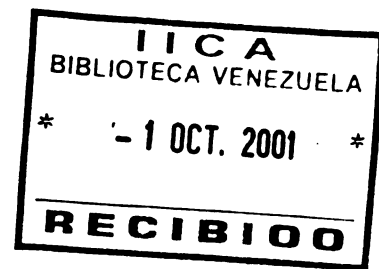


The Strategic Role of the Rural Sector in the Development of Latin America



Cartagena de Indias, Colombia



THE STRATEGIC ROLE OF THE RURAL SECTOR IN THE DEVELOPMENT OF LATIN AMERICA

A Report of an International Conference

Cartagena de Indias, Colombia

July 8-10, 1998

Prepared by

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and Edgardo R. Moscardi***

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INTRODUCTION

This document reports on papers presented and discussions that took place in Cartagena, Colombia on July 8-10, 1998, in a Conference on the "Strategic Role of the Rural Sector in the Development of Latin America." It blends conclusions of the papers, comments from section panelists, and observations from the audience, and draws heavily on notes prepared by section chairpersons that highlighted the main areas of agreement or consensus and others requiring further study¹. Additionally, the keynote address by Rafael Echeverri is appended, along with an index of major presentations and a listing of the institutional affiliations, addresses, faxes and/or email addresses of principal ("first") authors of the major presentations.

The meeting was motivated largely by the realization on the part of development professionals in the region that recent structural adjustments, the "opening of the Americas," and the globalization of national economies afford a unique opportunity to reposition the rural sector strategically in Latin America as a key source of economic progress, poverty alleviation, environmental protection, and political and institutional stability.

Therefore, objectives of the Conference were taken to be the following three: a) to examine the strategic role of rural development in the progress of Latin American nations, together with the different forms that role has taken through time and across countries which are notoriously heterogeneous; b) to identify areas for policy and program attention that could close gaps between what the sector can contribute and what it is currently contributing to the region's economic and social advance; and c) to find means by which outcomes of the Conference could be pursued in the future. While accomplishments can be cited in relation to all these objectives, this report focuses on accomplishments relating to the first two. Only a brief remark is made about the third in the concluding section of the report.

The event was organized into three plenary sessions with papers, plus a fourth plenary session at the conclusion, which summarized all discussions. In addition, two sets of three parallel sessions each were conducted (one set on the first full day and another on the second). The plenary sessions dealt with global issues and long sweeps of history, while the

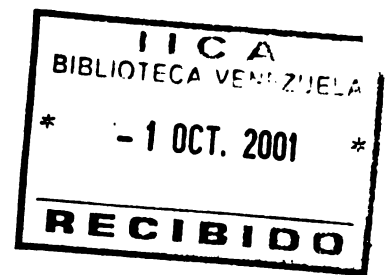
¹ Conference chairpersons were Albert Berry (University of Toronto), Francisco Delgado de la Flor (La Molina Agrarian University, Peru), Antonio Flavio Días Avila (EMBRAPA, Brazil), Eugenio Diaz-Bonilla (IFPRI, Washington, D.C.), Antonio Gomez Merlando (Minister of Agriculture, Colombia), Cecilia López Montaña (National Planning Directorate, Colombia), Antonio Mendoza (Secretariat of Agriculture, Livestock and Rural Development, Mexico), Eduardo Venezian (Catholic University of Chile), and Fabio Villalobos (Ministry of Agriculture, Chile).

parallel sessions addressed specific matters: the new institutions of the rural sector, agriculture's competitiveness, trade and regional integration, science and technology, university-level human capital development, and the special and unique problems that rural development faces in Latin America.

Chile, Colombia, and Mexico together hosted the event, and the Rural Mission of Colombia served as the Conference's Secretariat. It was sponsored and generously financed by Colombia's national science foundation (COLCIENCIAS), the Economic Commission for Latin America and the Caribbean (ECLAC, or CEPAL in Spanish), the Inter-American Development Bank (IADB), the Inter-American Institute for Cooperation on Agriculture (IICA), the United States Agency for International Development (USAID), and the World Bank. Almost 400 people were in attendance at any given point of time, comprising development experts from the region, or representatives of the ministries of agriculture and of finance, as well as of producer, farmer, service and trade, and private (commercial, as well as not-for-profit) organizations. Many participants were also members of the network of private and public sector professionals developed by the Rural Mission in Colombia. This wide range of individuals from almost every walk of rural life led not only to especially well-informed discussions, but to lively debate throughout the Conference.

The first plenary session and the six parallel sessions are reported on here in their entirety. However, a decision was made to consolidate the second and third plenary sessions (those dealing with the "Sustainability of Agriculture and Rural Development in Latin America in Times of Change: Strategic Challenges for the New Millennium" and with "The Economic Development of Nations: the Strategic Importance of Agriculture and Rural Development") into a single section, entitled "History and Important Dimensions of Sustainable Agricultural, Rural and Economic Development in Latin America." The reason is that the eight original papers from these two plenary sessions were highly related. It is hoped that readers, especially those who attended the Conference, will find this decision to be satisfactory and that its results do justice to the wealth of data and analysis offered on the subject.

Readers seeking copies of papers should contact first authors directly. If contact cannot be made directly, additional information may be able to be supplied by the Editor.



Plenary Session I

TOWARDS A NEW DIRECTION FOR DEVELOPMENT: A VISION FROM THE RURAL PERSPECTIVE

This session benefited from one major paper by Rafael Echeverri and shorter papers, including one dealing mainly with Brazil. Echeverri's is emphasized here because of limitations of space and the judgment that other contributions to the session, including comments from the floor, were largely in agreement with the central points of Echeverri's paper. The notes that follow attempt to blend in some comments by other contributors, most importantly those by Bejarano, offered not in this session at all, but at the end of the Conference and brought up here because of their very direct relation to Echeverri's paper.

Today, interconnected and linked elements of practically all sectors of the economy operate in rural areas, making the rural sector far more than a broad view of the agricultural sector. The rural sector supports industrialization of the economies of the region and has significant political and cultural roles; it is also the principal steward of natural and environmental resources. Yet, with all this potential, it harbors much misery, poverty, and violence. Why? The chief factor is a lack of understanding about the rural sector, which has resulted in its neglect.

This contradiction leads one to conclude that current models of development have run their course. New principles, importantly influenced by rural sector considerations, are needed to redirect the course of development. Echeverri said it well: "...the rural sector is strategic to efforts to reorient development because of its intrinsic capacity to help achieve growth, equity, stability and sustainability."

The fundamental challenge for development is to identify actions that harmonize these latter four goals. In the recent past, when economic growth and wealth generation held privileged positions, disharmony raised its ugly head, with adverse consequences for equity, stability and sustainability. Moreover, actions supporting economic growth have too often treated the rural sector synonymously with agriculture and dealt with it as a "residual sector," not as a determinant of general development. But the rural sector's linkages, the increasing length and complexities of the food chain, and the dynamic growth of agro-industry and rurally-based industries make it determinant, strategic and non-residual.

Growth and wealth generation must be distributed equitably to prevent poverty and social injustice. Again, the rural sector has a determining and strategic role to play. For example, urban poverty is largely a product of rural poverty, when poor rural residents are

pushed to urban areas for lack of rural opportunity. Also, increased food production by the rural sector, when followed by lower food prices, impacts mainly the poor because they spend more on food than non-food items. A lack of understanding of the rural sector has also detoured public funding for poverty around the rural sector.

Colombia is an example of a country that enjoys international recognition for its economic stability, high and steady growth, moderate inflation, and the solid management of its international financial obligations. However, this economic stability has been accompanied by intense instability on many fronts: internal conflicts, the loss of the State's legitimacy in parts of the Republic, failures to achieve fully democratic political processes, and a population that is perplexed, uncertain, and unconfident.

In addressing stability, thought must be given first to redefining the role of the public sector. More effort should probably be devoted to regulating, promoting, and reallocating economic surpluses with a view to making economic stability compatible with social and political stability. Decentralization of government interacts directly with the rural sector and produces what Echeverri termed the "loss of domain" by the State in rural areas, permitting illicit crop production and intrusion by paramilitary forces. Thus, the rural sector also has a central, strategic role in promoting stability.

