeten, 1993; ECLAC, 1996; Ramos, 1997). This paper attempts to contribute with its analysis of adjustment and the agricultural sector to a more qualified view of the overall process of reforms in Latin America and the Caribbean, through a close study of the impact on the sector, but also by comparing earlier assumptions and expectations with actual reforms and outcomes.

¹ The current paper has benefited substantially from comments made by Barbara Stallings, Maria Beatriz David and Martine Dirven (ECLAC), and Alex Izurieta (ISS). Furthermore, the author wishes to express his gratitude to the participants in the Seminar at ECLAC (26- 27 November 1998), where this topic was discussed extensively.

One example may serve to illustrate this point. During most of the post-war period and up to the early 1980s, when import substitution was the dominant model in Latin America, it was generally considered discriminatory towards agriculture because of exchange rate overvaluation, export taxes, protection of the industrial sector, and direct market interventions (Krueger, Schiff and Valdes, 1991). The overvaluation of the exchange rates, in particular, triggered a surge in imports in the 1970s, while interventionist pricing policies were blamed for reduced growth and poor export performance (Ibid.). However, the agricultural sector did reasonably well in the 1970s and the first half of the 1980s, as price discrimination was combined with a substantial package of support measures (public investment, subsidized credit and agricultural services).

This paper seeks to establish that the supposedly poor performance of the sector during the 1980s (the lost decade) must be qualified given the available macroeconomic and sectoral data, in particular as regards the first half of the 1980s. An overview of the region as a whole will reveal substantial differences between macroeconomic performance and the behaviour of the agricultural sector throughout and following this period and wide variations may also be observed between countries. It will also be demonstrated that the shift towards a model based on export-led growth (Weeks, 1995; Bulmer-Thomas, 1996; Thorpe, 1997) did not overcome the so-called “paradox of agriculture”, in which verbal recognition of its importance in the economy is contradicted by low investment priorities and deficient (or a complete absence of) policy-making for the sector (Weeks, 1995; Spoor, 1997; Reza & Echeverria, 1998).

The paper also seeks to contribute to an overall review of agricultural (and rural) development policies in Latin America and the Caribbean. There is a tendency to focus on economic dynamism in certain sectors – usually associated with international capital and information and communication technologies (ICT) – and to overlook the marginalization of others, notably the most populous small farmers” and peasant sectors. Although beyond the scope of this paper, a new role is envisaged for the State, which, far from returning to the “interventionist agenda”, could assume a more indirect, albeit “activist” public role with respect to this vital sector of the economy in Latin America and the Caribbean (De Janvry and Sadoulet, 1993; Spoor, 1995; 1997).

As an empirical foundation for such effort, data are presented and analysed on the performance of the macroeconomy and the agricultural sector, supported by country based data for nine Latin American and Caribbean countries. These data will not only indicate the variation in growth performance in Latin America and the Caribbean economies (with substantial spread around the mean), but also represent a very large share of the production and exports of the continent’s agricultural sector. The countries included in the sample are: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Jamaica, Mexico and Perú.²

The main propositions put forward in this paper are the following:

Firstly, the agricultural sector in Latin America and the Caribbean has been structurally underestimated in its importance, whether before, during or after economic adjustment. This is particularly striking to note as the success of the export-led growth model is still largely carried by agro-based exports.

Secondly, the debt crisis of the early 1980s generally hit agriculture later, and the performance of the agricultural sector during the “lost decade” of the 1980s, while showing a great spread between (and within) countries, is generally better—in particular in the first half of this decade (1980-85)— than the macroeconomic crisis of the Latin America and the Caribbean economies would suggest. This observation is supported by a possibly unexpected increase in land productivity of the main crops for domestic and export markets, a surprisingly high one if compared

² This selection follows, for comparative reasons, the recent ECLAC research project ‘Growth, employment and equity: Latin America and the Caribbean in the 1990s’ (1997-99), Economic Development Division, ECLAC, Santiago.

with that of the 1990s, and not in line with the hitherto accepted idea of a stagnant sector. Its residual treatment in the context of the pre-dominantly macro-oriented reforms makes these observations even more relevant.

Thirdly, most economic reforms in the agricultural sector (with the exception of some early examples, such as those of Chile, and to some extent, Mexico, Costa Rica and Bolivia) were implemented during the second half of the 1980s or even later. It is therefore difficult to identify simple causal relationships between reforms of the 1980s and the overall recovery of the 1990s, as in a number of cases the contraction in agriculture (and the rapid recovery of agricultural exports) preceded, accompanied or followed the implementation of sectoral and macroeconomic reforms that were intended to eliminate “the bias against agriculture”.

Fourthly, some reforms, in particular the elimination of subsidies, credit and technological support services, had adverse effects on sectoral performance. Where possible, such effects should be differentiated from those associated with unfavourable movements in international market prices for the region’s traditional agricultural exports in the 1980s, at least compared with the late 1970s. Interestingly enough, the sectoral data suggest that there are at least some instances in which earlier public interventions in “market-led” modernization have paid off (as in Chile and Costa Rica). In some other cases, where long-term public support was followed by a process of market liberalization and deregulation, prudential regulation during apparent contractionary periods also contributed to recovery (as in Brazil, Bolivia, Colombia, but also in Chile).

Fifthly, the new development model introduced in Latin America and the Caribbean with the structural adjustment of the 1980s and early 1990s (Smith et.al, 1993; Teitel, 1992; Bulmer-Thomas, 1996), is quite “exclusionary” (Kay, 1995; Reca & Echeverria, 1998). The dynamics of economic growth is largely to be found in the commercial farming sectors which have been able to link up with foreign, mostly transnational, capital, thus becoming part of domestic and international agro-industrial complexes. The early optimism regarding small farmers and peasants’ options for modernizing through contract farming for agribusiness seems to be largely unfounded (ECLAC, 1995; ECLAC/FAO, 1998). Furthermore, there are indications that the technological, productivity and income gap between commercial and entrepreneurial farmers, on the one hand, and non-viable peasants on the other, has become wider than ever (Kay, 1995; Bulmer-Thomas, 1996; Reca & Echeverria, 1998). Economic policies for integrating the latter group in agrarian modernization are practically non-existent and there also seems to be an absence of social policies for mitigating the human cost of economic adjustment in the face of persistently high levels of rural poverty (ECLAC/IICA, 1997).

The paper analyses these propositions in the following three sections. The second part investigates the main assumptions underlying structural adjustment, in particular the vision of a “stagnating sector” and the overall “bias against agriculture” with an overview of the macroeconomy and the place of the agricultural sector in Latin American and Caribbean economies before reform, during the crisis and since. This picture proves to be more mixed and less straightforward than is generally assumed. It can be shown that the crisis, especially as it affected the agricultural sector, hit the Latin American economies at different times. In comparing the Latin America and Caribbean countries selected for our study, one can distinguish three types of crisis in the 1980s: early (1980-85), late (1985-90) and prolonged (1980-90). The first two seem to coincide with swift and slow recovery.³ This qualifies somewhat the overall picture of a “lost decade”, especially when one takes into account the substantial increase in land productivity noted during the first half, as opposed to the second half, of the 1980s.

