



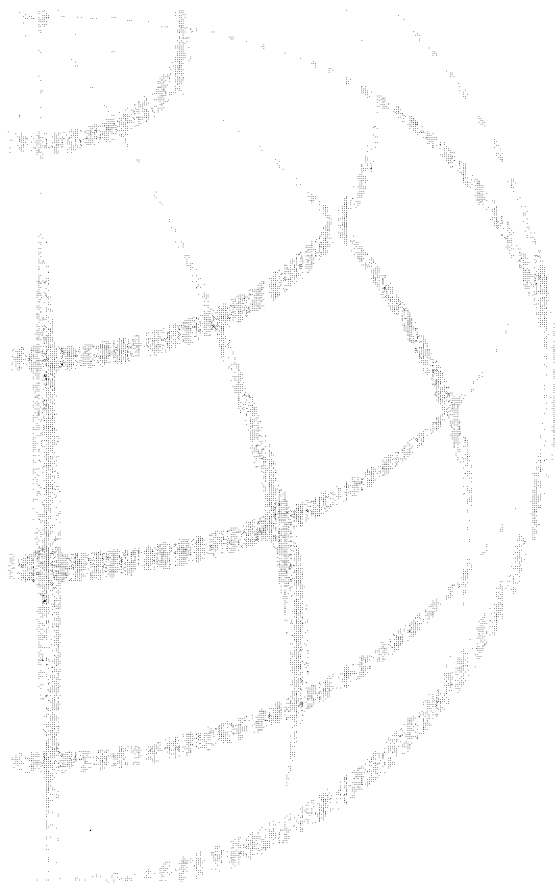
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Agricultural Trade Policies in the Andean Group

Issues and Options



Tim Josling

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Andean Group
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Tim Josling

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Foreword

The trade policies of the countries of the Andean Group, Bolivia, Colombia, Ecuador, Peru and Venezuela, are in the midst of rapid change. At the same time, the global and regional environment in which these trade policies are set is also changing quickly. This is particularly true in the area of agricultural trade, where trade policies are being overhauled and trade rules rewritten on the domestic, regional and global level. The World Bank has underway a series of studies on the trade policies of the Andean Group countries. Of the five studies, two were available in draft form when the present paper was written, and these proved to be a valuable starting point for this paper. This paper is intended to complement the trade policy studies by emphasizing the agricultural trade options open to each country, by looking at the agricultural trade policy in the light of changes in trade policy generally, and by discussing the particular role that the Andean Pact is playing and might play in the liberalization of agricultural markets.

My thanks are due to Raquel Artecona for skillful research assistance and to Alberto Valdés, John Heath and Demetris Papageorgiou for comments on a draft. I benefitted greatly from discussions with Valdés, Heath, Norman Hicks, Ernesto May, David Nielson and others at the World Bank, and with Constanza Valdés at ERS/USDA during the preparation of this paper.

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Abstract

The trade policies of the Andean Group (Bolivia, Colombia, Ecuador, Peru, and Venezuela) are in the midst of rapid change. In agricultural markets this change is driven by an overhaul of trade rules and policies at the national, regional, and unilateral level. The national economic reforms are notable for the inclusion of agriculture, resulting in an increased market orientation of the sector and a reduction of the role of the state. At the regional level the inclusion of agriculture in the free-trade provisions within the Andean pact has expanded trade and opened up possibilities for competitive producers. At the international level the passage of the Uruguay Round Agreement on Agriculture has initiated a trade reform which promises a more liberal world market for agricultural goods.

Of the countries in the Group, Bolivia has proceeded furthest down the road to internal reform, and now protects agriculture with modest tariffs no higher than those in other sectors. The Common External Tariff of the Andean Pact is not applied in Bolivia as it would imply tariff increases. Similarly, the Common Price Band for certain agricultural products is not applied. Bolivia has recently joined a free trade area with the MERCOSUR countries and can be expected to integrate its trade policy increasingly with this group, whilst wishing to maintain access for exports into the Andean Pact, such as soybean sales in Colombia and Venezuela.

Peru also has reformed its domestic and trade policies in agriculture, and now operates with moderate protection of the sector. Peru also applies neither the Andean Pact CET nor the Price Band for agricultural commodities, though it has its own tariff surcharge system to guard against low prices. This tariff surcharge stands out as a policy which may require modification in the future to avoid distortion of the sector. Peru is also oriented toward the MERCOSUR market and has relatively little agricultural trade with the other Andean Pact countries.

The core of the Andean Pact revolves around Colombia and Venezuela, which both apply the Common External Tariff and the Common Price Band System for agricultural products, along with Ecuador which is exempt from many of the CET provisions. Agricultural trade has expanded as trade has been liberalized and markets opened. Nevertheless this has caused tensions and protests from agricultural groups. The Price Band System itself could become a vehicle for border intervention. Vigilance is needed to prevent a return to protective policies in these countries.

The Andean Pact itself has proved useful in promoting free trade in agricultural goods within the region. The Price Band System may need to be modified to bring it in conformity with the World Trade Organization rules on non-tariff barriers. More coordination is possible in the area of external trade policies, including export promotion. The Pact itself could dissolve in a broader agreement with the MERCOSUR countries and eventually be subsumed in a continent-wide free trade area. Perhaps the most useful role of the current agreement is therefore to keep trade policies liberal and stimulate the development of competitive agricultural sectors in the five countries in preparation for such a wider market.

Acronyms

AEC	-	Acuerdo Externo común del Grupo Andino
ALADI	-	Asociación Latinoamericana de Integración
ATAP	-	Andean Trade Preference Agreement
CACM	-	Central American Common Market
CARICOM	-	Caribbean Common Market
CET	-	Common External Tarif
EMPROVIT	-	Empresa nacional de Productos Vitales
ENAC	-	Empresa Nacional Agrícola de Comercialización
ERS	-	Exchange Rate System
EU	-	European Union
FAO	-	Food and Agriculture Organization
FONCACAO	-	Fondo Nacional del Cacao
FONCAFE	-	Fondo Nacional del Café
FONPLATA	-	Fondo Nacional para el Río de la Plata
FTZ	-	Free Trade Zone
G3	-	Group of Three
GAC	-	Gravamen Aduanero Consolidado
GATT	-	General Agreement on Tariffs and Trade
GDP	-	Gross Domestic Product
GRAN	-	Pacto Andino
IATRC	-	International Agricultural Trade Research Consortium
IDEMA	-	Instituto de Mercadeo Agropecuario
IICA	-	Instituto Interamericano de Cooperación para la Agricultura
LAFTA	-	Latin American Free Trade Area
MERCOSUR	-	Mercado Común Suramericano
NAFTA	-	North American Free Trade Area
RTA	-	Regional Trade Agreement
SAPF	-	Sistema Andino de Franjas de Precio
WTO	-	World Trade Organization

1. Introduction

Agricultural Trade Developments

Until recently, agricultural trade policy in most countries was largely divorced from more general considerations of commercial policy, and more closely linked with the support of domestic agricultural policies. The focus was on the management of the local market for farm goods and the export of agricultural raw materials to other countries. Domestic economic policy reforms often dodged the reform of the agricultural sector as being too politically sensitive. When regional trade agreements were formed they often left out agricultural trade from the requirements of free trade within the region.¹ For many years, agricultural trade had also escaped the discipline of the GATT rules that applied in manufactured trade.² Agricultural trade disputes, from the long-running controversy over the disruptive impact of developed country farm support policies on world markets for agricultural produce to local decisions by marketing agencies in favor of domestic producers over importers, were largely outside the realm of trade rules.

This situation is rapidly changing. The Latin American economic reforms are notable among other things for their inclusion of agriculture. The trade policy changes that have characterized the region in the past decade have included the agricultural sector. Tariff reform has been extended to agricultural import goods; domestic marketing agencies have lost their exclusive control over supplies; domestic subsidies have been eliminated or sharply cut back; export taxes have been removed and export agencies been relieved of their monopoly responsibilities. At the same time the new and revitalized regional trade agreements (RTAs) in the area have generally included free intra-RTA trade in agricultural products. MERCOSUR includes trade in agricultural products under the requirement of free trade among its members, as does the Andean Pact and CARICOM. Regional trade in agricultural goods is responding to the more liberal trade conditions. At the multilateral level the Uruguay Round Agreement on Agriculture has instituted a radical change in the rules governing the allowable instruments of trade policy in agriculture, replacing non-tariff import barriers with tariffs, categorizing domestic subsidies into those that are acceptable and those that are objectionable, and banning new export subsidies. A start was made in the difficult process of reducing levels of protection and cutting the level of export and domestic subsidies, though the process has a long way to go before world markets for agricultural commodities are undistorted by domestic agricultural policies.

¹ For a more extensive discussion of the inclusion of agriculture in other free trade areas see Tim Josling, *"The Treatment of Agriculture in Regional Trade Agreements"*, FAO Policy Analysis Division, (forthcoming).

² A forthcoming book describes the treatment of agriculture within the GATT, up to and including the Uruguay Round (see Tim Josling, Stefan Tangermann and Thorald K. Warley, *"Agriculture in the GATT: Past Present and Future"*, Macmillan, forthcoming).

Objectives and Structure of the Report

The aim of this report is to describe briefly, for the countries of the Andean Group, the present state of affairs in the ongoing process of policy reform in the area of agricultural trade; to identify agricultural trade policy options and strategies for each country; to examine the extent to which the Andean Pact can make a contribution to these agricultural trade objectives; to look briefly at the developments in multilateral trade policies that will influence the choices of these countries; and to make some very tentative suggestions as to the preferred choice among these options from the viewpoint of the continued reform of the agricultural sector and the improvement of the contribution of that sector to the economic health of the countries of the region.

As with any country that has joined a regional trade agreement the five countries of the Andean Group have to develop a multi-tiered trade policy. A regional trade agreement constrains the scope for unilateral action in the trade area, but also offers possibilities for collaborative action. Membership of an RTA in effect offers another dimension to international action, expanding the possible range of collective decisions. Trade policy in agriculture also exhibits this multi-tiered nature. A coherent trade policy for the sector will combine unilateral, regional and multilateral elements. The balance between these elements along with the overall set of objectives defines the agricultural trade strategy.