Finally, sustainability refers to the adoption of a development model that will function as well today as tomorrow and is equally applicable to any segment of the population. The present model does not meet these criteria: the gap between the rich and poor has been widening, the rural sector has been losing ground to the urban sector, and non-renewable resources are being depleted.

In short, the broad goals of society—growth, equity, stability and sustainability—can all be supported and nourished by the rural sector if its strategic roles are understood and recognized.

Bejarano added important, complementary points to these views. First, he noted that "progress" has always been defined by one direction of change—from poor to rich, from old to modern, and from rural to urban. This meant that economic development was seen as being sparked by exogenous factors operating on the poor or on rural areas. Echeverri has essentially made rural change more endogenous and he has suggested that change can move in most any direction, not just from rural to urban. Second, Bejarano suggested that we may be witnessing a third agricultural revolution in which major expansion takes place in the non-farm rural sector, and "agriculture" and "rural" become ever more loosely linked. To the extent this occurs, he envisages the old tensions arising over farmland becoming less important sources of rural unrest than in the past. Similarly, the new vision of rural areas will be less oriented towards production and more toward the cultural, political, and social values of rural areas.

Plenary Sessions II and III

HISTORY AND IMPORTANT DIMENSIONS OF SUSTAINABLE AGRICULTURAL, RURAL AND ECONOMIC DEVELOPMENT IN LATIN AMERICA

Five papers (by Berdegúé, Donoso, Figueres, Ocampo, and Piñeiro) examined this topic from the perspective of the region as a whole in two sessions of the Conference; one paper (of which Balcázar was senior author) looked at the Colombian case; another examined the Mexican case.

Figueres devoted time in his presentation to the idea of "sustainable development." He explained that "development in our countries is always subject to great pressures for rapid solutions to problems, involving inadequate resources and the smallest possible political costs. . . . Long-term results are neglected." As a result, big problems become larger and less manageable until they explode. "Sustainable development ... attempts to respond to this loss of control over the larger national problems. . . ."

Donoso, too, addressed sustainability by identifying the large environmental problems associated with agriculture. He said that agriculture's interactions with natural resources and the environment are numerous and complex, but sometimes negative. If these interactions are understood and quantified, the negative effects can be internalized so that productive decisions take account of resource preservation. But in Latin American agriculture, little is known about actual levels of contamination, how contaminants are transported, and what possibilities there are for mitigating the effects of contaminants—be the problem deforestation, the salinization of aquifers, or nitrate and pesticide contamination. Data needs to be compiled, studies need to be conducted of the interrelationships between agriculture and the environment at the farm and watershed levels, and integrated simulation models should be developed. These findings would constitute the base for more efficient and effective policies.

Presenters underscored the importance of agriculture and rural development to the sustainable economic development of a nation. Most participants agreed with Piñeiro's assertion that economic development and modernization cannot occur without a productive agricultural sector that makes use of up-to-date technologies, produces rising yields, and generates economic surpluses. The importance of agriculture was illustrated by the fact that several agricultural commodities contributed to creating the very social and political fabric of many Latin American countries, such as cotton and (later) coffee in Colombia, coffee in Costa Rica, and livestock and cereals in Argentina and Uruguay.

One reason agriculture has played a specially central role in the economic development of Latin America is that the region's abundant natural resources have given some significant comparative advantages to agriculture. Although only 10 percent of the world's population resides in the region, Latin America accounts for 23 percent of all cultivated land, 46 percent of all tropical forests, and almost a third of the world's fresh water. This also argues for the importance of agriculture in the future. Piñeiro went one step further to say that "agriculture should be seen as an opportunity for a new phase of industrialization"—essentially the industrialization of primary agricultural commodities along the lines now seen in developed countries.

In spite of this widespread recognition of the importance of the sector for general economic growth and development, major "biases against agriculture," characteristic of "import-substitution" policies, did emerge in most countries of the region after the Second World War. (Balcázar's analyses of prices in the Colombian case constitute a counter example. He concluded that evidence contradicts the usual notion that, historically, there were biases against agriculture.) These anti-agricultural biases have only been partially reduced by the new economic regimes of the late 1980s and the 1990s.

Without appearing to be apologists, two of the papers of this session offered less critical views of the import-substitution policies of the post-war period. One spoke of the "complementarities" propounded by Prebisch and ECLAC between the agricultural and industrial sectors, denying that the intention had been to favor industry at all. Also, and in spite of these policies which have been widely discredited, regional agricultural production increased annually for a 25-year period (1950-75) at 3.5 percent on average (although participants agreed with former President Figueres that growth rates have been declining over the past 40 years). Only five countries in the world recorded rates that were equal to, or better than, 3.5 percent annually in this period: Germany, Japan, Korea, Taiwan and Thailand.

It was quickly pointed out that Latin American agriculture is especially heterogenous. Therefore, in the same 25-year period, Brazil, Colombia, and Venezuela, among large countries, had above average rates of growth in agricultural production, while Argentina, Chile and Peru experienced below average rates. Mexico's production expansion was without equal from 1940 to the mid-1960s, but then slowed down; eventually the sector practically stagnated. Several small countries—Costa Rica, the Dominican Republic, Guatemala, El Salvador, Nicaragua, and Panama—also experienced rapid, above average sector growth. That this heterogeneity prevails is somewhat surprising in light of the fact that just four countries account for 80 percent of all agricultural production: Argentina, Brazil, Colombia and Mexico.

Ocampo also demonstrated that direct public sector support for agriculture was generous in the import-substitution period, largely offsetting any anti-agricultural bias in commodity prices and trade. He spoke of the development of institutions dealing with rural credit, technology generation, agricultural extension and commodity markets. Also not to be overlooked were investments in rural roads, irrigation systems and land reform. However, most programs favored large- and medium-sized farms. For example, Latin

America still has the world's most unequal distribution of landholdings (roughly 60 percent of landholdings work only 2.0 percent of the land in farms) in spite of much experimentation with land reform.

To reverse import-substitution policies, protective tariffs and quantitative trade restrictions were reduced across the board and, participants felt, at rates which were faster than necessary. It was assumed that this policy change would be accompanied by increases in real exchange rates; farmers, as a consequence, would be insulated from potentially negative income impacts. But what occurred was a decrease in real exchange rates, following unexpected increases regionwide in financial capital inflows. Local farmers were seriously hurt and, unfortunately, governments did not implement transitional programs for farmers who were experiencing difficulties. Balcázar pointed out that in the Colombian case this had the distinct effect of shifting resources into non-traded commodities.

The negative effects of less favorable prices received by farmers were accentuated by reforms in (and the dismantling of) the public institutions and programs supporting agriculture. Some participants, led by Piñeiro, felt that the institutional reforms have been more important, and that the negative effects of pricing reforms have been exaggerated. Public credit was eliminated, as were requirements that private banks lend agriculture a specified share of all loans. The public sector also largely withdrew price supports and guarantees; and almost overnight extension services were eliminated, or cost recovery mechanisms introduced. Cost sharing by the national institutes of agricultural research with the university and private sectors was urged to reduce their public sector dependence. And traditional programs of land reform were substituted with new programs that relied on the market and land price subsidies. For rural people, all these changes—only partially and imperfectly implemented—produced new institutional risks and uncertainties. Those same risks and uncertainties kept the private sector from stepping in and filling the voids created.

In light of the above, it is hardly surprising that agriculture's performance was disappointing in the 1990s. Ocampo summarized: "the expectation that the adoption of 'more neutral policies' would produce a rapid rate of growth in agriculture has not been satisfied to this point in time." Nonetheless, agriculture in four countries—Chile, Nicaragua, Peru and Uruguay—did turn in better post-reform production performances. Maybe others will follow since the Chilean case in particular suggests that post-reform agricultural declines may be followed by significant upturns. Most participants appeared to side with the view that "...it is a bit early to evaluate the impacts of reforms..." The eventual outcome may hinge on the ability of countries to move into the fastest-growing subsectors of production—for example, oilseeds, fruits, horticultural crops and livestock. Colombia appears to have "defended itself" by moving into exports of processed and manufactured food products and away from exports of primary commodities—a new trend which is consonant with Piñeiro's view of agriculture's future.