The third part presents a review of the main reforms introduced as part of the stabilization and structural adjustment programmes, distinguishing between macroeconomic and sectoral

3 Observation made by Martine Dirven (personal e-mail communication, February 1999)

reforms, concentrating on those that deal with trade policy (apertura or openness, and exchange-rate depreciation), fiscal, credit and interest rate policies, and, finally, with the reduced public role in support services (credit provision, education, extension and research). Instead of a standard periodicity of pre-reform (<1980), crisis (early 1980s), reform (1980s), and post-reform recovery (1990s), a diversity in sequencing and implementation of reforms is revealed, as well as substantial differences in macroeconomic and sectoral performance per country.

In the fourth part, the analysis on reforms, their sectional impact and the discrepancy between original assumptions on performance, implementation and sequences of reforms and outcomes, as presented in the second and third part are summarized and concluding remarks made with reference to the original propositions in the light of the data presented and analysed in the paper. Emphasis is placed on the need to put agricultural policy on the agenda, with a renewed public role in agricultural (and rural) development in Latin America and the Caribbean as part and parcel of a "second generation" of reforms in several economies in the region.

II. Anti-agriculture bias and growth performance

Structural adjustment was geared primarily to restructuring the economies of Latin America and the Caribbean to enable them to confront external shocks, repay their foreign debt and regain sustained growth rates. With the emerging crisis of the early 1980s (in particular 1982-83), steps had to be taken to achieve macroeconomic stabilization. This was attempted primarily by adjusting fiscal and credit policy, while exchange-rate alignment was used to improve export incentives. The latter were expected to have an important impact on the agricultural sector, which, until then, had had to contend with price disincentives caused by controls, taxation and consumer subsidies.

The issue of relative domestic price discrimination against tradables, especially in a context of a severely overvalued currency and high export taxes, was relatively easy to show (Krueger, Schiff and Valdés, 1991).

It is, however, more difficult to argue that there was an overall resource transfer out of the agricultural sector, in particular, at a time when credit subsidies were transferred through default to compensate for inflation or when the sector also benefited from flexible policies on bad debts, public investment programmes and subsidized support services.

While presenting the case of a "bias against agriculture" in domestic price policy, Brandao & Carvalho (1991:77-78) therefore noted for Brazil that transfers under import substitution had been positive if credit was included.⁴

Buainain and de Rezende (1995) furthermore conclude that the complex of interventionist policies (including a minimum price programme - MPP) had actually been able to sustain high growth rates in the agricultural sector until the introduction of adjustment in 1987.⁵

1. From sustained growth to crisis in the lost decade

What then was the actual performance of agriculture in the 1970s and the 1980s? While gross domestic product (GDP) in Latin America and the Caribbean grew at high and sustained average rates of 5.9 percent (1970-75) and 5.5 percent (1975-80), agricultural GDP did reasonably well with growth rates of 3.4 and 3.6 percent respectively. Table 1 shows that in the early 1980s the debt crisis and a general depression in the world economy hit the national economies of Latin America and the Caribbean very hard, causing a severe drop in average GDP growth to 0.3 percent (1980-85). The agricultural sector, acting as a buffer, in particular for the domestic economy, saw its growth rate diminish to 2.7 percent, consistent with its increased share of overall GDP. Real growth may be overestimated in cases where price controls still applied to some agricultural products, or at least the increase would be smaller than the overall GDP deflator would suggest. However, when one compares the product data in Table 1 with growth rates of volume output, they seem reasonably consistent.

Table 1
AVERAGE GROWTH NATIONAL ECONOMY AND AGRICULTURAL
SECTOR LATIN AMERICA AND THE CARIBBEAN (1970-1995)

Growth rates (% p.a)	70-75	75-80	80-85	85-90	90-95
GDP (%) (1)	5,9	5,5	0,3	1,6	3,3
Agricultural GDP as % total GDP (2)	3,4	3,6	2,7	1,3	3,1
Share of (2) in (1) ^a	...	8,4	9,4	9,3	9,3
Agricultural production-Value (%)	2,5	3,5	2,9	1,7	2,7
Crops (%)	...	2,9	3,1	2,3	1,6
Animal production.(%)	...	4,2	2,8	2,2	2,7
Agricultural production-Value (%)					
Cereals	...	3,0	3,8	1,0	1,1
Oil products	...	8,6	4,6	4,9	3,3
Roots and tubers	...	-0,8	-0,2	0,9	-0,3
Vegetables	...	3,8	2,7	3,2	1,9
Fruits	...	3,3	2,8	3,1	2,9

Source: Economic Commission for Latin America and the Caribbean/ Inter-American Institute for Cooperation on Agriculture (ECLAC/IICA), Survey of agriculture in Latin America and the Caribbean over recent decades: performance indicators in charts and tables (LC/L.1102), Santiago, Chile, 1997; Food and Agricultural Organization (FAO), FAOSTAT Database Collections (<http://apps.fao.org/cgi-bin/nph-db.pl>), 1998.

Note: ^a End of period, Agricultural GDP/total GDP.

4 They also correctly point out that most credit went to commercial farmers, and therefore a large section of the agricultural sector had been taxed. Nevertheless, their conclusion undermines the idea that tradables had been suppressed, as these are actually produced by the large commercial farmers.

5 It should be noted that, by then, the cost of the programme had become unsustainable in budgetary terms.

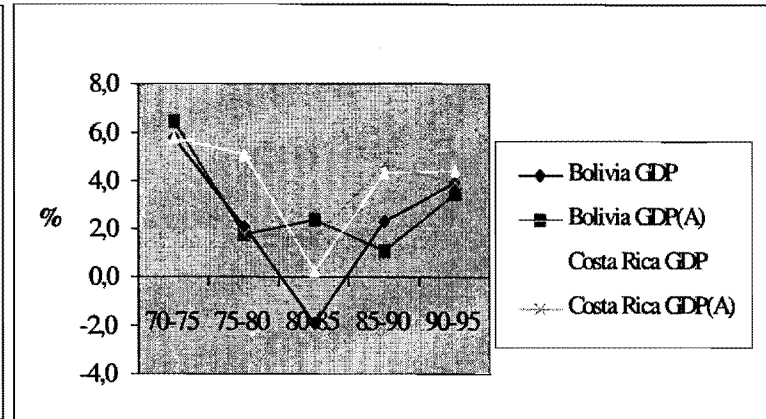
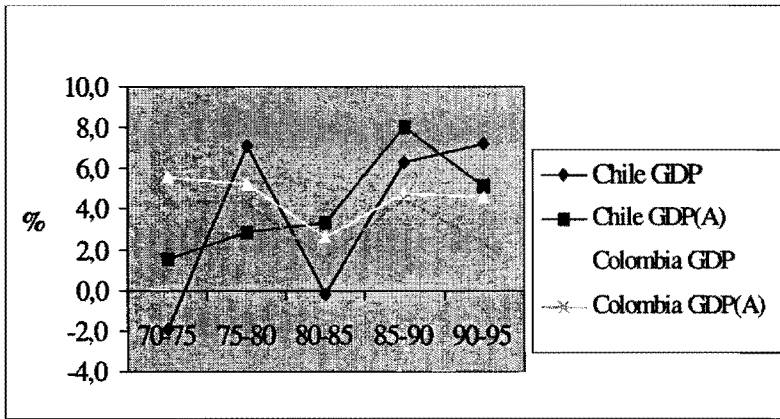
With population growth rates gradually declining, sectoral per-capita GDP strengthened towards the end of the 1970s, and in the early 1980s it was far from stagnation. It seems, nevertheless, that because the share of agricultural GDP was only around 8-9 percent of overall GDP, the influence of this buffer was relatively limited. However, the rural population of Latin America and the Caribbean still accounted for almost 43 percent of the total population in the first half of the 1970s, and around 35 percent a decade later, indicating the importance of the sector in terms of income and employment (ECLAC/IICA, 1997). Analysing this data on a country basis, the picture turns out to be much more differentiated than the aggregate data of Table 1 would suggest. In Figure 1, the growth rates of GDP and the share produced by the agricultural sector are depicted for the countries of our study (except Jamaica) using patterns of crisis and recovery: early, late and prolonged crisis during the 1980s, after which (not always directly) adjustment followed (with swift and slow recovery). Chile, Colombia, Bolivia and Costa Rica are among those countries that had to cope with an early crisis, and where swift recovery was already evident in 1985-1990. Brazil and Mexico show a pattern of decline that culminated in a late crisis/with slow recovery.