The report is structured to elucidate this set of choices. The next five sections deal with the individual countries of the region, and include an overview of their trade regimes, their current agricultural trade situation and the options and strategies which each country could pursue in the area of agricultural trade. Section Seven discusses the Andean Pact and the elements of the agricultural program that can be play a significant part in the strategy for the member countries. This section also takes a quick look at the broader regional and multilateral environment in which the agricultural trade policies of the Andean countries need to be placed. A final section gives some tentative conclusions.

2. Bolivia

Background

Bolivia is a country with a small population (7.3 million), a relatively low level of income (\$670 per capita in 1992), a land-locked location and high transportation costs. Economic policy, including the agricultural trade regime, is however more liberal than those of its trading partners. Agriculture makes up about 24 percent of GDP, and an even higher proportion of the labor force, but only accounts for 16 percent of export earnings. Unlike other countries in the Andean Pact, Bolivia is not a major exporter of tropical products. Trade policy in agriculture is chiefly concerned with improving the competitive position of Bolivian farmers within the region and the maintaining access to supplies from other countries.

Bolivian agriculture exhibits considerable diversity of crops and conditions, reflecting the geography of the country.³ Major crops produced in Bolivia include corn, wheat, barley, quinoa and potatoes, particularly by small farmers in the altiplano (high plains) regions; coffee, cacao, bananas and sugar cane in the interior valleys (yungas), and soybeans and cattle raising on the eastern plains (llanos). Soybeans has become an important export crop in recent years, with exports going to other Andean Pact countries. Other products however are sold within the Southern Cone countries. Over 60 percent of the agricultural area, and an even higher share of export agriculture, lies east of the Andes, reinforcing the tendency for natural markets to be in the MERCOSUR area. Government policies have been aimed at moving population from the less fertile altiplano to these areas.

Current Trade Policies

Bolivia underwent a radical reform of its economic and trade policies in 1985. The speed and completeness of the reform was unusual even by Latin American standards. The New Economic Plan included a drastic overhaul of the tariff schedule, resulting in a low uniform tariff, the *Gravamen Aduanero Consolidado* (GAC), of 20 percent which was reduced in 1990 to 10 percent. A concessional rate of 5 percent for capital goods was added in 1991.⁴ All export taxes were removed, and exports were encouraged by various promotion schemes. The exchange rate was liberalized in 1985, and a sharp devaluation followed. In 1987 a crawling peg system was introduced and the currency has

³ Information on Bolivian agriculture and agricultural policy is from Nina M. Swann, "Bolivia", in Donna Roberts and David Skully (eds.), *Global Review of Agricultural Policies: Western Hemisphere*, ERS Statistical Bulletin No.892, USDA, Washington D.C., September 1994, as well as from various FAO and World Bank sources.

⁴ The trade policy of Bolivia is described and discussed in Sarath Rajapatirana, "Bolivia: Trade Policies and Integration Choices", Latin American and Caribbean Department, World Bank, (unpublished).

been kept at a competitive level since that time, exhibiting a steady depreciation over the period. Both exporting and import-competing sectors have taken advantage of this and have expanded steadily. Bolivia joined the GATT in 1989 and more recently acceded to the WTO.

Bolivia is a member of the Grupo Andino (GRAN, Andean Pact, or Andean Group) and receives preferential (i.e. duty free) access into the markets of Colombia, Ecuador and Venezuela. It does not, however apply the newly-agreed Common External Tariff (AEC or CET) of the GRAN. Bolivia has entered into bilaterals with Chile and Peru (a lapsed member of the GRAN, still discussing re-entry into the main obligation, the Andean Free Trade Zone). In addition, Bolivia benefits from the Andean Trade Preference Agreement (ATPA) with the U.S., which grants preferential access for a number of products into the U.S. market to encourage the move away from coca production. Bolivia also has a trade framework agreement with the EU, but this does not include preferential market access.

Bolivia has close relations with the countries of MERCOSUR, and has been granted associate membership in that group.⁵ It has also signed "complementary trade agreements" with the MERCOSUR countries under the framework of the Latin American Integration Association (LAIA, or ALADI).

Location plays an important role in Bolivia's trade pattern. Bolivia shares a border with only one other GRAN member, Peru. If Peru does not re-enter the Andean Free Trade Zone then even this link will be lost. MERCOSUR accounted for 23 percent of Bolivia's total trade in 1993, compared with only 6 percent which was with the other GRAN countries. Brazil, Paraguay and Argentina each has a border with Bolivia, as does Chile. Bolivia has access to port facilities by treaty with Argentina (Rosario) and Brazil (Belem and Santos), as well as use of the Paraguay and Paraná rivers by long-standing agreement with Paraguay.⁶ Trade with MERCOSUR is therefore likely to grow as trade barriers come down and transportation links improve. However, Bolivia may well benefit from the increased trade among all the countries of the region as infrastructure improves.

Agricultural Trade Issues

Agricultural trade was fully included in the 1985 Bolivian economic reform. The low tariffs were applied to agricultural goods, as well as to manufactures. Export licensing, which had been used on beef, corn, rice and soybeans was removed. The sector

⁵ The MERCOSUR countries and Bolivia have also negotiated the Treaty of Brasilia, to form the River Plate Basin Group. The goals of this group mirror those of MERCOSUR itself, but emphasize physical integration in such areas as water resources, border matters, health and environmental issues. Its financial agency (FONPLATA) has become an important vehicle for such integration.

⁶ Bolivia has a treaty with Chile on duty free and preferential access to the Pacific ports of Antofagasta, Iquique and Arica. Negotiations are also underway for similar access to the Pacific with Peru.

was deregulated and private enterprises were encouraged to trade in agricultural goods. Sugar imports continued to be constrained by quantitative restrictions until 1992, when these restrictions too were removed. The domestic marketing of agricultural goods, including milk, poultry, cattle, oilseeds, corn and sugar is still in the hands of parastatals, but the Government is considering their privatization. Imports of wheat are largely in the form of food aid, under U.S. PL480 programs. Agricultural trade flows without tariffs under the Andean Group trade arrangements between Bolivia and the other active members (Colombia, Ecuador and Venezuela) and under the bilateral agreement with Peru. Soybean exports go to Colombia and Peru, maize and rice are also exported to Peru, and coffee is sold to Europe, Argentina, Brazil and Chile. In addition, a number of Brazilian cattle are said to come into Bolivia as "tourists" in order to benefit from a tax rebate when exported again.

Table 1: Bolivia: Agricultural Trade Flows, Selected Commodities, 1993, (thousand US\$)					
exports to:					
Commodity	Andean Pact	MERCOSUR	NAFTA	Europe	Total
Rice	49	-	2	-	51
Sugar	15,727	-	-	-	15,727
Maize	81	28	3	-	112
Wheat	51	-	-	-	51
Meat	-	630	-	-	630
Coffee	19	238	96	2,617	2,970
Cocoa	-	-	64	404	468
Fruit & Veg	397	4,249	6,813	7,151	18,610
Flowers	-	18	635	2	655
Total	16,324	5,163	7,613	10,174	39,274
imports from:					
Commodity	Andean Pact	MERCOSUR	NAFTA	Europe	Total
Rice	9	300	103	-	412
Sugar	10	202	101	123	436
Maize	1	209	1	-	211
Wheat	-	7,477	24,389	120	31,986
Meat	7	107	-	24	138
Coffee	263	61	9	-	333
Cocoa	181	2	-	-	183
Fruit & Veg	17	859	3,493	271	4,640
Flowers	3	-	-	-	3
Total	491	9,217	28,096	538	38,342

Bolivia does not apply the Andean Group system of price bands (*Sistema Andino de Franjas de Precios*, or SAPF) which were introduced into Colombia, Ecuador and Venezuela in 1995.⁷ The reason given by Bolivia for rejecting the need for price bands is that its landlocked status gives it adequate "natural" protection against low world prices.

⁷ The price band system is discussed more fully in later sections of this report.

This decision also reflects a more determined attempt in Bolivia to operate a liberal trade system without administrative intervention.

Options and Strategies

Bolivia has undertaken economic reforms which place it in the forefront of the economic policy transformation in the region. This fact places it in an awkward position relative to the other members of the Andean Pact. For Bolivia this trade group offers only a limited attraction. The higher tariff steps in the AEC are above those now in use in Bolivia, and full implementation of the AEC would therefore increase protection levels. MERCOSUR represents the more attractive regional bloc from the viewpoint of present Bolivian trade patterns, but full membership also poses problems with the tariff schedule.⁸ MERCOSUR external tariffs are higher than those in use in Bolivia, and unlikely to be reduced soon enough to prevent Bolivia having to raise its own tariff if it joined. This poses a fundamental problem for Bolivia. It would gain in economic terms from the higher level of protection in its major export markets, but would lose by purchasing higher cost imports from the MERCOSUR countries.

The problem is in part resolved by the associate membership which Bolivia has been able to negotiate with MERCOSUR, which does not impose the CET on Bolivia. In these circumstances its export sector would gain from the larger, protected market in MERCOSUR. Although it would still have to give preferential access for relatively expensive goods from that region, it would control the degree of preference by its own tariff policy. In these circumstances it could also maintain Andean Pact membership, though not adopting the AEC, and keep the free-trade area relationship with Colombia, Ecuador and Venezuela, and with Peru.

For agriculture, each of these options would have major implications. Full membership in MERCOSUR with the adoption of the CET against third-country supplies and free access for partner supplies, would place Bolivian agriculture in direct competition with production from Argentina and Brazil. Soybean farmers have already voiced their opposition to such an option, fearing that they would not be able to compete with Brazil. Cattle farmers would presumably also be adversely affected, as the degree of natural protection afforded by Bolivia's landlocked and mountainous position would not help in competition with Brazil. Bolivia would in effect be adopting the level of protection of the MERCOSUR countries. Whether this would be in the economic interest of Bolivia would depend upon the trade balance of the commodity concerned.