In the post-reform period, exports expanded rapidly—among them, nontraditional products such as avocados, coffee extracts and shellfish—but imports of agricultural commodities increased even more rapidly. The really "big news" on the trade front was the sustained

increases in interregional trade, more than likely reflecting the development and implementation of a variety of regional and subregional agreements.

Poverty in Latin America continues to be a rural problem in the sense that between 50 and 60 percent of the rural population is poor. However, poor rural people represent only between 25 and 35 percent of all poor people. Poor rural people are much poorer than the urban poor, and the indigent population of rural poor represents about half of all the indigent population. Rural poverty and indigence has not diminished in the past 15 years, nor does it appear to have been altered by rapid economic growth. Participants, therefore, tended to classify rural poverty as "structural" and enduring.

Again, however, the heterogeneity of the region produces some exceptions: Brazil, Chile, Costa Rica, Guatemala, Honduras and Panama have all succeeded in achieving reductions in rural poverty over the past 10 to 15 years. No relationship could be found by Ocampo between these reductions in rural poverty and the changes observed in agricultural production. Balcázar's close examination of the Colombian case, however, did reveal some interesting relationships.

Berdegú's paper clarified the reasons for this apparently contradictory result by emphasizing the point that poverty is "multidimensional," caused by a variety of factors: inadequate physical capital (land, livestock and machinery), inadequate human capital, inadequate social capital (participation in networks and social organizations, migratory experiences, etc.), and access to assets and public services. Because there is not one kind of rural poverty, he would be surprised were the condition related only to the growth of the economy and incomes. The consequence of the many states of rural poverty is that the strategies followed by the rural poor to escape poverty are quite different and numerous, the implications of which are most important for strategies of poverty alleviation. For example, small farmers with little land are unlikely to be made rich by an "agrarian policy" focusing on agricultural development. Also, the World Bank has found that at least 50 percent of all rural employment is generated off farm. Therefore, a highly differentiated and locally tailored strategy is needed to attack effectively the rural poor and alleviate poverty.

Ocampo concluded his analysis of rural poverty by suggesting that the quality of human capital, access to productive resources (technology, land and water, especially), geographic isolation, and high birth rates have generally exercised greatest sway on rural poverty. Berdegú noted, however, that a single policy will necessarily have very different effects on different poor people, given the many different types of poverty that exist. He added the following actions to Ocampo's suggestions: increasing the access and availability of assets for the poor; improving the productivity of the assets owned by the poor (provided asset productivity is increased where local communities can take leadership for change, competitiveness can ultimately be achieved, the poor develop strategic alliances, and their firms retain flexibility and the ability to change); reducing the transactions costs of the poor, especially in credit markets; investing in rural infrastructure and public services nearby the poor; and strengthening rural social institutions that can constantly offer new opportunities to the poor and help them adjust to changes in their environments.

As participants approached the question of an appropriate rural development strategy for the future, it was recognized that financial resource requirements would need to be modest and that actions taken should avoid distorting the efficient functioning of markets for agricultural goods and services. Four elements of a comprehensive future strategy were largely agreed on: a) a macroeconomic environment with exchange rates that do not dampen the competitiveness of agriculture; b) a carefully structured, active and sustainable sectoral policy that focuses largely on technology generation, technology diffusion, human capital development, and credit for the farm population of smallholders and disadvantaged farmers; c) a variety of programs to alleviate rural poverty, adapted to local reasons for rural poverty; and d) articulation of all aspects of a rural strategy at the local level. Former President Figueres added a call for strengthening the role of the ministries of agriculture in the region—to some degree, a reversal of recent trends to dismantle them and decentralize their functions; improving the quality of services and support for farmers, including credit, technical assistance, market information, and advice for producers' organizations; and pushing forward a few projects for agriculture that are of greatest national interest rather than dissipating efforts on many unconnected small projects. In his closing comments, Cox added the need for attention to competitiveness, market stability, and issues dealing with "ecological sustainability."

Discussion Group 1

THE NEW INSTITUTIONAL FRAMEWORK FOR THE RURAL SECTOR

The participants' central argument was that the public sector of relevance to agriculture and rural development should fully modernize to respond to the new requirements of a more demanding, uncertain and competitive world and region. Osmar Benitez of the Dominican Republic spoke for most participants when he said that the challenge today is to make production efficient so that countries can compete successfully in the face of economic liberalization and the opening of markets around the world.

"First generation institutional reforms" have been implemented to that end, based on the premise that "the State is a problem." Thus, reforms have generally tended to reduce the role of the State as a major, centrally organized player, but especially so in the rural public sector. The old institutional apparatus, showing signs of obsolescence and centered on the ministries of agriculture, was largely dismantled on the basis of diagnoses that found that the new public sector of relevance for rural areas should be able to: provide strategic guidance for the course of agricultural and rural development; improve the efficiency, effectiveness, and transparency with which resources are deployed; ensure easy access by all to public services; help create and mobilize social resources for the advancement of policy objectives; manage programs for impact; and identify costs with care and precision.

Regrettably, actions taken in most countries to effect the needed institutional change were not guided by any model, prior experience or clear concept of how best to get from "here" to "there." Most agreed with Martinez Nogueira who claimed that, as a consequence, what we find today are "the remains of a public sector"—a public sector of much reduced dimensions, somewhat in a state of shambles, and without the capacity to address the complexities of the new national and international realities as they affect agriculture and the rural sector.

This unsatisfactory outcome necessarily calls for a continuation of the effort—termed a "second generation" of institutional reforms. The agenda should include the consolidation of relevant laws (especially those dealing with property rights, including land, natural resources, intellectual property and financial instruments), clearer rules for economic transactions, the preservation of competitive forces in the economies of the region, the adoption of mechanisms for conflict resolution, the suppression of corruption, and the elimination of

bureaucratic "special favors." In addition, the relationship between the State and markets is in urgent need of clarification. In some settings, the State has re-entered markets and begun, again, to meddle in them. And opportunistic behavior that takes advantage of organizational and contractual ambiguities must be brought to an end. Most importantly, the historical hostility between the public and private sectors must give way to more cooperation in private-public joint ventures.

Discussion Group 2

THE COMPETITIVENESS OF AGRICULTURE

The paper which was the focus of discussions presented a study of the competitiveness of 28 agricultural commodities in 15 countries of the American hemisphere. The period of analysis was 1984-1995, with some data being projected to 1995-2005. The paper offered, first, a review of the literature on competitiveness and its measurement; next, a methodology was presented together with a specific indicator—based on so-called "quasi-rents"—as the best adapted measure for analyzing agriculture's competitiveness in the region. Finally, results were presented of this first phase of the study.

It was argued that quasi-rents (defined as gross income less variable production costs for a commodity) used as the basis for a competitiveness indicator have the advantage of being theoretically clear, comprehensive, quantifiable, dynamic and relatively easy to calculate.

The main results were summarized and the competitive rankings of commodities and countries included in the analysis were highlighted. Commodities that are more industrialized and exportable (e.g., bananas, cotton and sugar cane) and livestock products appeared to be more competitive; at the other extreme were traditional crops like cereals and dry legumes. With respect to countries, the results were somewhat more surprising, showing that the Andean Region (Bolivia, Ecuador, Peru and Venezuela, except possibly Colombia) appears to be quite competitive; the countries of the Southern Cone, on the other hand, fell around the average level of competitiveness; and northern countries (Mexico and the United States) fell to the lowest levels of competitiveness.

There was agreement about the great importance of analyzing competitiveness, possessing good indicators for public decision-making, and improving the relevant data base. Diverse observations, criticisms, questions and suggestions were then made for improving the analysis.

1. The time period under study (1984-1995) included anomalous years for some countries and commodities. It would be interesting to consider sub-periods to see how the results stand up.