Although for Brazil, the GDP growth rate had already dropped to 0.9 percent in the first half of the 1980s, this was moderated by a surprisingly good performance by the agricultural sector with 3.8 percent per annum of sectoral GDP. Finally, for various reasons (such as, political turmoil), Argentina and Peru show a prolonged crisis in the 1980s.

The argument that the agricultural sector in Latin America and the Caribbean reveals a different pattern in terms of growth than the national economies as a whole is strengthened by looking at the yields of the main crops, produced both for the domestic market and for exports. In Table 2 shows land productivity growth rates for coffee, cotton, soybeans, sugarcane, fruit, wheat, maize, rice and potatoes, between 1970 and 1995. Interestingly, annual increases in yields for all crops (except fruit and maize) were substantially better in the period 1980-85 (with 3,5 percent), as compared to 1975-80 (1,2 percent) and 1970-75 (2,1 percent). The increase in land productivity slowed substantially between 1985 and 1990, but during the first half of the 1990s (except for coffee), yield increases (with the exception of fruit, soybeans and maize) were restored, albeit at a lower level than in the first half of the "lost decade".⁶

6 FAO (1996:170) notes that between 1990 and 1995 average yields improved by 3,3 % per annum (compared with 1,3 % in the 1980s, while -contrary to the 1980s- the cultivated land area decreased by 2,2 % per annum. The former data do not correspond with the product-based data in Table 2, calculated from the same source (FAOSTAT). The difference may come from using a selected group of major crops, but remains unexplained.

GROWTH OF GDP AND AGRICULTURAL GDP (1970-95): EARLY, LATE AND PROLONGED CRISIS IN THE 1980s (SWIFT AND SLOW RECOVERY)



Chile, Colombia, Bolivia, Costa Rica (*Early Crisis/Swift Recovery*); Brazil, México (*Late Crisis/Slow Recovery*) Argentina, Peru (*Prolonged Crisis*).

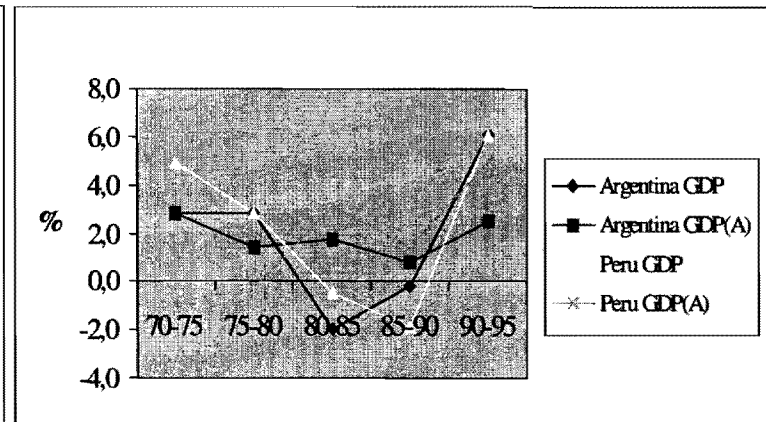
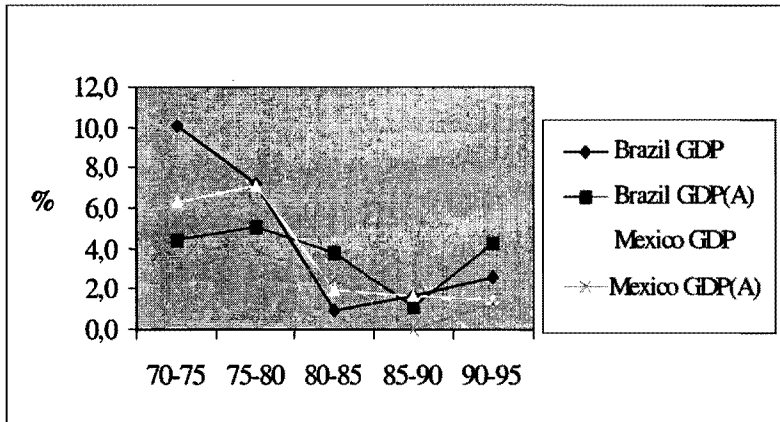


Table 2
GROWTH RATE OF YIELDS OF MAJOR CROPS
LATIN AMERICA AND THE CARIBBEAN (1970-1995)

(%/Annum)	70-75	75-80	80-85	85-90	90-95
Coffee	7,3	-0,9	6,4	-0,1	-0,9
Cotton	2,0	1,1	5,0	4,6	3,7
Soybeans	6,4	1,4	1,7	0,7	3,2
Sugarcane	-0,3	1,1	1,4	0,4	0,1
Fruit	-0,8	0,3	-0,6	0,6	1,4
Wheat	0,2	2,0	6,2	0,2	2,4
Maize	1,0	3,5	2,7	-0,5	5,5
Rice	1,3	1,1	4,2	0,8	4,2
Potatoes	1,5	1,5	4,1	1,1	2,2
Average	2,1	1,2	3,5	0,9	2,4

Source: Calculated from Food and Agricultural Organization (FAO), FAOSTAT Database Collections (<http://apps.fao.org/cgi-bin/nph-db.pl>), 1998.

It should be stressed that while yearly averages for 5-year periods are used, the spread in most cases is very high. Moreover, labour productivity increased at a higher rate than in other sectors in the 1970s (2.2 percent versus 1.8 percent for the period 1973-80), as well as in the 1980s (1.9 percent versus -1.1 percent during the period 1980-1990; ECLAC (1996:91-92)).⁷ Both observations are somewhat in contradiction to the idea that the "bias against agriculture" had led to stagnation in the 1980s, and that adjustment (which came mostly in the second half of the 1980s or even the early 1990s) would particularly benefit the sector.

2. The export-led growth model and agricultural exports

The sub-sector of agriculture that is most closely linked to macroeconomic performance and external markets, the production of tradables, also shows some interesting patterns. Firstly, agricultural exports grew at impressive rates during the 1970s (also benefiting from substantial international price increases for traditional agricultural exports). This contradicts at least part of the argument of domestic price discrimination against tradables under the import substitution model, and is consistent, rather, with a stable role of agricultural exports on world markets.⁸

Average export figures ceased to show growth in the period 1980-1985, as an outcome of the general crisis. Similarly, agricultural exports dropped, in value terms, to near zero levels. This decrease is partly attributable to a severe external shock in 1982-83, when agricultural export prices dropped dramatically. Although there were wild fluctuations in agricultural export values, as well as volumes (measured per product), a careful evaluation of the latter indicator, using FAOSTAT data, for major commodities, such as coffee, cotton, maize, meat, rice, soybeans and wheat, shows an average growth rate of 12.2 percent per annum in the 1980-85 period, and only 1.7 percent per annum in the second half of the 1980s, when some prices recovered.