⁸ The choice that Bolivia faces with respect to MERCOSUR is similar to that faced by Chile. In both cases, full membership would bring increased protection. This has two impacts: it encourages those countries to import higher-cost MERCOSUR goods in place of imports from the world market, and it obliges them to grant higher protection for domestic producers. Both the trade diversion and the higher protection have an economic cost. See Alberto Valdés, "Joining an Existing Regional Trade Agreement from the Perspective of a Small Open Economy - Chile's Accession to NAFTA and MERCOSUR", *American Journal of Agricultural Economics*, (forthcoming).

The Andean Pact holds out some advantages for Bolivia in the area of agricultural trade but also some potential disadvantages. The advantages are the access to the markets of Colombia, Ecuador and Venezuela, but with the exception of exports of soybeans to Colombia the volume of trade is presently not high. Moreover, many of the emerging opportunities for agricultural trade are among countries that share borders. Transport costs for the higher value commodities, fruits and vegetables and processed foods may act against an expanding market for Bolivian food products in the northern countries of South America. Maintaining free access into the other Andean Pact countries would therefore be important but not crucial for agriculture.

The biggest drawback for Bolivia of current Andean Pact agricultural trade policy is that Bolivia may have to adopt the common price band system, the SAPF. As mentioned above, Bolivia has argued that it does not need such additional protection against low prices as it has the natural protection of high transport costs. High transport costs in themselves are hardly a valid reason for not stabilizing markets. Prices will tend to be even more unstable in situations where the market is isolated, as the stabilizing impact of trade will be less apparent in those circumstances. Price fluctuations on world market prices will still be transmitted to geographically remote markets, if imports can penetrate, though all prices will be at a higher level.

As a market somewhat remote from world markets, Bolivia has experienced fairly low prices for a number of traded goods. Transport costs make exports more difficult, and this depresses domestic prices. For those products that are imported, the low income level of the population has made it politically difficult to erect trade restrictions when market prices are low. In effect, Bolivia has made better use of world market surpluses by allowing consumers to purchase these commodities rather than by trying to maintain domestic price levels. It would appear that the substantive argument against the adoption of the SAPF is that it would tend to raise the price of imported commodities and support high-cost domestic production. Unless this tendency were to be corrected (as discussed below), it may be as well to continue to exercise the option of not enforcing the SAPF in Bolivia.⁹

⁹ High transport costs are also a reason why Colombia and Venezuela are less likely to insist that Bolivia adopt the SAPF. Transshipment of low priced goods through Bolivia is unlikely to be a major problem in these markets.

3. Colombia

Background

Colombia is the most populous country of the Andean Pact (34 million), and has the second largest economy after Venezuela. Incomes are higher than in the more southerly GRAN countries, at a level of \$1,500 per capita, but lag behind those in Venezuela. Agriculture makes up only 17 percent of GDP, though a somewhat higher level of the labor force (26 percent). Agricultural exports, primarily of coffee and bananas as well as sugar, cut flowers, cotton and tropical fruits, make up a large proportion of export earnings. Imports consist mainly of grain, milk powder and oilseeds.

Blessed with two coastlines and a range of climates, Colombia grows a wide variety of crops.¹⁰ Corn, wheat and barley are grown in the highland areas along with coffee and sugar cane, while rice, bananas, cotton and tobacco are grown in the Caribbean coastal area.¹¹ Cattle raising is the main form of agriculture in the eastern plains, and the tropical forests in the southeast produce rubber and tropical timber. Agricultural interests are perhaps better organized in Colombia than in other Andean Pact countries, adding to the political sensitivity of agricultural policy.

Current Trade Policies

Colombia was not among the pioneers in the process of economic policy reform in South America, but has in recent years caught up with the pack. Colombia introduced a liberal economic regime, including an open trade policy, in 1990. The *Programa de Modernización y Apertura Económica* (the "Apertura") included exchange rate reforms, fiscal tightening, deregulation of the economy and privatization of many state enterprises. Tariffs were reduced to modest levels, from zero to 20 percent, effectively halving the average level of tariff from 31 percent in 1991 to 15 percent in 1992. The system of import licensing was relaxed and import surcharges were removed. A new ministry of foreign trade was created to coordinate trade policy.

Colombia is an active member of the Andean Pact (GRAN) and applies the GRAN four-part Common External Tariff (CET or AEC). As such, exports are granted duty-free access into the other parts of the Andean Free Trade Zone (Bolivia, Ecuador and Venezuela) and imports come in duty-free from those countries. Colombia has a free-trade arrangement with Peru, signed in 1992, a bilateral agreement with Chile similar to that between Chile and Venezuela, and trade agreements with CARICOM and the

¹⁰ Information on Colombian agriculture and agricultural policy is from Constanza M. Valdés, "Colombia", in Donna Roberts and David Skully (eds.), *Global Review of Agricultural Policies: Western Hemisphere*, ERS Statistical Bulletin No.892, USDA, Washington D.C., September 1994, as well as from various FAO and World Bank sources.

¹¹ The Pacific coastline is a sparsely populated swamp, with little agricultural production.

Central American Common Market.¹² Colombia has particularly strong bilateral trade ties with Venezuela, and had negotiated a free-trade agreement with that country in 1991 in advance of the broader GRAN accord. With Venezuela and Mexico, Colombia has signed the Group of Three (G3) agreement to remove impediments on mutual trade within ten years.

Agricultural Trade Issues

Agricultural trade policies were included in the policy reforms of 1990. Before that time, Colombian agricultural trade restrictions had included licenses, quantitative restrictions, export taxes and selective market interventions. As a part of the economic reforms, imports of agricultural goods were made subject to moderate tariffs, between zero and 20 percent.¹³ Quantitative import restrictions were removed, including the import quotas for cereals, oilseeds, dairy products and sugar. For these commodities (and

exports to:					
Commodity	GRAN	MERCOSUR	NAFTA	Europe	Total
Rice	1,475	-	-	-	1,475
Sugar	102,297	-	32,722	3,002	138,021
Maize	17	-	-	-	17
Wheat	3	-	-	-	3
Meat	2,396	-	-	-	2,396
Coffee	1,576	2,569	249,054	785,693	1,038,892
Cocoa	121	-	7,893	6,856	14,870
Fruit & Veg	43,663	214	214,140	202,938	460,955
Flowers	867	1,511	303,708	67,517	373,603
Total	152,415	4,294	807,517	1,066,006	2,030,232
imports from					
Commodity	GRAN	MERCOSUR	NAFTA	Europe	Total
Rice	20,190	-	10	-	20,200
Sugar	6,299	261	1,906	1,292	9,758
Maize	3,305	12,552	56,438	10	72,305
Wheat	9	14,354	109,134	2,036	125,533
Meat	759	73	1,641	147	2,620
Coffee	-	-	9	2	11
Cocoa	210	-	-	26	236
Fruit & Veg	10,184	1,761	45,681	5,844	63,470
Flowers	135	-	55	2	192
Total	41,091	29,001	214,874	9,359	294,325

¹² The bilateral with CARICOM is a non-reciprocal preferential access scheme for goods from the Caribbean. The CACM agreement is a "complementary economic agreement" under ALADI rules that envisages tariff elimination by the end of the decade.

¹³ Most agricultural imports are charged a 15 percent basic tariff.

their derivatives) a price band system was introduced in 1991 to stabilize domestic prices in the face of world market price fluctuations.¹⁴ This price band system became the model for that introduced in the Andean Group (the SAPF) in 1995.

The functions of the agricultural importing monopoly, IDEMA, were also modified in the *Apertura*. Although some grains are still imported by IDEMA, the agency concentrates its efforts on the domestic marketing of crops from small farmers in the poorer regions of the country. As a part of the privatization of import trade, Colombia has also developed a system of procurement agreements (*convenios de absorción*) for wheat, barley, sorghum and oil palm which guarantees prices for domestic output.¹⁵ Upon presentation of evidence of using available domestic supplies (*certificados de absorción*), firms are allowed to purchase imports with reduced tariffs. The government mediates in discussions between the farm groups and the buyers which set a price for this domestic procurement.

The opening of the economy exposed the agricultural sector to competitive pressures. At the same time, farm prices dropped as a result of lower world prices and exchange rate adjustments. Profits dropped sharply in the early 1990s, and farm groups blamed this on the *Apertura* even though the evidence shows that exchange rates and border prices had the greater effect.¹⁶ Some additional pressure on domestic markets has come from imports from outside the region. Perhaps the most visible imports however have come from other members of the GRAN. This has led to concern over the provisions of free internal trade within the GRAN and over the workings of the SAPF.

Options and Strategies

Colombia faces a critical decision in agricultural trade policy. Pressures are building for a reversal of the policies introduced with the reform. The introduction of the price band system has opened up the possibility for such a policy shift. The concept of a policy which imparts some degree of stability to the major agricultural markets without any long-run protection is attractive on political grounds, and not without economic rationale. The problem comes with the administration of such a policy and with the incentives that build up around it.

Price band policies entail three crucial parameters: the price series used to define the band, the width of the band itself, and the choice of commodities in the band. In addition the administration of the policy entails decisions on the agency that announces the

¹⁴ The price band policy has been in use in Chile since 1984 and has now become a part of the Andean Group agricultural policy, as discussed below.

¹⁵ World Bank, "*Colombia: Review of Agricultural and Rural Development Strategy*", November 1994.