2. In combining results, commodities should be weighted by their relative importance to reduce possible distortions.
3. Some terms in the competitiveness indicator, or ways in which they were estimated, may be the cause of some unexpected results. For example, urban salary rates may be weak links between the agricultural and industrial sectors of Latin America. However, the authors pointed out that the results did not change greatly when urban salary rates were substituted with prevailing exchange rates. Furthermore, it was said that the assumption of a constant share of variable costs in total revenues—forced by data and time limitations—may be somewhat strong since there are circumstances when variations in a commodity's price will bring about changes in the variable cost share. Also discussed was the measure of commodity prices used, especially the effects on prices of policy and tariff changes. The authors observed that their methodology permits disaggregating prices by principal components so the effects of distortions brought by tariffs and trade regulations can be studied and quantified.
4. Results were contrasted with evidence from other studies—for example, in the case of Peru—which led to the suggestion that several competitiveness indicators be estimated in parallel to provide supporting evidence.
5. Finally, the role of small farmers was discussed, their viability in competitive situations, and the need for public support for this subsector of agriculture.

Discussion Group 3

PROGRESS WITH TRADE REFORMS AND REGIONAL INTEGRATION AFFECTING AGRICULTURE AND RURAL DEVELOPMENT IN LATIN AMERICA

An especially comprehensive summary of the deliberations of this discussion group was prepared by Bonilla. It is addressed here with Leite Da Silva's paper, designated by conference organizers as the main paper for the session.

Participants discussed, first, the remarkable changes in the structure of trade in the Americas. The most significant are the decreases in the ratios of agricultural exports to imports, the shift in principal exports from coffee and sugar to horticultural commodities and oilseeds, and the expansion of interregional trade. Other changes were also alluded to, with some participants arguing that trade can be blamed for food insecurity, increased poverty, a less equitable distribution of incomes, and environmental deterioration. Although a more sanguine view prevailed, Bonilla argued that for the best outcomes to be realized, export subsidies and other price-distorting policies in developed countries should

be removed, liberal trade policies should be complemented by other investments at the national level, and provisions should be made for the "winners" in trade liberalization to compensate the "losers" (this can be done and have winnings left over because trade should increase total welfare).

The substance of current negotiations, involving the implementation of the Uruguay Round and its continuation in 1999, subregional trade, the proposed Free Trade Agreement for the Americas (FTAA), and extra-regional trade, was then discussed under four topics: a) export subsidies and dumping, b) market access, c) national supports for agriculture, and d) fitosanitary and sanitary measures. Participants concluded that export subsidies and dumping should simply be eliminated; market access could be increased by eliminating trade quotas in developed countries and by reducing high tariffs on a few commodities of special importance to tropical agriculture (e.g., horticultural commodities, fruits, and sugar); national supports for agriculture should continue to appear on the agendas of trade talks, although they are not now major problems except in the case of the European Union; and sanitary issues are being resolved through the current case-by-case approach.

The political economy of trade negotiations was a topic of substantial discussion and the focus of Leite Da Silva's paper. The involvement of the United States and Europe in regional trade talks offers a vehicle for pressing for continuing reforms in their policies. The FTAA, therefore, may be of far-ranging importance. Both the United States and the Latin American countries are interested in it, and the Latin American countries have said that without agriculture the FTAA will not materialize. Participants concluded that these and all other aspects of ongoing trade negotiations simply are not being studied and analyzed sufficiently by the Latin American and Caribbean countries in preparation for the upcoming negotiations.

Discussion Group 4

SCIENCE AND TECHNOLOGY DEVELOPMENT: INVESTMENT AND EFFICIENCY

The principal paper, authored by Fuglie, Echeverría, and Pray, reviewed some new arrangements for improving the funding and performance of agricultural research institutions. With limits being experienced on natural resources, agricultural production must be expanded in the future through agricultural research and increases in output per unit of natural resources. But are there adequate financial resources for that purpose? If not, how might their availability be increased?

Dr. Fuglie pointed out that profit-oriented firms will generally invest too little in agricultural research. By implication there are important complementary roles for the public sector by means of the development of intellectual property rights (IPRs) that can ensure

greater returns to private firms and by means of direct public investment in agricultural research. Unfortunately, public financing for agricultural research has declined in the Americas. Although increases in private sector financing have accelerated, they have not been as impressive in Latin America and the Caribbean (LAC) as in the United States. Investments in agricultural research from all sources decreased in LAC in the 1990s.

How might the public and private sector partner more effectively raise investments in agricultural research? Four interesting mechanisms were discussed. One involves the "commodity group levy" which is generally a government-approved, but farmer-imposed, tax on commodity sales used to finance agricultural research. Another involves "contract research" in which private firms pay for research that is conducted by public agencies, universities or national research institutes. "Joint ventures and technology licensing" constitute another mechanism, examples of which exist in Argentina where the national research institute has entered into numerous agreements with joint-venture partners in the private sector to commercialize new seed technology. "Research consortia" are quite flexible mechanisms which permit several public and private partners to contribute resources for agricultural research devoted to agreed on aims. The Consultative Group for International Agricultural Research (CGIAR) is one well-known example; another, located in Uruguay, involves the funding, by a consortium of four major brewing companies, of barley research at the national institute.

The ensuing discussion raised concerns about the rising importance of the private sector, underscoring the need for more public financing. But performance ("returns") of public funds should increase, duplication of research efforts should be minimized, and local producers must have results that are truly "at the cutting edge of knowledge." Consideration might be given to the Brazilian model of offshore research installations (specifically, in the United States) which are intended to ensure availability of such technologies, although more cross-country collaboration—exemplified by the work of the Regional Fund for Agricultural Technology (FONTAGRO)—may be what is called for.

Discussion Group 5

PRIORITIES AND MECHANISMS FOR HUMAN CAPITAL DEVELOPMENT AT THE UNIVERSITY LEVEL

Two case studies by Lagunes and Yurjevic, dealing with the Postgraduate College in Agricultural Sciences in Mexico and the Chilean-based Center for Latin American Studies (CLADES), were presented and discussed in this session.

Lagunes explained that graduate and undergraduate student enrollments in agriculture have declined in Mexico and in most of Latin America. Public institutions have experienced smaller enrollments and the traditional agronomy degree is practically disappearing.

One reason is that the latter degree prepared students for public sector employment, but the size of government is everywhere diminishing. Lagunes attributed most of this decline to training in agriculture that is out of step with market demand, and which, he believes, should be chiefly concerned now with five factors: food supply, agro-industry, food exports, natural resource conservation, and issues of sustainability.

The Postgraduate College in Mexico, established in 1959, believes it is responding to this demand currently, with 18 programs in four areas of concentration, following a period of institutional study and reform that commenced in 1992. The program choices that were made—oriented toward preparing professionals with problem-solving capabilities and not simply erudite students—have produced a 30 percent increase in graduate enrollments over the past three years. Additionally, the College is using more efficiently its own human resources, equipment and infrastructure; promoting multidisciplinary programs; diversifying its financial base; and helping to create and consolidate new agricultural enterprises in rural Mexico.

CLADES seeks to generate university-level human resources that can contribute to the profitable and sustainable development of rural areas in Latin America, especially non-farm rural areas. By sharing faculty resources in a consortium-like arrangement with 22 universities in six countries, CLADES has been able to overcome the problem of faculty shortages experienced in many countries and produce a large-scale flow of human resources for the region. About 5,000 students at all university levels will have graduated during the 1996-2000 period.

Two programs are currently offered at the M.S. level, one titled "Agroecology and Sustainable Rural Development" and another called "Management for Rural Development and Sustainable Agriculture." For entering students, tutorial training is provided via Internet at the outset of these programs with inputs from collaborating universities; course instruction then proceeds at a single university. Finally, a thesis is required for graduation. "Sustainable Rural Development" is also offered as an undergraduate program, along with numerous specialized short courses, including one for peasant leaders. Recent external reviews have given CLADES high marks.