⁷ An inverse relationship can be observed between the rate of (de)increase in sectoral labour productivity and a de(in)crease in employment (observation made by Martine Dirven, personal e-mail communication, February 1999).

⁸ According to data from FAOSTAT, Latin American agricultural exports (as a percentage of world agricultural exports) remained stable during the period 1960-1985 (11.9, 11.1, 11.0, 11.9 and 11.7 percent as averages of subsequent five-year periods). Their share dropped to 9.9 percent in the period 1985-90 and 8.0 percent during 1990-95 (attributable to a significant drop in agricultural exports from the Caribbean).

The share of agriculture in total exports, especially when forestry and fishery products are included, shows a gradual decrease over the two decades under analysis, but remains fairly high in Latin America and the Caribbean (see Table 3). For some countries, such as Argentina, Brazil, Colombia and Costa Rica, it is even substantially higher than the average. For example, in Argentina, the share contracted from 71.4 percent (1975-1980) to 54.4 percent (1990-1995), while in Brazil, it declined from 58.3 percent to 32.7 percent. In Chile, with the rapid growth in fruit, fishery and forestry exports, it expanded from 17.1 percent to 25.9 percent two decades later (FAOSTAT).

Table 3
TOTAL AND AGRICULTURAL EXPORTS (1970-1997)

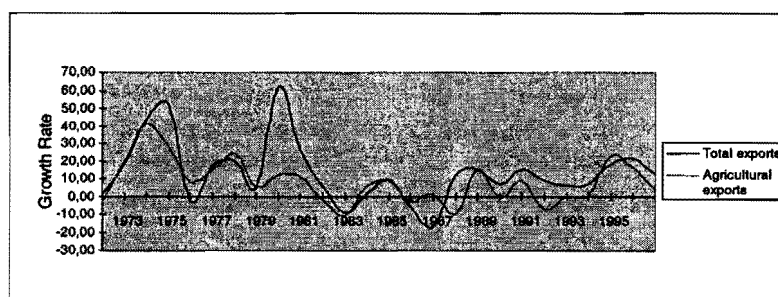
Growth Rate (%/per annum)	70-75	75-80	80-85	85-90	90-95	95-97
Latin America and the Caribbean Total						
Total Exports (%)	22.4	26.1	0.0	6.4	12.3^a	
Agricultural ^b exports (%)	18.8	13.2	0.4	2.8	6.4 ^a	9.6
Nine selected countries						
Average total exports.(%)	17.8	21.9	-1.4	10.0	13.1	6.9
Agricultural ^b exports (%)	23.0	12.9	-1.3	12.9	13.1	11.2
Share Agro-For-Fish/Total Exports	59.3	52.9	33.8	36.3	27.5	24.4

Source: Food and Agricultural Organization (FAO), FAOSTAT Database Collections (<http://apps.fao.org/cgi-bin/nph-db.pl>), 1998; Economic Commission for Latin America and the Caribbean/ Inter-American Institute for Cooperation on Agriculture (ECLAC/IICA), Survey of agriculture in Latin America and the Caribbean over recent decades: performance indicators in charts and tables (LC/L.1102) Santiago, Chile, 1997; IMF Trade Statistics Yearbooks.

Note: ^a A drop between 1991-93. ^b Not including forestry and fisheries exports.

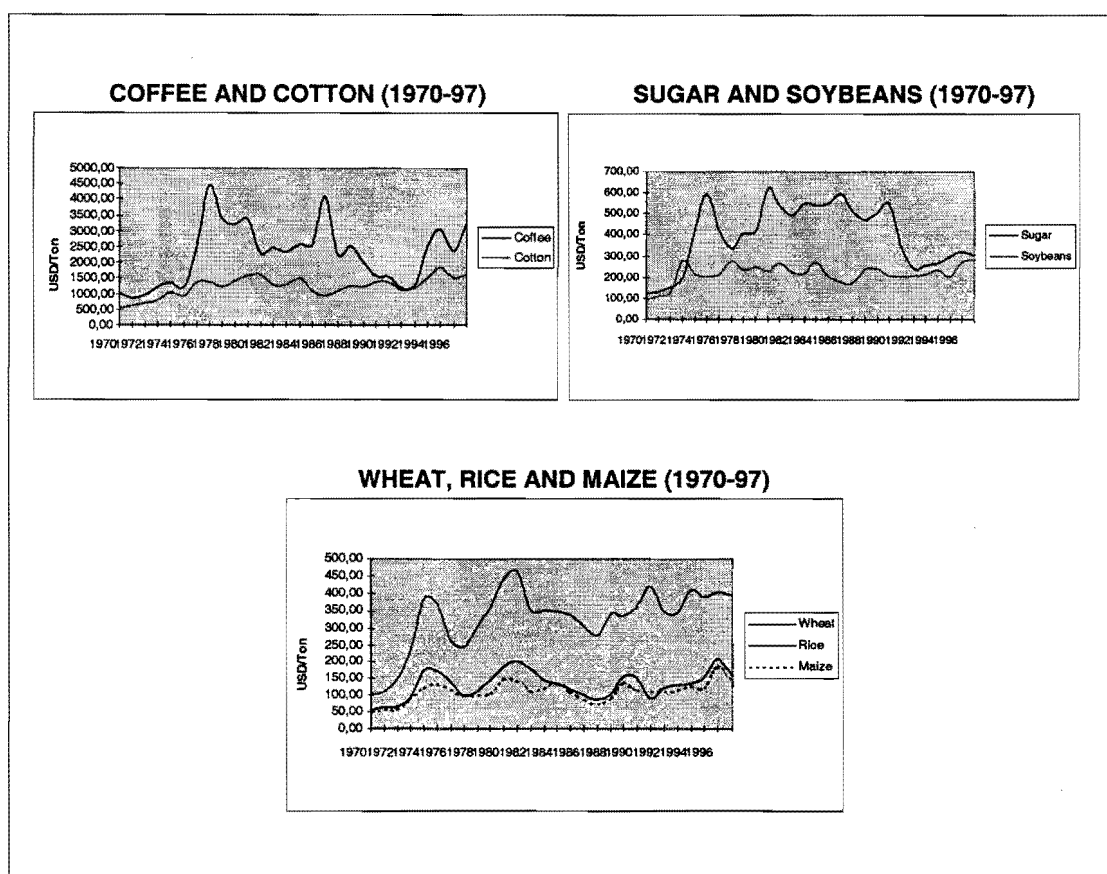
Figure 2 reveals a fairly consistent pattern of variations behind the averages shown in Table 3, with somewhat sharper peaks for total exports and the main dips concentrated within very limited periods, that is, 1981-1983, 1985-1987, 1989, and 1991-1993 (the latter for agricultural exports only).