¹⁶ Alberto Valdés, "*Surveillance of Agricultural Price and Trade Policy: A Synthesis for Selected Latin American Countries*" Technical Department, Latin America and the Caribbean Region, World Bank, June 28, 1995.

parameters, the mechanism for levying additional taxes and paying rebates, and the use to which funds accumulated under the scheme are put. The Colombian system used a deflated 60 month series of border prices (*cif*), augmented by the appropriate tariff. The resulting prices are ranked and the upper and lower quartiles are discarded. The band is given by the range between the 16th and 45th price. Supplementary levies are imposed on shipments offered below the floor and rebates are given on shipments priced above the ceiling.¹⁷ The problems that have been associated with the system include the large number of commodities in the scheme, many of which were not the subject of import-induced price instability; the long five year "memory" of import prices used in the formula which makes the band unresponsive, and supports prices in times of secular price decline; and the problems for regional trade of different schemes in different Andean Pact countries. This last problem has led to the introduction of a harmonized system for the Pact.

It is apparent that some provision will continue to be politically necessary to give farmers assurance against a market collapse triggered by subsidized imports. The price band system is an invitation to develop a permanent system of administered prices responding to domestic pressures. Alternative safeguard mechanisms are available and should be explored. Temporary protection taken for specific purposes may be better than formula-based protection aimed at market price stabilization. The application of countervailing duties to offset foreign government subsidies, or the imposition of anti-dumping duties on goods "dumped" by foreign firms, are possible instruments. However, both these trade remedies suffer from the problem that they require calculations based on the behavior of foreign governments of firms, a necessitating a costly, contentious and time-consuming process of data gathering. A simple import-quantity trigger which activates a temporary surcharge to the end of the marketing year would be less likely to become captured by protectionist interests.

The procurement agreements also have the possibility of leading to a retrogression in agricultural policy.¹⁸ The negotiations between the government, the producers and the manufacturers which buy farm products are intended to ensure that all domestic production is used, and manufacturers have the incentive of a tariff discount on imports if they agree to purchase the domestic crop at the negotiated price. The scheme is intended to cure a problem in the marketing system, whereby domestic production is often less desirable to manufacturers than imports. The problem should be dealt with directly, by improving domestic marketing institutions and facilities. To negotiate prices at which domestic crops are sold would seem to perpetuate a structure of oligopsony in marketing and dependence on political strength in policy setting. It shows a lack of confidence in the ability of the liberalized market to clear.

¹⁷ For a discussion of the operation of the Colombian price band see World Bank, "*Colombia: Review of Agricultural and Rural Development Strategy*", p.75.

¹⁸ The procurement system is described in World Bank, *op. cit.*, p.78.

It is quite possible that some form of income aid will still be needed for those farmers not close to market outlets that might otherwise suffer from the removal of state purchasing. In such cases a form of direct payments, decoupled from current production decisions, may be more appropriate. These could be tailored to regional conditions and be integrated with other social programs in rural areas. The biggest hurdle to the introduction of such direct payments is the financial burden. This could prove a major obstacle for countries in times of fiscal stringency. However, it should be remembered that such payments are less than the implicit transfer from consumers involved in price supports and protection of markets at the border.

Colombia would seem to have gained considerably from the strengthening of the GRAN and its inclusion of agricultural trade. As the largest agricultural producer in the region, Colombia is in a position to set the future conditions under which such trade takes place. Colombia is also the largest importer of agricultural goods from other GRAN countries, notably soybeans from Bolivia and rice from Venezuela. If trade within the region is to stay open, much of the leadership will have to come from Colombia. Therefore Colombian actions are crucial to setting the pattern for agricultural trade relations in the region. The harmonization of the price band system appeared to be largely as a result of fears within Colombia that third-country rice was finding its way through Venezuela onto Colombian markets at prices below the price band floor. But the result of this reaction may be to impose price band policies in countries where they are neither needed nor desired. The procurement system is also likely to engender problems within the Andean Pact market, as regional goods imported free will tend to undermine the attraction of domestic market purchases for manufacturers.¹⁹

¹⁹ The procurement system seems premised on the fact that these manufacturers obtain rents from the tariff concessions enough to make it worthwhile to agree to a higher domestic price. No such rent is available on regionally produced goods.

4. Ecuador

Background

Ecuador is the second smallest country (after Bolivia) in the Andean Pact with a population of 10.9 million. The level of per capita income (\$1,070) is between that of Colombia and Peru, but well above that of Bolivia. Agriculture accounts for about 15 percent of GDP but the export of agricultural products contributes thirty percent of Ecuador's total export earnings. Cocoa, coffee, rice and bananas are the principle export crops. Agricultural imports include wheat and vegetable oils, mainly from the U.S. Ecuador shares a border with Colombia and a contested border with Peru.

Agriculture in Ecuador reflects the range of geographical zones.²⁰ In the upland (Sierra) area production of staples such as corn, beans and potatoes, and the raising of livestock are the main activities, often on large haciendas. In the coastal lowland areas (*costa*) plantations grow export crops of bananas, coffee and cocoa. Rice is also grown in the coastal areas. The eastern part of the country (*oriente*) is heavily forested and produces little agricultural income.

Current Trade Policies

Ecuador has adopted liberal economic policies in recent years, albeit more slowly than some other countries in the region. For many years trade was hampered by a variety of taxes and other constraints on both imports and exports. In 1989 the government began to adjust the economy, introducing tariff reforms and reducing trade barriers. The current government accelerated these reforms upon taking office in 1992, reducing tariffs to a range of 5-20 percent. The tariff rates are now broadly harmonized with the AEC of the GRAN, albeit with numerous exceptions.²¹ Ecuador, a late convert to the advantages of multilateral trade rules, has recently joined the GATT and the WTO.

Ecuador is a member of the GRAN, and participates in the Andean Free Trade Zone which gives duty free access for goods to and from Colombia, Venezuela and Bolivia. Ecuador signed a more limited bilateral free-trade agreement with Peru in 1993, covering about 400 items. Peru has for the past few years been the major trading partner for Ecuador, in particular as a purchaser of Ecuadorian petroleum products. However, border disputes with that country have soured commercial relations between the two

²⁰ Information on Ecuadorian agriculture and agricultural policy is from Christine Bolling, "Ecuador", in Donna Roberts and David Skully (eds.), *Global Review of Agricultural Policies: Western Hemisphere*, ERS Statistical Bulletin No.892, USDA, Washington D.C., September 1994, as well as from various FAO and World Bank sources.

²¹ Some of the 964 "permanent" exemptions are for items for which the Ecuador tariff is below the AEC, notably input items into the petrochemical industry and steel. For these products Ecuador can maintain a tariff 5 percentage points below the AEC. In addition, Ecuador can keep different tariff rates on 400 items for the next four years.

countries. Colombia is becoming a more important regional provider of goods for the domestic market. Most exports still go to Europe, benefitting from some Andean preferences into the European Union, or to the U.S. also in part preferential, and imports come largely from the U.S.

Agricultural Trade Issues

Agricultural trade has been somewhat less comprehensively liberalized in Ecuador than in other countries of the region. Nevertheless, tariffs on imports of agricultural goods are relatively low, ranging from 5 percent for grains, 10-15 percent for vegetable oils and meals, and 20 percent for milk powder and wheat flour. The tariff level is graduated by degree of processing, giving additional protection to the processing sector. Imports from the active Andean Pact countries enter duty-free.

Ecuador instituted a price band system for imports of rice, corn, barley, soybeans and oil, sugar, poultry and milk powder. As of January 1995, Ecuador adopted the common GRAN price band program, the SAPF. The Government has been discussing with the Inter-American Development Bank the desirability of maintaining this price band system.

Table 3: Ecuador: Agricultural Trade Flows, Selected Commodities, 1993, (thousand \$)					
exports to:					
Commodity	GRAN	MERCOSUR	NAFTA	Europe	Total
Rice	-	-	-	-	0
Sugar	252	-	7,672	-	7,924
Maize	2,171	-	-	-	2,171
Wheat	-	-	-	-	0
Meat	348	-	-	-	348
Coffee	23	162	47,396	33,881	81,462
Cocoa	1,298	3,910	36,988	23,613	65,809
Fruit & Veg	1,595	34,850	188,055	223,032	447,532
Flowers	170	1,280	30,559	5,500	37,509
Total	5,857	40,202	310,670	286,026	642,755
imports from:					
Commodity	GRAN	MERCOSUR	NAFTA	Europe	Total
Rice	1,364	8	1	-	1,373
Sugar	14,180	26	801	777	15,784
Maize	239	-	1,329	-	1,568
Wheat	-	2,047	39,491	4,099	45,637
Meat	4	-	357	-	361
Coffee	1,112	-	27	-	1,139
Cocoa	403	-	-	-	403
Fruit & Veg	1,068	138	7,963	496	9,665
Flowers	2	-	-	-	2
Total	18,372	2,219	49,969	5,372	75,932

The main parastatal trade body, ENAC, no longer has monopoly control over agricultural imports, though only the state agency EMPROVIT handles imports of milk powder.²² The Ministry of Agriculture requires prior approval of imports of oilseeds and meals, on phytosanitary grounds.

Agricultural trade has been expanding in part as a result of this liberalization and in part because of market developments. Banana sales, in particular to the markets in Eastern Europe and Russia, have been growing steadily. Coffee exports have been helped by a rise in world prices, and even cocoa exports have been strong. Non-traditional exports, such as cut flowers, tropical fruits and processed vegetables have expanded at an even faster rate.²³

Options and Strategies

Ecuador is a country undergoing rapid structural change, brought about by a boom in petroleum exports and accelerated by the rapid shift in economic policies. The Ecuadorian economy has yet to establish a strong position in the region and is still heavily dependent upon sales to Europe and the U.S. Of all the Andean Pact countries, Ecuador seems most in need of the stability and security of regional market access offered by the Andean Pact, even if current trade flows show no great dependence on intra-GRAN trade. If Peru were to move closer to the MERCOSUR countries and Colombia to look northwards, to Mexico, the Caribbean and the U.S., Ecuador could find itself somewhat isolated.²⁴ Under such circumstances it might be more difficult to hold onto the gains made in economic policy in the past five years.

²² Imported milk powder is reconstituted as liquid milk and sold on the domestic market. As the government still controls the milk price, it is feared that this imported milk would undercut the market for domestic milk.