Discussion Group 6

THE BIG AND PARTICULAR OBSTACLES TO RURAL DEVELOPMENT IN LATIN AMERICA

For the principal speaker of this session, López, the important contributions of the Conference were that it moved beyond agriculture to address the rural sector, and that the political dimensions of the topics were able to be discussed. In addressing the topic of this session, the speaker succeeded in wrapping it with political content.

In her view, a first obstacle to rural development in Latin America is the "resistance to adapt to the transition"—the transition from a closed, protectionist model of development to one that is open. The "old guard" and power elites are resisting change. Governments should help the people who have been hit hardest by the transition.

Another obstacle has to do with the role of the State. It was a "benefactor" of agricultural production in the past but, more generally, not of rural conditions and well-being. Lopez believes this will continue to be the case, even as the size of the State diminishes because, in her experience, institutions simply do not change.

Technology represents another obstacle for Latin America. It has not been developed with a strategic vision and has failed to concentrate agricultural research in areas of comparative advantage. The illicit economy and violence clearly constitute another obstacle; doing away with the drug cartels is not enough as illicit crops and drug production have deep moral and ethical implications. Furthermore, their economic effects in a country like Colombia touch the lives of almost all people.

Rural poverty is another significant obstacle to development in the Americas. Lopez asserted that the region has grown to the point permitted by its poverty! Rural poverty must be elevated on the policy agenda and removed from the "social policy" area—which, it was stated, always ends up badly—and become a part of economic policy. Most importantly, the countries should stop blaming the opening of the region for poverty, and admit that it was as bad or worse under the old, closed and protectionist model. Siding with comments elsewhere in the Conference, Lopez called rural poverty a "structural problem," one that is independent of the economic model in fashion or prevailing economic conditions.

Participants in this session noted that our views of the obstacles to rural development are a function of the model or ideal of development to which we adhere. Others emphasized that development cannot be destined for a few "illustrious minorities"; it should be planned for with the widest participation possible of society. The fear was also expressed that economic globalization is being manipulated to expand what one participant termed the "exclusionary state of capitalism."

FIVE POINTS OF CONSENSUS

In line with the second objective of the Conference, organizers had hoped that participants would be able to agree on areas for policy and program attention that could close gaps between what the rural sector can contribute and what it is currently contributing to the economic and social advancement of countries in Latin America. Such agreement would represent the "Consensus of Cartagena." This objective, however, especially the idea of a consensus, proved to be too ambitious, given the limits of time, the depth and wealth of the presentations, the wide variety of opinions expressed, and the large number and heterogeneity of attendees, spanning ministers to farmers and representatives of farmer organizations.

As an active conference participant, from the time the event was conceived until it concluded, this editor believes that a complete harmony of views was found in practically no area, but that in five areas there was "least dissonance." On looking back at the event, participants would probably pose fewest objections to these areas, briefly described below.

1. **Complete policy reforms.** While dissatisfaction was expressed with public policy results associated with the "opening of the Americas," it was generally recognized that policy reforms had only been partially implemented and that, therefore, the inertia of former policies was subordinating the positive effects of new policies, leading to mixed and unsatisfactory outcomes. No one advocated tossing out the new policy framework, but most called for reducing the length of the "transition" period and implementing at an accelerated pace the full range of public policies that are consistent with the new framework.
2. **Accelerate second-generation institutional reforms.** In Cartagena, it was concluded repeatedly that institutional reforms have lagged behind other developments during this period of transition. Numerous examples were offered. Transactions costs, but one symptom, continue to be unfairly high for some populations and activities. The institutional reforms should focus on reducing the role of the State and on fostering the privatization and decentralization of some of the former functions of central governments. It was also mentioned that decentralized functions should eventually become fully integrated into the social fabric of rural societies. As the Russian experience with reform has shown repeatedly, markets are not created automatically by simply mandating them and then leaving them alone. The State should promote, guide and orient such reforms so as to create a secure, stable and dependable environment. (Lagunes added, "the State should cease being the principal authority and become an administrator.") These ideas are all part of what was termed "second-generation reforms".

3. **Adopt a national project.** Echeverri urged each country in Latin America to adopt a "national project" which involves actions in four areas: completing the transition of macroeconomic policies, formulating specific actions for an improved rural sector, addressing reductions in rural poverty (especially hard core rural poverty), and undertaking complementary second-generation institutional reforms. Actions in only one or two of these areas cannot be expected to do the job!
4. **The rural sector is strategically important.** It could hardly have been expected that conference participants would argue that the rural sector is unimportant! However, participants added some fuel to the usual arguments for the importance of the sector. First, it was pointed out that statistics of gross national product understate agriculture's role and importance by ignoring its values outside primary production (that is, values at higher levels of the food chain in agroindustry, in food service industries, and even in pharmaceuticals, as well as its role as the chief steward of natural resources). These latter values generally increase precisely when agriculture's share of gross product begins to decline in the national accounts. Second, agriculture has been shown to be more resilient, when other sectors weaken as a result of economic forces operating inside and outside a national economy. Instability, especially in the smaller economies in the region, has been a way of life. A high value is assigned to stabilizing elements, and the rural economy appears to be important because it is one of those. Third, the rural sector, of which agriculture is only a part, constitutes a significant part of the social, cultural and historical fabric of American societies. If inattention to the rural sector results in some of that fabric unraveling, an entire nation can be adversely affected: Colombia cannot be taken to be a special case in this regard. Finally, some participants inclined towards a rash prediction: that the enduring decline in food prices worldwide is coming to an end, which should make investments in the rural sector more attractive and important to all countries in the future.
5. **The management of international trade and competitiveness requires additional attention and investments.** Participants expressed interest in making international trade more "governable" and taking more proactive (less reactive) positions. In the latter regard, it was lamented that Latin American countries are investing so much less than the industrialized countries in preparing for trade discussions and negotiations.

There is also great interest in the competitiveness of commodities and countries of the Hemisphere, but confusions abound regarding competitiveness at the international, national, sub-regional and farm levels. Getting a handle on competitiveness will require work in four main areas: a solid understanding of theory and concepts, appropriate data, estimation of a small set of selected measures of competitiveness, and discussions of results with private and public sector authorities to arrive at workable agreements ("competitive alliances") that can raise competitive positions.

CONTINUE THE DIALOGUE

The final objective of the event was to find means by which outcomes of the Conference could be pursued in the future. Although there was not sufficient time to discuss specific proposals for achieving this objective, more than once participants recommended that the hemispheric dialogue concerning agriculture and rural development initiated in Cartagena be continued and even intensified. This dialogue, however, should take into account the diversity of the region and, as a consequence, the many different ways in which the rural sector can contribute strategically to economic development and how, in turn, the sector should be supported. To inform this dialogue, rigorous, empirical research on the rural sector should be greatly expanded. But studies will not be sufficient. In order to be effective, advocates of rural development need to become more politically astute, allying themselves with urban interests and showing the significant contributions rural development can make to the pressing current problems of society.

TOWARD A NEW CONCEPT OF DEVELOPMENT: A VIEW FROM THE RURAL SECTOR

Rafael Echeverri Perico

INTRODUCTION

In the current context of economic and social development in Latin America, one of the dilemmas facing people who formulate national policies and regional strategies is how to define the role of the rural sector.

In doing so, consideration must be given to factors that raise questions about the way the rural sector has traditionally been identified with agriculture, and about the paradigms of development. These factors are globalization, trade policy, agrifood and agroindustrial chains, rural areas, and the living conditions of broad sectors of the population living in poverty who are excluded from the mainstream of society. The development of Latin America in the future will be determined to a great extent by the role assigned to the rural sector in national and regional plans and programs, and by the countries' capacities to adjust to changes in the world economy in a setting framed by continuing social inequity and the consolidation of democratic governments.

The rural sector will play a strategic role in the way our economic and political structures respond to globalization, and the clarity and efficiency of policies applied to develop the sector will have a strong impact on the region's identity.

THE NEW RURAL STRUCTURE

In the rural sectors of Latin America today, value is added by means of very dynamic linkages among numerous production sectors, including agriculture, trade, transportation, infrastructure, construction, finance, technology services, social services, on-farm processing, industrial processing and input production. The harmonious interaction of these economic sectors in a given rural area defines the rural sector today, and is a broader concept than the traditional view of an "expanded agricultural sector".