Figure 2
VALUE OF TOTAL AND AGRICULTURAL EXPORTS (1970-1997)



The fluctuations in exports themselves were influenced by the volatility in international prices. If we look at the performance of a sample of the region's major export crops, including coffee, cotton, sugar, soybeans, wheat, rice and maize, we can see violent fluctuations in export prices with major falls in the 1980s (Figure 3). Furthermore, the correlation between the growth rate and the fluctuations in the weighted export unit value index (FAO, 1998), is rather high $R^2=0,64$. This is consistent with an observation made in an important evaluative study of adjustment:

Figure 3
EXPORT PRICES



The relatively constant rate of increase in productivity suggests that the decline in agricultural growth in the 1980s was due to problems of demand rather than of supply. Since exports were growing faster than agricultural output, the loss of momentum may have been due, in part, to a decline in domestic demand and, in part, to changes in profitability connected with the fall in international prices (ECLAC, 1996: pp. 91-92).

In particular, the fall in cotton, wheat, rice and maize prices in the 1980s corresponded with the drop in export values, at a time when average production and export volumes were still growing substantially.⁹

The particular influence of world market prices (with violent fluctuations that continued in the late 1980s and the 1990s) on the main agricultural products of Latin America and the Caribbean strengthens our view that the agricultural sector was not stagnant in the early 1980s and that the sectoral crisis generally occurred later, in some cases even as a consequence of the adjustment undertaken to respond to a macroeconomic (debt and fiscal) crisis.

⁹ In the case of coffee, some of the dips in prices coincide with increased volumes, and vice-versa. This is due to the presence of dominant producers such as Brazil and Colombia.

III. Structural adjustment and the agricultural sector

The Latin American debt crisis that erupted after a decade of widespread borrowing of cheap capital and the steep rise in interest rates (ECLAC, 1995: p. 23) in the aftermath of the second oil crisis of the late 1970s heralded the demise of the ISI model. As we have shown above, the agricultural sector had shown sustained growth until the mid-1980s. Latin America and the Caribbean exports were also very dependent on the agricultural sector (see part II), but overvaluation of domestic currencies had not favoured the production of tradable goods. Nevertheless, the growth of agricultural exports at the height of ISI was quite impressive (see Table 3). When exports did contract in the early 1980s the influence of the drop in international prices was largely to blame.

Apart from stabilization programmes, the early measures of adjustment were directed primarily towards opening up the economy to foreign markets (Smith, Acuña and Gamarra, 1993; Ramos, 1997). Some countries, such as Mexico, had already in the early 1980s lowered their high import tariffs. Chile had done so as far back as 1974, when the new military regime adopted a strict neo-liberal approach to economic policy (Weeks, 1995; Krueger, Schiff and Valdés, 1991).

Restructuring Latin American and Caribbean economies in order to re-establish sustained growth was vital given the sharp erosion in their capacity to repay their foreign debts. It became even more urgent when countries like Bolivia and Mexico sent shock waves through the international financial system by declaring a "debt moratorium" in the early 1980s. In summary, at a macroeconomic level, structural adjustment meant the following major transformations of the economy: firstly, focusing on adjusting trade policy by lowering import tariffs, eliminating quota systems and aligning the overvalued exchange rates through real depreciation; the latter also meant removing administrative controls and, where necessary, multiple exchange regimes; secondly, restoring fiscal balance and applying a credit squeeze, which had been largely subsidized; thirdly, reducing the size of the State sector, seen as the main cause of market distortions and the source of bureaucratic failures, and, last but not least, liberalizing domestic markets in order to trigger a price-led supply response.

At the level of the agricultural sector, adjustment focused mostly on liberalization of domestic market prices, elimination of sectoral institutions, tightening of credit volumes, while the previously important agenda of land redistribution through administrative reforms was abandoned, and replaced by (re)allocation through land markets (Gomez Oliver, 1994; Weeks, 1995; Spoor, 1997; Thorpe, 1997). The near absence of specific agricultural policies during adjustment reintroduced another bias in continuation of the paradox in which a sector as vital as that of agriculture became residual in policy making in the 1980s and early 1990s. However, in response to the negative impact of this residual treatment of the sector, some Latin America and the Caribbean Governments more recently reintroduced sectoral policies ("second generation reforms"), as were seen in Brazil and Colombia in the early 1990s, to improve performance after an initial post-reform crisis.

1. The macroeconomic reforms

The "trade regime" was a fundamental part of the structural adjustment programmes implemented in Latin America and the Caribbean. This is clear from the indicators of openness of the economies of the Latin America and the Caribbean continent. Overall, there was an impressive change, indicating increased integration into a dynamically developing world market.¹⁰

The Agricultural Unit of ECLAC recently made a comparison between three sub-periods, 1984-1987, 1988-1990, and 1991-1993, encompassing largely the decade in which most countries introduced changes in trade policy, except for Mexico and Chile, which had done so earlier (ECLAC/IICA, 1997).

In Figure 4 a sample of these changes is presented by showing the average import tariffs on foods, indicative of the tendency towards external market liberalization. Indeed, by the mid-1990s, the tariff barriers crucial to the ISI model had been dramatically lowered, although it should be noted that the main reforms in this field were implemented in the late 1980s and deepened in the early 1990s, much later than originally thought.

Weeks (1995: pp. 70-73) characterized the change in trade regimes for 17 Latin American countries for the mid- and late 1980s, differentiating between highly (HL), moderately (ML) and not liberalized (NL). As all of the countries discussed in this paper (except Jamaica) also appeared in that study, it is possible to use this type of differentiation, extending it into the 1990s (see Table 4, compare with Figure 4).

10 The analysis presented here is not fully consistent with the "indexes of structural reform" developed by Morley, Machado and Pettinato (ECLAC, 1999), measuring commercial, financial, capital account, tax, and privatization reforms. Here, we only include the impact of the trade and exchange rate regime, fiscal reforms, combined with specific reforms that affected the agricultural sector.

Figure 4
TARIFFS ON FOOD IMPORTS

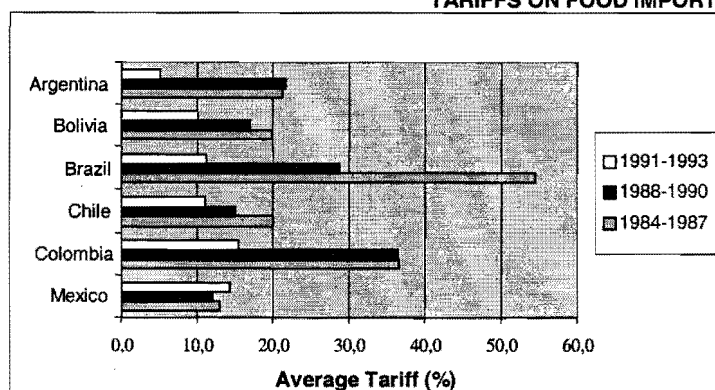


Table 4

DEGREE OF LIBERALIZATION (TRADE REGIMES)

(Mid/Late 1980s)	(Mid/Late 1990s)
HL Bolivia, Chile, Mexico,	HL Argentina, Bolivia, Chile, Peru
ML Colombia, Costa Rica	ML Brazil, Colombia, Costa Rica, Mexico
NL Argentina, Brazil, Peru	NL --

Source: Adapted from John Weeks (ed.), *Structural Adjustment and the Agricultural Sector in Latin America and the Caribbean*, London, MacMillan, 1995, applied to the current decade.