²³ The sharp increase in non-traditional exports as a consequence of the liberalization of foreign currency laws has been noted in other countries. See for example J.R. Deep Ford and Tim Josling "Structural Adjustment, Integration and Agricultural Policy Reform: Lessons from Jamaica's Agricultural Sector", Paper presented to the IATRC/IICA Conference on Economic Integration in the Western Hemisphere, San Jose, Costa Rica, June 7-9, 1995.

²⁴ Ecuador has shown an interest in joining the Group of Three (suitably renamed?) once it is operational, presumably to avoid such isolation.

5. Peru

Background

Peru is a country with a population of 22.7 million, a little larger than that of Venezuela but less than Colombia, and a per capita income level of \$920, somewhat less than Ecuador. Agriculture accounts for only 15 percent of GDP and a somewhat lower share of merchandise exports. The major export crops are cotton, sugar and coffee, and cereals and oilseeds are imported. Peru has a key location in the region. Bordering on Colombia, Ecuador, and Bolivia, as well as on Brazil and Chile, Peru could in the future play a central role in market integration in the region.

Agriculture in Peru, as in the other GRAN countries, is sharply differentiated by climatic and topography.²⁵ The Andean highlands (altiplano) produce the bulk of the traditional crops of corn, wheat, barley, potatoes, legumes and coca, and graze sheep and llamas. The dry coastal desert lowlands produce most of the export crops, particularly sugar, coffee and cotton, in oases irrigated by streams from the Andes. The inland (*selva*) region of the upper Amazon forest grow coffee, cocoa, cacao, tea and bananas, as well as corn, cassava and rice. Transportation difficulties currently limit access between these inland areas and the major population centers.

Current Trade Policies

Peru undertook radical reforms in economic structure and policy in 1990.²⁶ The government stripped away price controls, privatized many state enterprises, cut government spending and overhauled the tax system. The foreign exchange market was liberalized, and the exchange rate has even appreciated in recent years, as a consequence of the inflow of capital from abroad. Trade policy was reformed, with tariffs replacing non-tariff barriers. The schedule of tariffs now contains two levels, 15 and 25 percent, with most (97 percent) of the imports falling into the lower category. The completeness of the process of economic reform rivals Chile and Bolivia.

Peru was a member of the Andean Group until it withdrew from active participation in 1991. In 1994 it was agreed that Peru would rejoin the GRAN, though no timetable has been set. Peru is not a part of the Andean Free Trade Zone, which involves duty-free access, but it does have free-trade bilateral agreements with Bolivia, Colombia, Ecuador and Venezuela individually. These agreements have effectively liberalized trade

²⁵ Information on Peruvian agriculture and agricultural policy is from Miriam Stuart, "Peru", in Donna Roberts and David Skully (eds.), *Global Review of Agricultural Policies: Western Hemisphere*, ERS Statistical Bulletin No.892, USDA, Washington D.C., September 1994, as well as from various FAO and World Bank sources.

²⁶ Peru's trade policies are reviewed in Michael Michaely, *Trade Policies in Peru: Remaining Issues*, World Bank, Latin America and Caribbean Department, August 1995.

with Colombia and Venezuela in all goods where the AEC is 10 percent or below. The agreement with Bolivia allows for duty-free access on all imports, in either direction.²⁷ Peru does not apply the Andean Pact AEC on third country imports.

Agricultural Trade Issues

Agriculture was fully included in the economic and trade policy reforms of Peru. Most barriers to agricultural trade were removed, and subsidies were eliminated. Import quotas, import licensing and state trading monopolies have been replaced by tariffs between 15 and 25 percent, with the higher rates applying to the more processed goods. A substantial expansion of imports has followed from these policy changes, and exports, in particular in the area of non-traditional agricultural exports such as asparagus, have also responded.

Table 4: Peru: Agricultural Trade Flows, Selected Commodities, 1993, (thousand \$)					
exports to:					
Commodity	GRAN	MERCOSUR	NAFTA	Europe	Total
Rice	1,374	-	20	-	1,394
Sugar	22	-	14,453	-	14,475
Maize	240	-	440	1,475	2,155
Wheat	-	-	-	-	0
Meat	11	-	-	-	11
Coffee	236	307	12,910	26,525	39,978
Cocoa	537	375	5,371	3,215	9,498
Fruit & Veg	4,320	5,673	32,860	97,351	140,204
Flowers	7	-	1,786	1,498	3,291
Total	6,747	6,355	67,840	130,064	211,006
imports from:					
Commodity	GRAN	MERCOSUR	NAFTA	Europe	Total
Rice	49	26,046	11,740	1,108	38,943
Sugar	49,034	11,924	9,325	656	70,939
Maize	81	59,755	25,810	-	85,646
Wheat	51	87,558	71,387	7,828	166,824
Meat	312	378	51	-	741
Coffee	423	1	104	10	538
Cocoa	1,071	-	-	7	1,078
Fruit & Veg	842	2,333	34,621	2,833	40,629
Flowers	41	-	8	-	49
Total	51,904	187,995	153,046	12,442	405,387

²⁷

The agreement with Ecuador was suspended with the outbreak of hostilities over the issue of the border.

Peru introduced in March 1991 a tariff surcharge system for 18 grain, sugar and dairy products. This system is in some ways similar to the price bands in force in Ecuador, Colombia and Venezuela (i.e. the Andean Pact SAPF). In addition to the normal 15 (or 25) percent tariff, surcharges are levied if the offer price falls below the average of the past five years (less one standard deviation). However, there is no scope for rebates to be paid to importers at times of high world prices. The scheme has in addition proved to be susceptible to administrative manipulation. The Ministry of Agriculture has been allowed to keep much of the revenue from the surcharge, and therefore has a budgetary incentive to widen the net to gain more revenue. Prices to farmers do not seem to be supported by the surcharges, leading to the presumption that the markets may be imperfectly competitive.

Options and Strategies

Peru, like Bolivia, tends to find the GRAN trade regime less liberal than it would like. The withdrawal from the GRAN may have been for political reasons, but the reluctance to return is driven in part by these economic calculations. Peru would have to abandon its almost uniform 15 percent tariff in favor of the four-step AEC. Until this problem is resolved, either by reducing the AEC or by abandoning the attempt to forge a customs union, the Andean Pact will hold little attraction for Peru. In recognition of this, Peru has shown an increasing interest in joining the MERCOSUR, with its allure of larger domestic markets. However, the CET of that trade group is also less liberal than its own tariff schedule. As with Bolivia, the best regional solution could be a free-trade agreement with MERCOSUR, leading to membership when the CET is lower, in addition to the existing bilateral arrangements with the GRAN. This would avoid the problem of importing higher cost imports under preferences, and distorting Peruvian agriculture with levels of protection above those presently in effect.

The system of surcharges is at present the main deviation of Peruvian agricultural trade policy from the liberal economic model chosen for the economy as a whole. Perhaps even more than in the case of Colombia, a plausible stabilization policy is in danger of being captured for protectionist ends by those administering it and those that can gain financially from its operation. The suggestion sometimes put forward for a 10 percent *ad valorem* tariff surcharge for key agricultural goods seems not to achieve the objectives of the current policy. Instead it would seem to be better to consider a safeguard system triggered by import surges. Two such safeguards are available under GATT/WTO rules. A general safeguard provision allows for temporary surcharges when imports cause injury to local producers, but requires compensation to be given to the exporting country. A special safeguard for agricultural products also exists which allows additional duties on a sliding scale in cases where either imports surge or when world prices fall sharply. Though presently of restricted use, the special safeguard may be adaptable (as discussed in section 7, below) to meet the needs of countries such as Peru.

6. Venezuela

Background

Venezuela is the country with the highest per capita income (\$2,590) among the GRAN, and indeed in Latin America. This favored situation is due to large oil reserves, mainly around Lake Maracaibo and in the Orinoco basin, and over eighty years of exporting petroleum. Population stands at 20.7 million, and only 16 percent live in rural areas. Agriculture has been less important in the economy than in other GRAN countries, accounting for only about 5 percent of GDP. Venezuela earns only two percent of its export revenue from agricultural sales, although 12 percent of imports are of agricultural goods. The Venezuelan economy, as well as its topography, faces the Caribbean and North America. The long border with Brazil is sparsely populated and the poor infrastructure does not act as an encouragement to trade. Only Colombia has proved a regional trade partner willing to take steps toward market integration, and this trade has responded in recent years.

Crop production is concentrated in the coastal mountain range and in the foothills of the Andes.²⁸ Principal crops include rice, corn, sorghum and sugar cane, along with bananas, cotton and citrus. Cattle are raised extensively in the plains (*llanos*) to the north of the Orinoco. Little commercial agriculture exists in the high forests to the south of the river (Guyana), which contains nearly one half of Venezuela's territory.

Current Trade Policies

Venezuela has lagged behind the other countries of the GRAN in adopting liberal trade and economic policies, and has more recently taken steps in the other direction. The Government initiated such a program in 1989, but public discontent, political challenges and financial crises have slowed down the process of policy reform. The foreign exchange market was liberalized in 1989, but exchange controls were reintroduced in 1994. The Central Bank still actively manages the floating rate for the currency. Consumer subsidies were removed in the 1989-93 reform program, but the Government has continued to regulate food prices through agreements with the processors and producers. Emergency price controls were introduced in 1994 in response to the crisis of that year.

Trade policy reform has also been equivocal. Non-tariff barriers were removed and tariffs were reduced in 1992 to a maximum rate of 20 percent, but these tariffs can be increased by up to 60 percent should domestic producers be threatened. Export restrictions were removed at that time, but import restrictions can still arise from the

²⁸ Information on Venezuelan agriculture and agricultural policy is from Richard Kennedy, "Venezuela", in Donna Roberts and David Skully (eds.), *Global Review of Agricultural Policies: Western Hemisphere*, ERS Statistical Bulletin No.892, USDA, Washington D.C., September 1994, as well as from various FAO and World Bank sources.

administrative decisions of the responsible agencies. Until the political system is more stable it may be difficult to maintain the trade policy reforms that have been undertaken so far.