Today, the rural economy is looking for new options for growth; witnessing shifts in consumer preferences and changes in the worldwide demand for food; entering specialized market niches; processing foods; linking up with the pharmaceutical and chemical industries; offering products in the off-season; differentiating products by quality, packing and processing; and complying with new food safety requirements.

More recently, the concept of charging for environmental services has been added as a means for generating resources for the sector. The notion of preserving environmental resources such as water, soil, oxygen and biodiversity opens up opportunities in which rural producers are paid to conserve resources and provide environmental services.

The need for a diversified and specialized workforce in rural areas has important implications for the viability of the rural inter-sectoral economic model, as well as for income distribution and poverty. That model will give rise to new options and requirements in the area of human resources training, and will make it necessary to adopt policies that promote education and training to prepare human resources for alternative labor markets in the rural milieu.

The new rural economy is creating demands for new know-how and new capabilities in human resources. Those human resources should modernize and diversify the rural economies of Latin America by introducing innovations that take into account regional, national and hemispheric differences.

When speaking of the rural sector in Latin America, one can no longer make a simple distinction between urban centers and rural areas. Because of the strong economic, social, cultural and political ties that link them, urban centers and their surrounding rural areas have merged into single markets for factors of production, goods, and services. These markets must be capable of generating economic activity, attracting investment, optimizing the use of inputs to achieve full employment, and specializing.

The relationship between the rural economy and regional development has also been strengthened, giving rise to a need for new policies and providing specific opportunities for the objectives of social justice and political stability, both of which are essential elements of the model for the future development of the peoples of Latin America.

The structural weakness of the rural sector in Latin America have been associated with low levels of investment. Capital markets and stable flows of funding are needed, based on policies that balance investment risks and make the rural sector competitive in the national economy.

From a strictly economic perspective, the import-substitution industrialization model transferred resources from the countryside to the city by means of surpluses generated in rural areas which were then (and still are) invested in the cities. This process alone, however, is not the only one that makes the rural sector important. Even today, as the size of the rural population declines in Colombia, it continues to be highly active and influential politically and commercially. In cultural terms, our rural areas continue to be a fundamental element of our national identity.

The rural sector also has a unique responsibility in the stewardship of natural resources and the provision of environmental services. The abundance of water, the biodiversity and the wide variety of soils and ecosystems found in Latin America are closely linked to the social, economic and production structures of the countryside. While in the past the value

of these natural resources as social capital was not addressed consciously, today the future of Latin America will depend in large part on the "environmental supply," both in terms of its potential for internal growth and its relative importance internationally.

Therefore, it can be said that the rural sector and the rural economy have contributed much to the level of development we enjoy today, and that overall development in the future will depend crucially on what happens in the rural sector.

However, our rural areas also evidence a paradox: great potential and important economic and social activities, with steadily worsening marginalization (exclusion), poverty and violence. Several important phenomena converge to shape the current situation in the rural sector, all of which are capable of destabilizing attempts at development. For example, it is in Colombia's rural sector where our political institutions and the State exert least influence. The emergence of a drug-based economy, the escalation of the guerrilla conflict, and the appearance of self-defense and paramilitary forces are examples of deteriorating conditions for development in the Colombian rural sector.

This contradictory situation can be attributed to a lack of understanding of the rural sector; furthermore, as courses have been set for the country's overall development, the sector has not been given the attention it deserves.

DEVELOPMENT AND THE RURAL SECTOR

Globalization is more than a simple merging of markets. It creates new situations which pose challenges resulting from the increasing interdependence of nations. Problems such as food security, hunger, environmental degradation, black market economies, drugs and the threat of war are powerful reasons for developing new forms of world government—new rules of the game—at the international level.

In this context, a country's plans for the future take on great importance, as they distinguish it from all others and define what it must do to join successfully the community of nations and the "global village." In the absence of such plans, external international processes will determine, by default, the role a country plays in the world. Today, Colombia's international position is being determined by strong external influences, ranging from distorted images in the media of life in Colombia to direct actions in response to the image of instability and crisis projected by the country to the international community.

In today's globalized world, sovereignty means more than simply protecting national territory and borders. It now has to do with the idea of defending and implementing, freely and autonomously, the national plans that society has decided will embody its collective interests, political commitment and cultural identity.

At the domestic level, it is equally important to define where the country is headed; a national consensus must be identified that facilitates the adoption of common purposes and

and more harmonious with nature, will depend on how successful we are at identifying how they interact and the long-term strategic processes needed for producing results in all of them.

While this appears to be a sensible approach, we have not truly understood the severity of the imbalance among the goals: we have not seriously questioned the persistence of inequity, and the institutional, ethical and political deterioration that have given the country such a negative image throughout the world and is producing chaos within our borders.

The Mission and others question the idea that this situation can be attributed to the fact that the economy has not grown fast enough, and that we must make further political, social and environmental sacrifices in the name of greater growth.

In formulating a development model, at least four other major objectives (wealth generation, social justice, democracy and sustainability) must be pursued, beyond the market mechanisms needed to stimulate the process, to enable society to come closer to achieving the goal of providing for the collective and individual well-being of its members.

Economic Growth and the Rural Sector

The primary objective of a development model must be to generate wealth, which translates subsequently into economic growth so that society can have something to distribute for the well-being of its members. This economic growth requires making efficient use of the factors production available to society and selecting sectoral priorities with care.

The economic development model in force in the region assigns a definite role to the rural sector that is based on certain premises and structural considerations that dominated the urbanization process and the industrialization of the economy. The underlying idea is that the sector is marginal to the rest of the economy, and that:

- the rural sector should be equated with the agricultural sector;
- the role of the rural sector is to generate surpluses that can be transferred to other sectors of the economy as investments, meaning that they are not re-invested in the rural sector because it is not competitive vis-à-vis the other sectors of the economy;
- the contribution of agricultural production to overall economic performance is in steady decline because its rate of growth is not keeping pace with that of the economy as a whole, in particular the tertiary and mining sectors;
- the limited response of agricultural production to price signals restricts its capacity to adjust to the changing conditions resulting from economic modernization;
- international agricultural commodity prices have declined over the long term, making it necessary for agricultural production to become more efficient and raising questions about the viability of small-scale, minimum-input production models;

- given agriculture's low levels of productivity, the process of modernizing or streamlining production will generate a labor surplus, since more will be produced with fewer people;
- the internationalization of the economy requires the introduction of new business management techniques and technologies that benefit large-scale operations that are more efficient in the market;
- the interests of rural producers cannot be reconciled with those of food consumers, especially those in urban areas;
- urbanization is a necessary foundation for acceptable and sustained levels of economic growth, and
- the rural sector is the seat of various destabilizing processes that discourage investment and production.

This thinking created the general framework for private action and public policy that has conditioned the development of the rural sector to date. However, the inability of the agricultural sector to maintain high growth, combined with the rising tides of migration from rural to urban areas, have made it necessary to rethink most elements of this general framework.

The first element to consider in this line of thought is the relationship between the rural sector and economic growth. Modernization has opened the door for many new economic relations. We have moved from an isolated agricultural economy having little contact with other sectors to one that is highly interdependent. The agricultural sector interacts with a large part of the non-agricultural economy through its backward linkages with other sectors in the value-added chains. Its forward linkages, which are the most important, exist primarily in the value-added chains of food products, that is, the so-called "agri-food chains."

In addition, intermediate processes, consisting primarily of post-harvest activities (i.e., classification, storage and on-farm processing) carried out at the lowest rung of the agroindustrial ladder, also generate value added and offer great opportunities for growth and the consolidation of rural economies. The agricultural sector also has important linkages with the services, marketing, transportation and financial sectors, as well as with environmental services, which to date have not been considered by national accounts (for example, the production of water and biodiversity).

Finally, the interdependence of (and functional relations between) agricultural production and urban centers requires adoption of a different view of "rural space," one that is closely related to the new view of the rural economy, which is no longer limited to the farm but also includes intersectoral relationships and, spatially, a different urban-rural relationship.