While in the late 1980s Argentina and Peru could still be considered as non-reformers (measured in terms of the degree of liberalization), by the mid-1990s they had joined the group of early reformers (Bolivia and Chile). All Latin America and Caribbean economies have in one way or another reformed their trade regimes, thus the non-liberalized category does not apply anymore. Only Mexico might, according to how liberalization of internal or external markets is measured, (since it is now a member of NAFTA), be considered to be “moderately liberalized”, whereas, initially, (as an early reformer) it appeared in the first category of Table 4.

Another important part of the changing trade regime was formed by exchange rate policies. Actually, both the initial stabilization programmes and the structural adjustment policies included a focus on depreciation of the real value of Latin America and Caribbean currencies. This was seen as another “fundamental” policy reform, necessary for stabilization, but designed also to remove the existing price-bias against agricultural exports, attributed to overvaluation of domestic Latin America and Caribbean currencies.

Tables 4 and 5 show that the degree of “apertura” in the selected economies considered in this paper does not always correspond to the (expected) movement in the exchange rate. For example, Colombia recorded a real depreciation of its currency in the 1980s despite the very high tariffs it maintained even at the end of that decade. The same was true of Brazil. On the other hand, Chile and Bolivia, seem to fit into the scheme that was expected to appear during adjustment: high protection + appreciated exchange rate → crisis → high liberalization + real depreciation → recovery. Other countries, such as Peru and Argentina, show real exchange-rate appreciation in combination with strong or moderate reforms in trade regimes; this was due, among other reasons, to the inflow of foreign direct investment (FDI) into the continent since the 1990s. Although opinions differ on the influence of openness and the real exchange rate on the agricultural sector (Weeks, 1995; Hopkins, 1995), in some countries these developments did little to improve penetration by agricultural commodities on export markets. What does become clear, however, is that the reforms in the trade regime deepened further in the 1990s leading to a wider liberalization

of regional markets and the emergence of regional free trade associations (such as NAFTA, to which includes Mexico; MERCOSUR, made up of Brazil, Uruguay, Paraguay and Argentina with Chile as an associate member; and various pacts between the Andean countries).

Table 5
**REAL EXCHANGE RATE MOVEMENTS IN SELECTED
COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN**

	1980-1985	1985-1990	1990-1995
Bolivia	--	++	++
Chile	--	++	+-
Mexico	-+	+-	-+
Colombia	--	++	--
Costa Rica	+-	+-	+-
Argentina	++	+-	--
Brazil	++	++	+-
Peru	--	--	+-

Source: Elaborated by the author, using Economic Commission for Latin America and the Caribbean/ Inter-American Institute for Cooperation on Agriculture (ECLAC/IICA), Survey of agriculture in Latin America and the Caribbean over recent decades: performance indicators in charts and tables (LC/L.1102), Santiago, Chile, 1997; and Inter-American Development Bank (IDB), *Economic and Social Progress in Latin America, Report*, Washington, D.C., 1992.

Note: a) +: Real exchange-rate depreciation
 -: Real exchange-rate appreciation
 Base year (point of reference)=1990

Finally, the other “fundamental” of structural adjustment, after the trade and exchange rate regimes, was fiscal policy adjustment, aimed at achieving rapid stabilization of the economies in a battle against inflation. The orthodox and heterodox anti-inflationary programmes ranged from the “Plan Austral” (1985) and “Plan de Convertibilidad” (1991) in Argentina, mega-stabilization in Bolivia (1985), and the series of stabilization programmes, the Plan Cruzado, Bresser, Summer, Collor and Cardoso in Brazil between 1986 and 1994 and in Mexico between 1987 and 88; later, however, in response to the crisis of 1994, a mix of fiscal and monetary policies was used to re-establish the major balances in the economies, following periods of sometimes galloping inflation (Bruno and others, 1992; Killick, 1995; Dijkstra, 1997).

As we have seen in the specific cases of Chile and Mexico, fiscal reforms were accompanied by radical changes in the trade regime. Others, such as Argentina and Brazil, maintained high tariffs in the midst of stabilization plans, as well as substantial export taxes in the case of Argentina until the early 1990s (Maletta, 1995:132); this is yet another example of the significant difference in reforms between countries, an important issue if we are to understand the impact of adjustment on the agricultural sector.

2. Sectoral reforms in agriculture

It is difficult to separate the effects of macroeconomic reforms (trade regime, exchange rates, fiscal reforms etc.), from the results of adjustments geared more specifically to the agricultural sector, in a context of dynamically changing international markets (Gomez Oliver, 1994). Nevertheless, certain crucial changes do warrant a critical analysis. These include domestic price liberalization, rural finance and credit reforms, the gradual reform or elimination of parastatal marketing and service institutions, and, lastly, changes in access to land through “market-led” distribution.

If one looks carefully at pricing policies in Latin American and Caribbean, several of these economies (Argentina, Brazil, Colombia and, to a lesser degree, Mexico) continued, almost throughout the 1980s, to apply much of the previously dominant package, with minimum price programmes, "buyer of last resort" policies, consumer subsidies, and even large-scale procurement programmes. Radical reforms were only implemented in the 1990s. In Brazil, the mix of various supportive policies (minimum prices, subsidized credit, and state procurement) for agriculture remained in force until 1987, when the first reform programmes started (Buainain and Rezende, 1995); in Colombia this did not occur until the early 1990s. In Chile, COTRISA continues to purchase grain even now.

Elsewhere (as in Mexico), restrictive fiscal policy was directed towards cutting back on the substantial agricultural subsidies, which unfortunately also slashed public investment levels. These reportedly decreased rapidly from 12 percent (in 1980) to less than 6 percent of budgetary expenditure (in 1989) (Gomez Oliver (1995:27)). Agricultural subsidies in Mexico (in particular through credit) were very high until the early 1980s, but dropped dramatically during that decade, from 22 percent of agricultural GDP to less than a quarter of that level (Ibid.).

Credit policy was reformed mainly for fiscal reasons, as most governments had used rural credit as a distributive instrument rather than for financial intermediation, notwithstanding the enormous losses suffered by the banking system. In the 1980s, the use of subsidized credit to promote technological innovation, and the use of development banks to reach peasant farmers, gave way to an emphasis on real positive interest rates, viable rural financial institutions and "market-led" access to credit. As Thorpe (1997: 21-22) noted for several cases, this led to a concentration of access to formal credit, mainly to the benefit commercial producers and to the exclusion of many peasant farmers. Moreover, the total volume of credit contracted sharply, while real interest rates surged to high levels. According to Buainain and Rezende (1995: 159), in Brazil, rural credit loans declined from around US\$ 25 billion in 1980 to only US\$ 6 million in 1990, with the major drop taking place after the credit squeeze applied in 1987 and the rise of the real interest rate from -33.3 percent (1986) to 7.0 percent (1987). In Mexico, real interest rates remained negative until 1988, but the credit volume decreased by 40 percent at constant prices, rising again from that moment onwards, with real positive interest rates (Salcedo, 1998: 26-27). In Nicaragua, a country not mentioned previously, the government of the Opposition National Union (UNO), which rose to power in 1990, also cut back heavily, for fiscal reasons, on the formal credit of the Banco Nacional de Desarrollo (BANADE). In a matter of two years the number of peasant families receiving credit declined from 97,217 to only 34,682 (Spoor, 1995: 206), which excluded most small farmers.