Venezuela is an active member of the Andean Pact, has adopted the AEC, and is one of the countries in the Andean Free Trade Zone. As a result, access for imports is supposed to be duty-free between Venezuela and Colombia, its largest regional trade partner, and also with Ecuador and Bolivia. Venezuela has in addition signed trade agreements with Peru, as a way of maintaining access to that country; with CARICOM, for non-reciprocal access for CARICOM goods; with the Central American Common Market (CACM); and with Chile. Venezuela is also a member of the Group of Three (G3), along with Colombia and Mexico. Venezuela joined the GATT in 1990, and has recently become a member of the WTO.

exports to:					
Commodity	GRAN	MERCOSUR	NAFTA	Europe	Total
Rice	19,364	1	-	1	19,366
Sugar	6,096	-	3,490	-	9,586
Maize	1,134	-	721	-	1,855
Wheat	9	-	-	-	9
Meat	723	-	-	-	723
Coffee	-	-	29,910	3,390	33,300
Cocoa	8	-	6,405	3,390	9,803
Fruit & Veg	7,535	599	32,736	10,035	50,905
Flowers	-	-	490	14	504
Total	34,869	600	73,752	16,830	126,051
imports from:					
Commodity	GRAN	MERCOSUR	NAFTA	Europe	Total
Rice	650	2	97	10	759
Sugar	54,871	56	958	485	56,370
Maize	17	40,817	111,646	1,381	153,861
Wheat	3	358	174,568	8,783	183,712
Meat	2,396	25	335	-	2,756
Coffee	56	-	16	1	73
Cocoa	99	1	92	442	634
Fruit & Veg	45,399	50,964	94,974	17,966	209,303
Flowers	863	-	101	80	1,044
Total	104,354	92,223	382,787	29,148	608,512

Agricultural Trade Issues

Reform of agricultural policy in Venezuela has shown the same hesitancy as economic policy reform in general. The initial reform program removed minimum prices for rice, sugar and wheat. Milk prices however remain fixed. Some important agricultural inputs are still subsidized, including irrigation, fertilizer, electricity and agricultural credit. Although price controls for basic foodstuffs were relaxed in the reform process, and

replaced by direct and targeted subsidies to consumers, price controls were later reintroduced for cereals, flour, sugar, meats milk, eggs and fruits and vegetables.

Trade policy in agricultural products reflects this incomplete liberalization of the domestic market. Imports of certain agricultural products are subject to licenses granted by the Ministry of Agriculture, ostensibly for plant and animal health reasons. The provision of these licenses has on occasions, and in particular since 1994, been used to control imports and protect domestic producers. Moreover, Venezuela has run a variant of the price band system since 1991, though with just a floor price. The commodities in the scheme included rice, corn, sunflower oil, copra, palm oil, milk, sugar, sorghum, poultry and eggs, and hogs. This system has now been replaced by the GRAN price band scheme, the SAPF.

In common with other countries in the region, Venezuela has attempted to revitalize agricultural exports. Export controls have been relaxed for agricultural products, and the state monopolies for coffee (FONCAFE) and for cocoa (FONCACAO) have been eliminated. If experience in other countries is repeated, the privatization of these sectors will unleash competitive energies and creative market developments.

Options and Strategies

The main choice for Venezuela is the difficult one of whether to persevere with the economic reforms in the face of domestic unpopularity or whether to revert to a system of price controls, protection of less efficient sectors, government subsidies, easy money and overvalued exchange rates. If the price of oil were to rise steeply the latter course might be just be affordable, if not desirable. In its absence it is difficult to see any alternative to the development of a more competitive non-oil economy through a continuation of the reform. For agriculture, a small but sensitive part of the economy, the task will not be easy.

Membership of the Andean Pact has an important part to play in the strategy for agricultural trade. In essence it gives a useful regional outlet for local production, in particular in Colombian markets, whilst at the same time preventing too much backsliding of the reform. The scope for an independent price policy in Venezuela is constrained by the fact that the border can no longer be used to isolate a market within a free-trade area (or customs union). For example, too high a price level set in the domestic market will attract imports from Colombia. If the Venezuelan authorities were to attempt to purchase agricultural products to maintain high prices then the cost would be inflated by the inflow. If they tried to keep prices low then exports would flow to Colombia and other Pact countries. The tools left are essentially those that operate to reduce costs and improve marketing systems. Payments either to consumers or producers, if desired for reasons of equity or regional development, will tend more and more to be paid in a direct form rather than through the manipulation of product prices.

The future of Venezuelan agriculture probably lies in sales to countries outside the Andean Pact region. Export markets in North America hold out more long term promise than the regional markets of the GRAN.²⁹ One potentially important development in that direction is the initiative to form the Association of Caribbean States, including the countries of CARICOM, the Spanish-speaking Caribbean, the CACM and the other G-3 countries. This grouping of 48 countries would constitute a sizable political and economic force, with geographical advantages over both MERCOSUR and NAFTA in each other's markets. Failing this, Venezuela could take the lead in expanding the current bilateral with CARICOM into a full free-trade area. Venezuela has at times in the past shown some interest in joining CARICOM. A free-trade area would allow it to develop trade with its neighbors to the north and east and at the same time keep its open trade relations with Colombia.

In both economic and cultural ties, Venezuela is among the most U.S.-oriented countries in the region. It is therefore possible that this country will be high on the list of acceptable partners if and when NAFTA is expanded. In time this would imply becoming a part of a large regional market for agricultural goods, with the benefit of free access to the affluent markets to the north and the entry price the need to be competitive with U.S. producers. To a greater extent than for the other Andean Pact countries this is the ultimate challenge for which agricultural policy should be preparing.

²⁹ Venezuela does not at present trade much with MERCOSUR. This trade could also increase over time, but transportation costs will always prove a major hurdle for any ground or sea movement of goods.

7. Andean Pact

Current Trade Policies

The Andean Pact has had a chequered past and faces an uncertain future. The Pact was formed in 1966 by Bolivia, Chile, Colombia, Ecuador and Peru. Chile subsequently left the Pact and Venezuela joined. As a trade group it emerged from the disillusion of the Andean countries with the operations of the Latin American Free Trade Association (LAFTA) which had been founded in 1960. It was felt that the larger countries were the main beneficiaries of the LAFTA arrangements, and that those without an existing industrial base were being left behind. The Andean Pact sought to develop regional industries within the framework of a common market. The timetable for establishing a Common External Tariff slipped, however, and barriers remained on trade among members. Trade flows within the Pact, after an initial boost from its formation, stagnated and remain at a low level relative to several other RTAs. In 1991, under the Act of Barahona, the Pact was revived and the plans were laid for the Andean Free Trade Zone (or Area) to be completed by 1992. Internal trade barriers were largely removed and the Common External Tariff was finally agreed after much debate in 1994.

The Free Trade Zone and the CET illustrate both the degree of progress achieved by the GRAN and the continuing problems that it faces. The Zone covers Bolivia, Colombia, Ecuador and Venezuela, and thus represents a step towards larger markets and unrestricted trade. The CET, on the other hand, is fully applied only by Colombia and Venezuela. Both Bolivia and Peru consider the CET too high, and Ecuador has been granted a number of exemptions from its application. It may therefore be more accurate to characterize the GRAN as a free-trade area rather than a full customs union, albeit with the two largest countries adhering to common tariffs.

Agricultural Trade in the Pact

The countries of the Andean Pact have not ignored the problems of agriculture and agricultural trade. The Andean Pact includes two features which give it a key role in agricultural policy for the countries of the region, and for the agriculture of the region. The first of these is that agricultural products are included in the provision for free trade within the GRAN. This provision is of both immediate and long-term significance. In the short-term, it has curbed the tendency for governments to favor their own agricultural sectors and allowed an expansion of trade in agricultural products to the benefit of the countries concerned. In the long term it will have a profound influence on the pattern of integration of the regional economies and markets by fully incorporating the agricultural sector.

The short run trade effects can either be desirable or undesirable from the viewpoint of the rational development of agricultural resources. Some of the trade flows that have been encouraged by the opening up of the Andean Pact markets are undoubtedly of a potentially trade diverting nature, replacing low-cost third country sources with higher-cost regional goods. However, the extent to which this can happen is limited by

the extent of the protection against third country imports (i.e. the degree of preference within the region). In the case of the Andean Pact the external tariff rates are modest, at least compared with many other countries. An external tariff of 20 percent can still be an imposition on consumers, who bear the burden, and a 20 percent preference may still be enough to switch sources to regional suppliers. But so long as the level of the tariff does not increase, and is over time reduced further, the distortions created are likely to be tolerable.

The second feature of the Andean Pact has a more equivocal influence on trade in agricultural goods in the region. In 1990, the Andean Pact countries agreed that there should be a "Common Agricultural Policy" for the Group, (*Acta de La Paz*, November 1990). This policy was intended to include the harmonization of national support policies, including the price bands operated by Colombia, and later introduced in Ecuador, Peru and Venezuela. Designed to complement the establishment of free-trade in agricultural products, the implementation of the harmonized price band system, the SAPF, has not been without its problems, in particular for Bolivia. The price band is of dubious status within the GATT/WTO, which outlaws variable levies explicitly. The measure is unpopular with exporting countries, such as the U.S., which claim that it is protectionist in operation if not in intent. On the other hand, if each individual member is going to use such a device it makes some sense to establish rules at the Pact level to avoid disputes among countries and a possible breach in the requirement for free intra-Pact trade.

The resolution to this problem lies in part in the alternatives available to countries to safeguard domestic markets against import surges and sharp price declines. Whilst the price band can in principle be used to guard against these market disruptions it is not ideal for the purpose. It is too easily diverted to other objectives, such as countervailing against the domestic and export subsidies of other countries or attempting to stabilize the domestic market price.³⁰ Over time it can become a vehicle for the reintroduction of protection and price rigidity, as the range of commodities expands, the administration of the system becomes more complex and the policy is emulated in other areas of commerce.