In spite of the above, it is worth pointing out that there is potential for future growth in the agricultural sector:

- Changes in income levels worldwide foretell an increase in per capita incomes in relatively less developed countries, which suggests an increase in the demand for food that will compete with productivity increases to possibly reverse the long-run decline of food prices.
- World markets are evolving and creating new demands, particularly in developed countries. This is giving rise to the development of specialized market niches, where product differentiation (in terms of quality, appearance and production methods) offers excellent opportunities for tropical agriculture.
- Domestic markets have developed very rapidly in recent years. Increased sectoral activity can be attributed, on the one hand, to subsectors requiring inputs produced by the agricultural sector, such as the poultry and livestock subsectors. In addition, agroindustry has shown to be the industrial sector with the best performance in recent years, and it uses many agricultural inputs. This is reflected in the makeup of national exports which now comprise mainly processed products rather than raw materials.
- Similarly, economic globalization is offering domestic markets new opportunities. The challenge will be to ensure that these markets can continue to produce a wide variety of products, especially fruits and vegetables.
- Production units producing for on-farm consumption offer advantages that have never been appropriately valued before. In the past, they were viewed as undesirable because they limited the use of modern market processes; today, however, they are important because of their relevance to the incomes of the rural poor and national food security.
- The transformation and structural adjustment of the agricultural sector in Colombia has demonstrated considerable adaptability, characterized by a shift from the more common annual crops to perennial crops that appear to make better use of the available factors of production.
- As a result of the heterogeneous nature of agriculture, groups of producers working under extremely precarious conditions have continued to maintain structures aimed at reproducing the family production unit.
- Given the importance attached to environmental awareness today, a new method must be developed for calculating the costs of food production. Although costs of environmental services were never taken into account in the past, soon they will become an integral element of food costs. This will have a major impact on the comparative advantages offered by the economies of the countries, especially countries like Colombia that have an abundance of natural resources.
- Incorporation of the value of environmental services in primary activities will have a profound impact on the sector's general accounting. In the near future, the opportunity

costs of land in producing water (which is highly affected by hillside farming) and oxygen (associated with the stability of forest cover) will produce changes in the accounting procedures for transfers among producers in the sector, among sectors of the economy, and between urban and rural areas.

- An understanding of a country's biological diversity will enable it to identify new sectors that can economically exploit the advantages offered by its natural resources. New sectors (such as silviculture, animal husbandry, fisheries, tourism and pharmaceuticals), which to date were given low priority because of the emphasis of the import-substitution model, will provide production opportunities that will change the long-term production structure of the country.

All of the above provides a key hypothesis for the Rural Mission: given the primary objective of development, which is growth and the generation of wealth, today more than ever it can be shown that the rural sector is a sector of strategic importance, not a marginal sector.

Social Justice and the Rural Sector

The second objective of the four presented earlier has to do with social justice and equity, and seeks to ensure that society's wealth, and access to it, is distributed in the best possible manner among all its members. When a society enjoys positive economic growth, the existence of poverty is an expression of inequality because it means the country has failed to distribute equitably the benefits of its growth and wealth. Colombia is a perfect example: despite 50 years of uninterrupted economic growth, the ranks of those unable to satisfy their basic needs have not shrunk.

Another of the weaknesses of the current model is its inability to correct the serious social inequalities, inequities and injustices that it generates and sustains. Although there is now greater access to basic services (the percentage of the population whose basic needs are not being met has declined steadily and, therefore, living conditions have improved), the poorest groups are still unable to attain satisfactory and acceptable levels of well-being. The number of people living in poverty (i.e., those without access to the goods and services needed for satisfying their basic needs) has remained practically unchanged over the last 20 years.

This situation is an affront to society and is created by an ethically unjust and economically inefficient structure for the distribution of income and for providing access to factors of production. The consequent concentration of wealth, compounded by very low levels of savings and investments, is creating explosive conditions in society. Extreme poverty, human misery and indignity exist alongside opulence, the consumption of luxury goods, and a lack of solidarity.

The most important shortcoming of the development models pursued in Latin America is their inability to eradicate poverty. Colombia, Brazil and Mexico are the countries of the region that have been least successful in doing so.

The poverty-stricken existence of millions of Latin Americans and the inequitable distribution of wealth continue to represent the greatest challenge for development in Latin America. The fact that our region ranks as the most inequitable in the world reveals the underlying weakness of our economic models.

Because urban centers and industry can no longer absorb all the labor emigrating from the countryside, an option is to promote economic development in rural areas.

Food production is a key element of any policy designed to help the poorest segments of society, who spend the largest part of their incomes on food. Accordingly, food security policies are also a key factor of integrated poverty alleviation strategies.

In this context, a challenge faced by the rural sector is to develop economic forces that will generate, by means of the productive employment of rural inhabitants, the wealth that society requires and the mechanisms needed for distributing it among all its members. In other words, although productivity is on the rise, and will continue to be in the future, it will be necessary to ensure that this increase is distributed in the best way possible among all members of society. Rural economic activity must, therefore, become more profitable and profits must be distributed more widely, especially through wages.

Another factor affecting the possibility of all social groups reaping the benefits of the sector's economic growth is the initial stock of production resources, which determines the extent to which the models for growth, supported by improved market conditions, are likely to impact all those involved in the process. The redistribution of assets (i.e., providing more producers with a minimum stock of the factors of production—land, capital, technology) is a key issue of the debate about a socially just society.

The persistence of poverty, however it is defined, poses a challenge to the general development model and is the most important factor to be considered in constructing a stable rural society. For poverty to be eliminated, all members of society must be more involved in productive activities, and there must be a major redistribution of income and wealth, largely through the remuneration of labor.

In addition, there must be complementary public investment in social areas to compensate the groups that will continue to be excluded from the growth experienced by sectors with good market potential. Only a combination of social investment and greater production activity will reduce poverty levels and contribute to social justice.

One aspect of rural society that must be taken into account is the role that different groups play in building a nation. In the case of rural groups, this includes preserving national territory, protecting natural resources, stabilizing democratic processes, and conserving the rural landscape as part of our culture. In other words, their contribution to economic growth is not their only reason for being.

Rural society plays a key role in a country's social development by contributing directly to food security and helping mitigate the effects of poverty by providing cheap food. It

even has the potential of reducing poverty throughout society, since urban poverty is largely driven by extreme poverty in rural areas. Urban and rural poverty are virtually one and the same thing, since many of the urban poor are actually migrants from rural areas.

Many of the poor are now concentrated in rural areas, and the gap between urban and rural poverty is widening constantly. Although in absolute terms there are more poor people in urban areas than in the countryside, a larger proportion of the rural population is poor.

Rural-urban migration has often been promoted as a strategy for eradicating poverty, in the belief that too many people live in the countryside and that cities offer them greater possibilities of climbing out of the poverty trap. This model, popular particularly in the 1960s and 1970s when the differentials between real urban and rural incomes and wages were very marked because of the industrialization process, has largely been discredited by the fact that the urban economy has proven to be quite incapable of absorbing the large flows of migrants and labor seeking better opportunities.

Taking all of this into account, the Rural Mission must address the question of how specific actions in rural areas can have an impact on overall equity, and whether actions in rural areas have a greater multiplier effect, or do more to reduce poverty, than actions in urban areas.

A basic structural problem accounting for the decay in many poor urban districts is the fact that migrants from rural areas are largely unskilled and, therefore, unable to find work in the more modern sectors of the economy. One alternative is to engage these people in agricultural activities, for which they are more qualified, rather than in the new, urban industrial and service sectors. Intensive use must be made of the unskilled or semi-skilled human resources by providing them with opportunities for productive work.

This raises the interesting possibility that the agricultural sector can become what it once was: the sector that did most to build Colombia. This is an especially attractive idea because it does not require displacing the rural population to urban areas, and will be valid so long as economic growth can be spurred in rural areas by stimulating productive work.