These figures disguise the fact that for some of the gap created by reducing credit volumes, alternative forms of rural finance appeared (or reappeared) in the 1980s and early 1990s. These include the traditional money lenders, savings and credit schemes (focusing on "micro-finance") promoted by non-governmental organizations (NGOs) and finance as part and parcel of contract farming for (sometimes international) agribusiness. Nevertheless, the fundamental change in rural financial markets, with the tightening on formal credit, adversely affected agricultural production, in particular of those small farmers producers who had effectively benefited from the generous credit policies applied in the past. These had provided a form of income support during the non-harvest season, together with scarce working capital, which otherwise would only be obtainable at very high interest rates. In the post-reform rural financial markets, most small producers have limited access to credit. In Latin American and Caribbean countries, the liberalization of financial markets brought high real interest rates that are largely prohibitive for peasant producers.

Mosley, Harrigan and Teye. (1991), have noted that in Structural Adjustment Programmes (SAPs) institutional changes, in particular with regard to instruments of market intervention, were implemented only gradually. This was due to political interests behind the existing quasi-government structures and the employment effects of deregulation and privatization. Whether this

gradual change was positive for agriculture remains to be seen. Marketing parastatals (sometimes in combination with development banks) had a very strong presence in Latin America and the Caribbean, as part of the strongly interventionist “inward-looking” import-substitution model. Huge companies, such as National Basic Commodity Corporation (CONASUPO) (Mexico), National Staple Foods Agency (ENABAS) (Nicaragua), Agricultural Marketing Institute (IDEMA) (Colombia), and Correio Aéreo Nacional (CAN) (Brazil), which are active in the food sector, but also companies that market important agricultural exports (cotton, sugar, coffee and meat) and inputs such as fertilizers and pesticides, had operated for many years as near-monopolies. These corporations were not to be eliminated until the early and mid-1990s (in some cases, only to be replaced by others, as in Mexico, see Salcedo, 1998).

The trend towards “state minimalism” (Streeten, 1993) also affected dominant public support systems, such as extension, education and research. In part, this was the outcome of the restrictive budgetary policies, but it also represented a clear shift in thinking regarding the provision of “public goods”, introducing “market-led” principles of cost recovery for services and private investment in those areas. While much of the criticism levelled at the former bureaucratic system was justified (especially as regards its failure to reach the peasant farmer), differential access in terms of the process of privatization and deregulation has, at the very least, been underestimated. The market-led distribution of support services for the agricultural sector tends to be exclusionary for the marginal peasant farmers (*campesinos no-viables*), while the larger commercial farmers have sufficient access.

With the elimination of most of the direct marketing intervention instruments, by the late 1980s and early 1990s, intervention on agricultural markets remained only minimal. In some cases, price controls were replaced by the more indirect “price bands” (Brazil, Chile, Colombia and El Salvador), which sought to limit the effect of extreme world market price fluctuations on the domestic market through the use of variable (negative and positive) import tariffs. In others, minimum pricing policies continued to apply but the capacity of state agencies to buy market surpluses was minimal, and therefore the minimum prices were only of token significance.

Lastly, liberalization of input and output markets, deregulation and openness towards external markets have marked a transition from the traditional re-distributive land reform policy instruments to land markets which now allow market forces to determine the issue of access to land (and in some countries, such as Chile, also water). This has led to decollectivization (as in Honduras, Nicaragua, Peru) and privatization of communal lands (such as the *ejidos* in Mexico).¹¹

The deregulation of land markets and the issue of private property titles are expected to provide long-term security for the fruits of investments, and to make land suitable as collateral for loans. However, like other markets, land markets were in many cases “missing” and, with the elimination of state regulation, the highly skewed asset and power distribution in agriculture in the region severely limit access by small producers through “the market”. Interestingly enough, in this field there are also strong differences in “reform performance”; Bolivia, for example, a typical reformist country, has in fact not followed this line with respect to land (Morales, 1991).

More recently, Latin America and the Caribbean have also opened their doors to foreign ownership of land, which, in some countries (Chile, Argentina), has led to purchases by transnational corporations of vast tracts of land, often not even productive land (for example, in the forestry sector), but also parks and nature areas, as a sort of long-term investment. Property legislation governing both domestic and direct foreign investors has changed fundamentally in the past two decades. In this regard, a study of markets, prices and institutions in the narrow sense cannot suffice; it is imperative also to take into account the dramatic changes in the “rules of the

¹¹ Land has become an even more “contested” asset than it was during the implementation and regulations of land reform. Also in countries like Colombia and Peru, where rural insecurity and violence are widespread, ‘land markets’ are poorly developed, with the ‘rule of law’ largely absent.

game”, which, through transnationalization of the privatization process initiated with structural adjustment, have caused a major loss in national control of resources in some countries.

All these fundamental changes in product and factor markets in Latin America and the Caribbean have influenced not only economic growth, but also income and asset distribution in rural areas. Although this fundamental issue should be treated in a separate paper, it should be present in any analysis of structural adjustment on the agricultural (and rural) sector. In ECLAC/IICA (1997), it was noted that during the 1970s rural poverty and indigence (extreme poverty levels) decreased from 62 and 34 percent respectively in 1970, to 54 and 28 percent in 1980. By 1990, both indicators had risen again to 56 and 33 percent, stabilizing at 55 and 33 percent in the first half of the 1990s. Preliminary data from 1996 suggest an improvement, but, once again, the severe crisis that hit the continent since the second half of 1998 will undoubtedly have a negative effect on these indicators.

IV. Concluding remarks: dynamism and marginalization

In an analysis of the impact of adjustment on agriculture, one might focus exclusively on the aggregate economic indicators of the macroeconomy and the agricultural sector, following a standard periodicity (pre-reform, crisis, reform and post-reform recovery), using aggregate data (see, for a critique, Spoor (1997)), and emphasizing the recovery after the “lost decade of the 1980s”. In this paper—in a more unconventional manner—it has been demonstrated that for the agricultural sector, the indicators (in particular, country and product data) present a rather mixed picture.

Summarizing the main argument presented above, this “mixed picture” can be presented in the following manner.

Firstly, in going beyond the general focus on macroeconomic indicators and by analysing (product-based and aggregate) sectoral data, the “lost decade” argument should be qualified, at least for agriculture. Also, some doubt arises as to whether the price-bias against agriculture (because of exchange rate overvaluation and domestic price policies) was so pre-dominant in view of the wide-scale compensatory measures applied (subsidies, trade protection, credit etc., as shown for Brazil, Mexico and even early reformers, such as Bolivia and Chile).

Although the debt crisis did hit most countries hard during the first half of the 1980s, if we look more closely at a representative number of Latin America and the Caribbean countries, some show an early crisis (with swift recovery), some a late crisis (with slow recovery) and others a prolonged crisis. The position of agriculture in a continent that is normally viewed as "urbanized" is somewhat peculiar. Both before and after reform, agricultural exports (including forestry and fishery products) accounted for an important share of total exports from Latin America and the Caribbean (Table 3). In spite of the supposed "bias against agriculture", agricultural exports grew by very high percentages in the 1970s (in response to high prices on world markets). In the early 1980s, they suffered under the substantial drop in international prices. While physical export volumes still continued to increase, growth in agricultural export values stagnated. The agricultural sector in terms of output and its share of GDP continued to grow during the first half of the 1980s (Tables 1 and 2), under the influence of substantial factor (land and labour) productivity increases. Agriculture, crucial for still a large section of the population, functioned seemingly as a buffer in the macro-originated crisis, challenging the idea of a stagnating sector in the 1980s. During the 1970s (under ISI), it actually had developed rapidly in spite of price discrimination. These observations might provide some clues to the question why adjustment had a markedly differentiated sectoral impact.