Safeguards in the form of temporary tariff surcharges are allowed in the GATT/WTO. These can be introduced quickly without the delay of anti-dumping or subsidy-countervail actions. They have the drawback, however, from the government's point of view, of requiring compensation to be paid to the exporter whose goods are subject to the surcharge. The temporary tariff once removed cannot be reapplied until the same period has elapsed as that over which the original surcharge was applied. The safeguard is thus structured in a way that prevents it from being used as a device for protection of inefficient industries over a long period.

³⁰ Import surcharges and duty rebates may indeed help to stabilize domestic prices of some commodities if the cause of the instability is import prices. However, for the Andean Pact countries a high proportion of staple foods are locally provided. Stabilizing the duty-paid price of imports may not be enough to prevent market price fluctuations for these products.

The Uruguay Round Agreement on Agriculture provides another "special" safeguard for those commodities subject to tariffication as a part of the outcome of the Round. The intention to use these special agricultural safeguards had to be included in the Schedules of tariffs and commitments for each country. Andean Pact countries do not appear to have indicated such intentions. As they had all removed non-tariff barriers as a part of domestic economic reforms, their tariffication had in effect preceded the Uruguay Round Agreement. It could be that the other WTO members would prefer to see the Andean countries (and others in Latin America) adopt the special agricultural safeguards, even if not indicated on their WTO schedules, rather than continue the use of dubiously-legal price bands. It seems unfortunate that those countries that converted to fixed tariffs in advance of the Uruguay Round Agreement should be treated less favorably in this regard.

It should be noted however that in one respect the Andean Pact price band scheme is superior to the GATT price-trigger safeguard. By using a 60 month moving average of actual world prices the temptation is removed to base the supplementary tariff on a reference price which could be politically chosen. A uniform agricultural safeguard for early-tariffication countries could incorporate this desirable feature.

Options and Strategies

The fundamental issue for the GRAN is whether the agreement continues to serve a need for the countries concerned. The five countries share the geographical feature of the Andean chain, along with some cultural links, and historically have been thrown together for mutual protection against dominance by the larger countries in the region. The common thread of a mountain chain however does not appear to be a sufficient economic linkage. All the countries share certain problems associated with poor transportation and high-cost infrastructure, but the existence of the Andes as often inhibits as facilitates trade linkages. The strongest linkages among the countries of the Pact are pairwise. Colombia is closely linked with Venezuela, and Ecuador is strongly tied in with Colombia. Peru trades with Bolivia, but neither trade much with other GRAN members. The economic linkages holding the GRAN together are therefore tenuous at best.

The reforms in economic policy of recent years have both weakened further the cohesiveness of the GRAN and made it less necessary. As countries in the region reduce trade barriers, membership in a free-trade area becomes less attractive from the viewpoint of access. In an open economy, preferential access is worth less to the regional partner. It also becomes less distortionary, as the possibility of trade diversion is lessened. The Andean Pact could aim to be the first regional trade agreement in modern history to lose its relevance not because of the refusal of countries to liberalize but because of their success in reducing trade barriers. The end-point of open regionalism is the *de facto* merger of the openly-regional blocs because no bloc protects itself against any other. The Andean Pact could in effect merge with MERCOSUR and Chile on the one hand and open up trade with the CACM and CARICOM on the other. In other words it could prove the key to forging the Free Trade Area of the Americas adopted as a target at the Miami Summit in 1994.

What happens to trade relations as a whole clearly conditions agricultural trade. There are however some preconditions to be met before the agricultural sectors of the region can be integrated into an agricultural market "of the Americas". The first precondition is to cement the rule of free intra-GRAN trade in agricultural goods. The move to open up the regional markets appears to have been remarkably successful up to now, with relatively few cases of overt protection being triggered by intra-regional trade flows. However there will be continued tensions arising from the macroeconomic instability of most of the countries in the region. The Pact may need to devise ways in which countries can respond within the framework of free intra-regional trade. The second precondition is to find a way to run a stabilization policy without allowing "back door" protection. This implies that the price band system will need to be modified or abandoned. The third precondition is to set the external tariff applied by the member countries low enough that it prevents the emergence of uneconomic trade flows within the region.

The countries of the Andean Pact are major exporters of tropical beverages and fruits. As such, their economies are strongly effected by world market conditions. The Andean Pact itself can only have a marginal impact on the development of these markets, but some habits of cooperation could be established. One area where such coordination is already taking place is in the matter of preferential access to developed country markets. The Andean Pact countries benefit from collective representation in talks with the EU on trade preferences such as the 1991 agreement aimed at expanding the European market for legal agricultural commodities. The negotiations with the U.S. on the ATAP scheme of preferences were also coordinated.

Alongside the changes outlined above for intra-bloc and preferential trade policy, the Pact could also coordinate actions within the WTO. Now that all Andean Pact countries are members of the WTO, some rationalization of the tariff bindings could usefully be attempted.³¹ In the Uruguay Round the four GATT members chose different ceiling bindings for their agricultural schedules.³² In the case of Bolivia and Venezuela these bindings were at 40 percent for all products. Colombia chose to bind at an initial level of 100 percent, declining over the ten year transitional period to either 90 percent or 70 percent, depending upon the product.³³ For non-agricultural products the bindings were mostly at 35 percent, with some tariffs bound at 40 percent. Peru chose to bind the tariffs for a number of agricultural commodities at 30 percent, but for those products subject to price bands the ceiling was set at 68 percent. Such a dispersion of tariff bindings does not enhance the credibility of the Andean Pact as a customs union with a common external tariff.

³¹ Ecuador was admitted to the GATT/WTO in the summer of 1995.

³² See Tim Josling, et.al., *"The Uruguay Round Agreement on Agriculture: An Evaluation"*, International Agricultural Trade Research Consortium, Commissioned Paper No. 9, July 1994.

³³ The higher rate was presumably chosen to give more flexibility for additional tariffs under the price band system for certain products.

These bound tariff levels in all cases are far above those actually applied in the Andean Pact to imports from third countries. If member countries of the Andean Pact were ever to make use of their ceiling bindings the result would be serious distortions in agricultural trade as well as in domestic resource allocation. If the scope for high tariffs is not to be used then it would be better to negotiate away the unneeded protection, perhaps for the safeguard system mentioned above. It would seem to be risky to hold onto unused and unwanted protection at a time when domestic producer groups are pressing for a return to more government intervention in agricultural markets. The binding of the tariffs for agricultural produce, subject to the suggested safeguards, at the Bolivian and Venezuelan level of 40 percent and the remainder of the products at the Peruvian level of 30 percent would be a constructive way of signaling to trade partners as well as to domestic interests that high protection for agricultural markets is a thing of the past in the Andean Pact.

8. Conclusions

The agricultural trade policies of the five countries of the Andean Pact have reached a critical stage in the path towards economic rationality and political sustainability. Three developments have pushed these policies in a more liberal direction. First, and most importantly, domestic economic policy reform has included dramatic changes in agricultural policy. This has led to the deregulation of the agricultural sector, in particular the privatization of many of the functions of parastatal enterprises; the removal of most of the subsidy and price support programs; and the replacement of non-tariff measures with tariffs as the main means of border protection. This process has been taken further in Latin America than in most other parts of the world, and the five countries of the Andean Pact have been among the leaders in implementing these policy changes.

The second development has been the incorporation of agricultural trade in the free-trade provisions for regional trade agreements. This is in sharp contrast to the practice in the 1960s, when trade pacts such as LAFTA and EFTA omitted agriculture from the trade liberalization aspects of the agreement. The inclusion of agriculture fully within the free-trade obligations of the GRAN countries was a bold step, and one fully in line with the new "open" model for such regional agreements as exemplified by MERCOSUR and NAFTA. Moreover, with the possible exception of the price band system, the GRAN countries have resisted the temptation to solve internal domestic agricultural problems by putting up a high external tariff and establishing common support systems. As the EU experience has shown, such a path leads to high budget costs, trade frictions and an inefficient agricultural sector unable to survive without considerable transfers from the rest of the economy.

The third development has been the binding of tariffs within the GATT Agreement on Agriculture which emerged from the Uruguay Round. The Agreement called for the conversion of all non-tariff import measures into tariffs which were to be bound and in many cases reduced according to an agreed schedule. GRAN countries had for the most part already changed non-tariff barriers to tariffs, but the binding of these tariffs is an important step in locking in the changes in domestic policy which might otherwise be reversed. Other aspects of the Agreement will also have an effect on the choice of policies for the GRAN countries in the future. The injunction against the use of export subsidies, except where entered into the Schedules, takes away one possible instrument for reintroducing price support in agriculture. The budget cost of such subsidies would also make it unlikely that they would ever feature in the policies adopted by these countries. More significant is the impact of export subsidy restrictions on world prices for agricultural products. The extremely low prices for certain products which resulted from the export subsidy policies of the U.S. and the EC in the mid-1980s are unlikely to return.³⁴

³⁴ The constraints on domestic subsidies negotiated in the Uruguay Round are even less likely to have an impact on the policy choice of the GRAN. The cross-commodity nature of the measure

The combination of these three developments provides the environment for a newly articulated agricultural strategy for the countries of the Andean Pact. The core of that strategy could be to prepare the agriculture of the region to face competition from agricultural producers of Canada and the U.S., as well as those from Argentina, Brazil, Chile and Uruguay, in a large regional internal market. It should not be assumed that it will be possible or feasible to maintain significant protection against goods coming from these countries. This involves the investment of resources into the modernization of agricultural enterprises and the removal of remaining impediments to these developments. This element of the strategy would also include parallel measures to improve cooperation in research, to assist in the mobilization of investment funds on a regional basis, and to promote coordination among regulatory agencies.