Secondly, most macro-oriented stabilization plans and (and some of the) structural adjustment reforms were introduced in the early 1980s, during, or in response to, the debt crisis. However, economic and, in particular, institutional adjustment at sectoral agricultural level, took place largely in the late 1980s and early 1990s (with some notable exceptions, such as Bolivia and Chile). Although this needs to be investigated on a case-by-case basis, it can be shown, at least for the agricultural sector, that the more sector-oriented reforms were sometimes in response to stagnation, but, in other cases, coincided or even contributed to it (for example, Brazil in the late 1980s and Colombia in the early 1990s). Some of these more complex effects of adjustment have been analysed above in the light of the impact of trade and exchange regimes, fiscal and credit policy reforms, and the liberalization and deregulation of product and factor markets. Such sector-oriented reforms have sometimes preceded macroeconomic reforms (Mexico, Chile and Brazil) or, in other cases, have been introduced as part and parcel of "second-generation" reforms (Mexico and Brazil, and more recently, Argentina). In particular, they have been aimed at least at partly filling the "institutional gap" caused by the promotion of a "minimal state" during the first phase of structural adjustment. Some new initiatives are being introduced (such as PROCAMPO in Mexico; COLCIENCIAS and the Incentivo de Capitalización Rural (ICR) in Colombia; and various programmes relating to the Law of Popular Participation and the process of decentralization in Bolivia) that focus on the agricultural sector, the participation of small farmers and technological innovation.

Thirdly, the results of our analysis of impact of structural adjustment on the agricultural sector simply do not coincide with the mainstream view of crisis-reform-recovery-growth. There were indeed signs of recovery in the 1990s (until the crisis at the end of the decade) in terms of productivity, output growth and exports, but with significant differences between countries and severe fluctuations. Furthermore, in comparison with the 1970s, the recovery of these indicators is not very impressive. Indeed, the impact of adjustment was more complex than originally expected by its designers. On the one hand, incentives provided through the market liberalization, exchange rate alignment (with its contradictory movements as shown in Table 5), increased "apertura" and deregulation improved the position of those in the market who produced tradables (on condition that they were not resource-poor, which would limit any price-led supply response). On the other, peasant farmers had to face the negative effects of adjustment policies, namely the elimination of subsidized credit and the dismantling of institutions that provided agricultural support services. The impetus to producers from stronger export prices, decreased taxation and other adjustment-related incentives did not always compensate for the effects of State withdrawal. In an economic analysis

of Bolivia, where “public resources for agriculture have been very limited”, Morales (1991:66) noted that:

“...macroeconomic stability and more appropriate relative prices are not sufficient to bring about large-scale agricultural production and productivity growth. Adjustment programs, as the NEP (New Economic Policy, MS) needs the complement of government support, in particular in the form of more effective governmental investments in agriculture.”

The dynamic response to adjustment is to be found particularly among medium and large commercial producers, who have linked domestic capital with that of mostly transnational agribusiness and the more entrepreneurial small farmers (mostly involved in fruit and vegetables). The major growth sectors in Latin America and the Caribbean agriculture are the sub-sectors of oil crops, vegetables, fruit and meat (Dirven, 1997; ECLAC/IICA, 1997:21), with the first and the last achieving strong economies of scale. Other growth sectors include horticulture, fruit (and flowers), where dynamic small- and medium-sized producers have gradually entered into contract farming schemes with agro-industrial production and processing chains (ECLAC, 1995; 1998a). The horticultural sector (and other non-traditional agricultural export sectors) recorded an enormous expansion in Mexico, Costa Rica and Chile; similarly, fruit exports experienced a boom in Chile and Brazil, while oil-producing crops showed vigorous growth in Bolivia, Colombia, and Argentina (Ibid:21-27). Hence, in the 1990s, substantial growth was observed in non-traditional agricultural exports for niche markets, as well as in the “new traditional” exports for bulk markets (soybeans, wood pulp, plywood etc.).

The substantial foreign direct investment flows have revolutionized technology in the agribusiness sector, not so much in the production sector, where the gap in factor productivity has grown with the developed world (ECLAC/IICA, 1997), but in the whole food-processing and marketing system. A rapid process of “transnationalization” has taken over, with conglomerates of transnational corporations dominating food markets. This transformation received a boost from the privatization, in the early to mid-1990s, of financial, communication and energy sectors (previously the domain of state monopolies) and parastatal marketing companies, contributing to a concentration of market power that is clearly visible today in Latin America and Caribbean countries.

In conclusion, and returning to the set of propositions we presented at the beginning of this paper, the agriculture sector in Latin America and the Caribbean not only was less discriminated against under import substitution than originally perceived, but actually performed better in the 1980s (in particular in the first half) than the term “lost decade” would suggest. It was treated as the poor relation of the economy in reforms (Spoor, 1997), or as an after-thought, and given conflicting signals (in terms of institutional gaps relating to agricultural services, absence of rural finance, low levels of public rural investment and sometimes appreciating real exchange rates).

The deregulation of markets and privatization of marketing and services parastatals that took place in most Latin America and the Caribbean countries in the late 1980s and early 1990s, were expected to lead to efficient private market structures. This was a much more complicated process than originally envisaged. Only in the early 1990s did a broader recognition of the existence of “missing markets” penetrate development discourse (De Janvry and Sadoulet, 1993). Furthermore, the policy towards a “minimal State” severely undermined Governments’ capacity to develop and implement specific sectoral policies, which were so badly needed in the agricultural sector at a time when fundamental changes were affecting markets, institutions and relative prices. This was due not only to physical downsizing of the State, but also to the dominant political tendency, which was

very “pro-market” and “anti-State”. A case in point is the post-1990 adjustment process in Nicaragua (Spoor, 1994; 1995; de Groot and Spoor, 1994).¹²

In reviewing two decades of adjustment, we should however stress that the context has changed somewhat. The wave of “second generation” reforms is placing renewed emphasis on building new institutions at the central, regional, local, public and private-sector levels and on formulating and implementing agricultural (and rural) development policies.¹³ The need for reintroduction of an important public role in agricultural (and rural) development generally is indeed more widely recognized, not only as a way of improving and strengthening the existing dynamism that certain entrepreneurial sub-sector in this sector clearly show (especially on export markets, but also in terms of expanding domestic food markets, as in Brazil). This is even more crucial if the grossly underestimated problem of marginality (and poverty) of innumerable landless and land-poor peasant farmers in Latin America and the Caribbean is to be tackled in a coherent manner. New attempts to integrate them in (rather than exclude them from) new technological development, credit markets and local and regional markets should therefore be combined with the establishment of safety networks, social security and poverty alleviation programs.

12 A (late) recognition of these institutional bottlenecks can be seen in the World Development Report (World Bank, 1997), that stresses the need for good governance and capacity building.

13 The realization that economic adjustment and modernization were partly responsible for (and did little to mitigate) severe processes of resource degradation also contributed to this gradual change (Gligo, 1995).

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