A second aspect of this strategy would be to be able to sell the tropical products and sugar grown in the region in foreign markets in the absence of preferences. Of course so long as preferences still exist each country will benefit by making use of them. But not only is it unlikely that these preferences in the European and U.S. markets will survive far into the next century, but it is not clear that it is in the long run interest of the countries that benefit from them to continue to orient their economies in that direction. This movement away from dependence on preferences may require some regional cooperation. The negotiations with the EU and the U.S. on the ending of such preferential arrangements may be more successful if organized on a regional basis.

A final element in the strategy would be to build on the basis of regional free trade in agricultural products to develop marketing and processing firms, along with complementary public institutions, based not on narrow national markets but on regional patterns of production and demand. These regional firms and institutions should be encouraged to emphasize quality and timeliness, establish regional identities for product differentiation and aim to increase consumer awareness of the availability of regional produce. Clearly the success of this strategy depends on economic growth and macroeconomic stability, but it could be stimulated by actions at the regional level. One element of this is the removal of technical trade barriers arising from different standards.

(the Aggregate Measure of Support, or AMS) used to express the limits on domestic support, together with the extensive reforms which have taken place since the base period used for that measure, ensure that these quantitative constraints will not be operative. As it is mainly through the AMS constraint that the pressure on countries to move to "green box", i.e. less trade-distorting, domestic subsidies is felt, it would seem that even this innovation is unlikely to have much impact.

An attempt at the level of the Andean Pact to develop regional regulations, or to encourage the mutual recognition of national standards, could prove a useful boost to market integration and the development of agricultural trade.

Without a consistent strategy for agricultural trade the political sustainability of the policy reforms will remain in doubt. Pressures are building for a return to more intervention in agricultural markets. These pressures will build as world prices continue their long run downward march, after the present short term price surge has receded. As the expansion of intra-regional trade continues the tendency to blame domestic productivity shortcomings on unfair competition will intensify. Macroeconomic fluctuations, in particular currency upheavals will also bring calls for protection against imports of agricultural goods. A well-defined strategy may be the only way to prevent a reversion to the inward-looking policies which have for so long shackled the competitiveness of Andean Pact agriculture.

Implementation of such a strategy clearly entails action at the national as well as at the regional and multinational level. At the national level the continuation of economic and trade reforms are the key to successful agricultural policy changes. Bolivia, Colombia and Peru have undergone these reforms in a comprehensive way, though even in these countries there are still relics of the old policies. In the case of Bolivia the marketing of domestic farm products is still in the hands of parastatals. Colombia shows signs of backsliding in response to protectionist pressures from those who would rather not face up to international competition. Peru still has a surcharge system for agricultural products that shields uneconomic domestic production from pressure from imports. The process of domestic reform is still incomplete in Ecuador and Venezuela, and this is hampering the development of an agricultural trade strategy. In Ecuador the policy reforms still have to be fully implemented, and in Venezuela the process has apparently stalled.

Regional decisions cannot determine the pace of unilateral reform, but they can be useful as a way of reinforcing changes taken at the national level and lowering the risks associated with such changes. At the regional level the implementation of the strategy outlined above can best be achieved by policies which maintain free access to regional markets whilst encouraging the development of trade with other regions. The Andean Pact has a role in coordinating regional trade positions within the WTO. This could include the rationalization of the tariff bindings and agreement on the continuation of multilateral trade reforms but it should focus on the development of a GATT-consistent safeguard system for agricultural products to replace the Price Bands. The Pact also has a role in preparing the agricultural sectors of the region for the merging of the preferential trade agreements in the Americas. It should avoid policies which give protection to or encourage agricultural development which is unlikely to prove competitive in the broader marketplace. Whether the Pact survives as an integral part of the economic and trade policies of its members depends in large part on how well it performs the task of preparing the regional economy for wider competition.

Table A: Share of Western Hemisphere Agricultural Trade to and from Andean Pact Countries, 1993

	Bolivia	Colombia	Ecuador	Peru	Venezuela
Share of Imports from Andean Pact	14.6%	17.7%	22.8%	19.8%	10.1%
Share of Imports from MERCOSUR	45.0%	9.6%	8.1%	21.6%	11.6%
Share of Imports from NAFTA	40.4%	72.7%	69.2%	58.6%	78.3%
Share of Exports to Andean Pact	28.0%	24.7%	13.9%	19.7%	11.0%
Share of Exports to MERCOSUR	26.5%	3.3%	3.6%	13.7%	4.3%
Share of Exports to NAFTA	45.5%	72.0%	82.4%	66.6%	84.7%

Table B1: Flows of Agricultural Products, Andean Pact Countries

Rice: Flow of Andean Pact Trade, 1993

(in thousand US\$)

Imports	Bolivia	Colombia	Ecuador	Peru	Venezuela	Mercosur	Nafta	Europe	Rest of World
Exports									
Bolivia				49				2	-
Colombia	9		816		650				2
Ecuador									14
Peru		826	548				20		
Venezuela		19,364					1		1
Mercosur	300		8	26,046	2				
Nafta	103	10	1	11,740	97				
Europe				1,108	10				
Rest of World	1	5	1	59,645	7				

Maize: Flow of Andean Pact Trade, 1993

(in thousand US\$)

Imports	Bolivia	Colombia	Ecuador	Peru	Venezuela	Mercosur	Nafta	Europe	Rest of World
Exports									
Bolivia				81			28	3	-
Colombia	1				16				-
Ecuador		2,171							1
Peru			239		1		440	1,475	927
Venezuela		1,134					721		7
Mercosur	209	12,552		59,755	40,817				
Nafta	1	56,438	1,329	25,810	111,646				
Europe		10		-	1,381				
Rest of World		11	62	669	1,599				

Wheat: Flow of Andean Pact Trade, 1993

(in thousand US\$)

Imports	Bolivia	Colombia	Ecuador	Peru	Venezuela	Mercosur	Nafta	Europe	Rest of World
Exports									
Bolivia				51					-
Colombia					3				-
Ecuador									-
Peru									-
Venezuela		9							-
Mercosur	7,477	14,354	2,047	87,558	358				
Nafta	24,389	109,134	39,491	71,387	174,568				
Europe	120	2,036	4,099	7,828	8,783				
Rest of World	258	7,283	10	-	3,257				

Table B2: Flows of Agricultural Products, Andean Pact Countries

Meat:Flow of Andean Pact Trade, 1993

(in thousand US\$)

Importer	Bolivia	Colombia	Ecuador	Peru	Venezuela	Mercosur	Nafta	Europe	Rest of the world
Exporter									
Bolivia						630			-
Colombia					2,396				-
Ecuador		36			312				-
Peru	7			4					-
Venezuela		723							1
Mercosur	107	73			378	25			
Nafta		1,641	357		51	335			
Europe	24	147							
Rest of the world	8	-	2,140			56			

Fruits and Vegetables:Flow of Andean Pact Trade, 1993

(in thousand US\$)

Imports	Bolivia	Colombia	Ecuador	Peru	Venezuela	Mercosur	Nafta	Europe	Rest of the world
Exports									
Bolivia		266			131	4,249	6,813	7,151	971
Colombia	2		444		335	214	214,140	202,938	44,686
Ecuador		1,264			260	34,850	188,055	223,032	142,113
Peru	15	1,254	605		2,446	5,673	32,860	97,351	13,160
Venezuela		7,400	19		116	599	32,736	10,035	18,987
Mercosur	859	1,761	138		2,333	50,964			
Nafta	3,493	45,681	7,963		34,621	94,974			
Europe	271	5,844	496		2,833	17,966			
Rest of the world	1,793	36,882	4,161	22,246	41,220				

Flowers: Flow of Andean Pact Trade, 1993

(in thousand US\$)

Imports	Bolivia	Colombia	Ecuador	Peru	Venezuela	Mercosur	Nafta	Europe	Rest of the world
Exports									
Bolivia						18	635	2	-
Colombia					11	1,511	303,708	67,517	8,662
Ecuador		133			30	7	1,280	30,559	5,500
Peru	3	2		2			1,786	1,498	341
Venezuela							490	14	61
Mercosur									
Nafta		55			8	101			
Europe		2				80			
Rest of the world		2	1	1	11				

Table B3: Flows of Agricultural Products, Andean Pact Countries

Sugar: Flow of Andean Pact Trade, 1993

(in thousand US\$)

Imports	Bolivia	Colombia	Ecuador	Peru	Venezuela	Mercosur	Nafta	Europe	Rest of the world
Exports									
Bolivia			2,386	13,341					-
Colombia			11,785	35,641	54,871		32,722	3,002	24,559
Ecuador		200		52			7,672		1
Peru	10	3	9				14,453		1
Venezuela		6,096					3,490		459
Mercosur	202	261	26	11,924	56				
Nafta	101	1,906	801	9,325	958				
Europe	123	1,292	777	656	485				
Rest of the world	13	337	25	28,018	8,943				

Coffee: Flow of Andean Pact Trade, 1993

(in thousand US\$)

Imports	Bolivia	Colombia	Ecuador	Peru	Venezuela	Mercosur	Nafta	Europe	Rest of the world
Exports									
Bolivia				19		238	96	2,617	908
Colombia	263		876	381	56	2,569	249,054	785,693	171,506
Ecuador				23		162	47,396	33,881	25,906
Peru			236			307	12,910	26,525	20,097
Venezuela							29,910	3,390	1,591
Mercosur	61			1					
Nafta	9	9	27	104	16				
Europe		2		10	1				
Rest of the world	121	1	1	462					

Cocoa: Flow of Andean Pact Trade, 1993

(in thousand US\$)

Imports	Bolivia	Colombia	Ecuador	Peru	Venezuela	Mercosur	Nafta	Europe	Rest of the world
Exports									
Bolivia								64	404
Colombia	11		36		74		7,893	6,856	230
Ecuador		202		1,071	25	3,910	36,988	23,613	12,639
Peru	170		367			375	5,371	3,215	1,735
Venezuela		8					6,405	3,390	1,248
Mercosur	2					1			
Nafta									92
Europe		26		7	442				
Rest of the world	3	1			57				

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