This has suggested an important hypothesis to the Rural Mission: that growth in the rural sector is the first step of a strategy to eradicate poverty and that a critical aspect for achieving equity at the national level is to consolidate an efficient rural sector that redistributes its wealth among the population. This would slow down the migration of the poor and, at the same time, guarantee a supply of basic food for the neediest sectors of the urban population.

Political Stability and the Rural Sector

A third basic objective is to ensure stability so that society can move forward with the confidence afforded by stable institutions and processes, and by the knowledge that it has the mechanisms needed to resolve its internal contradictions and conflicts.

Once again, Colombia is a paradox. On the one hand, it is recognized internationally as a country that has achieved great economic stability because its macroeconomic variables (a relatively low and stable inflation rate, considerable capacity to meet its international commitments, and some solid economic institutions) have remained stable for a long time. On the other hand, its institutional and political stability has been seriously undermined by fierce conflicts, the State's loss of control over large areas of the national territory, and the enormous difficulty of carrying out the democratic political processes called for in its constitution.

It is not enough for a nation to achieve economic stability and equilibrium. Economic stability is not of much use when there is no stability in other areas. The challenge lies in making growth and equity part of a harmonious structure of development that is reflected in institutional stability.

The political crisis is also expressed in a loss of credibility and legitimacy of political institutions. Civil society has fallen into a state of perplexity, uncertainty and mistrust that prevents it from exercising its political duties and rights; it stands by watching as the conditions for life in society crumble. This has become a self-sustaining process due to the inability of economic and political leaders and the State to provide solutions; their attitude is one of apathy and indifference due to the scale of the problems faced, and this has further undermined the prestige of the nation's institutions.

This scenario is not the product of agents who are set on destabilizing the country. Rather, it appears to be the result of a historical process that has, over a period of decades, gradually distorted the country's structure, a process in which the prevailing model of society and development has sown and nurtured the current crisis. Through its development model, society is now reaping what it sowed and peaceful coexistence has been lost.

Proponents of small government claim that the market alone can shape the development model. However, the market is not neutral nor does it operate in a vacuum. Viewing it otherwise creates conditions for major imbalances because the dynamics of the model can produce violent biases in the system, creating very inequitable and unsustainable conditions.

The debate on the size of State is closely linked to the integrated view of development. While it is true that the State must retool its role in the economy, it is equally true that in a society such as Colombia's, where there is small chance of establishing a "perfect market," the State must also strengthen its capacity to regulate and promote economic processes to achieve the objectives of equity and sustainability.

Other things can also contribute to consolidating the national model:

- The first is decentralization, a process that essentially takes place in rural areas. In Colombia, the principal measures of decentralization have been the direct election of mayors and a new fiscal system. By creating a new structure for relations between the

State and civil society, decentralization has made it possible to strengthen mechanisms that increase society's identification with, involvement in and commitment to the nation's development. Many analysts agree that this could provide a means for renewing and consolidating the country's democratic system, as well as of solving problems in the rural sector in Colombia.

- Another important element associated with a nation's stability are its cultural roots and the great cultural diversity which, as already mentioned, are the mainstay and cornerstone of a country's identity. A simplistic view of labor markets, supplied as a result of the migration and mobilization of the surplus rural population, has extremely serious implications for the social capital of cultural groups living in the countryside.
- Another politically destabilizing element affecting rural areas is the State's loss of sovereignty over the national territory. Large regions of strategic importance for a long-term solution are now dominated in Colombia by forces that are external to the State. This has resulted in a dismembering of the national territory and is the most pressing example of an institutional catastrophe. This loss of control represents a loss of control over rural areas. Regions where the economies are based on the production of illicit crops under the control of guerrillas or paramilitary groups are the most dangerous and destabilizing. The nation will only recover these regions with an integrated solution to the rural problem.

Evidently, any integrated solution for the rural sector requires efforts to restore political and institutional stability. Once again, the rural sector has a strategic and vital role to play in efforts to attain national political stability.

Sustainability and the Rural Sector

A fourth general objective of development, and one which is becoming increasingly important, should be sustainability. The essence of this concept is that future generations have the same rights as present ones. Therefore, it is necessary to have a development model that aims to bring about growth, equity and stability today, but that will also be applicable tomorrow and into the future.

Sustainability also means that the economic structures for both production and consumption are applicable in different segments of the population. In other words, sustainability is an intra-generational commitment as well as an inter-generational one. If certain levels of consumption are only possible for one small sector of society, then the model is unsustainable. Intra-generational sustainability requires that it be economically feasible for every member of society to attain a certain lifestyle.

Concern for sustainable development is changing the parameters and nature of the discussion surrounding the development and well-being of society, calling into question the type of modern systems we wish to develop.

Western society's strong emphasis on economic considerations has given rise to a culture of production and consumption that is based on the principles of expanding markets, intensive resource use, and full employment. However, several serious flaws in this model become evident in the long-term. The first is the widening gap between rich and poor, particularly between rich and poor nations, since the levels of well-being needed to satisfy society are rising much more rapidly than the capacity of the poor to consume more. The second is that the high demand and consumption of natural resources raises doubts about the model's sustainability, given the alarming rate of environmental degradation and the excessively high costs for future generations of current consumption levels of energy and resources. The third is the tendency to think that there is only one type of development, with the structure of production and consumption of developed countries being pursued as the objective of development of other countries, as if there were only one path to development and well-being.

Sustainability also has to do with the administration of social capital, in this case, the supply of environmental or natural resources. This supply (a wide variety of soils, climates, ecosystems, and biological and water resources) is closely linked to the farming methods of the rural population and the use made of the soil. Here, once again, the rural sector appears as a strategic sector that can exercise leadership. Capturing that potential requires strategies to strengthen it and conserve its resources.

It is becoming increasingly clear that environmental sustainability, and the economic value attributed to it, determines the development potential of different countries. Over the long haul, the rural sector has a strategic responsibility in taking care of the supply of environmental resources and integrating them into a country's economic, social and political development, which may also condition its relations with the rest of the world.

Recognizing the Strategic Value of the Rural Sector for Development

After considering the relationship between the rural sector as a whole and growth, equity, political stability and sustainability, it is evident that the sector's strategic role is far more important than that assigned it under the current model of development. Accordingly, the Rural Mission has adopted as a priority that greater value be attached in development efforts to the rural sector. It is not only the objective and responsibility of the Mission to find mechanisms for making rural activities more efficient and viable, but also to make such mechanisms key factors that society recognizes, resulting in a re-definition of priorities and the participation of the sector in every aspect of development.

To recognize the true value of the rural sector, one must observe how it interacts with other sectors, understand the dynamics of that relationship, and identify mechanisms and political strategies that assign it a new priority, giving it greater prominence, creating for it new flows of resources, and making it a part of all important decisions. The rural sector has the potential both to contribute positively to development, but also to destabilize it.

This has major implications for efforts to reorient macroeconomic decisions (including those affecting the exchange rate, trade and fiscal policy, and investments) as they have an impact on all sectors and on the entire structure of development. It also has implications for the ways in which transfers take place (i.e., direct transfers, the transfer of surpluses from the rural to the urban sector, or transfers through differential relative prices or the terms of trade). How can such transfers be reversed to benefit the rural sector?

In addition, attaching greater value to the rural sector also means measuring the overall contribution it makes to society and, depending on the outcome, deciding how much society as a whole is willing to pay for the benefits the sector provides in terms of environmental resources, political and social stability, poverty reduction, and greater equality.

THE GLOBALIZATION PROCESS, THE ORIENTATION OF DEVELOPMENT, AND THE RURAL SECTOR

The changes in the economic environment fostered by globalization are reflected in political processes to create economic and political blocs, the new role of market rules in orienting a country's economy and institutional structures, a deeper sense of political and economic democracy, and a greater influence of international trade on national development strategies.

A country's comparative and competitive position at the international level will set the tone of its domestic policies; it also represents the country's particular response to the world setting. Today, more than ever, every country must have its own vision of the nation it wishes to become, and this vision must be projected coherently and consistently to other countries, along with the internal development strategies and macroeconomic policies that strengthen it.

The economies of the Latin American countries are responding to the challenges of globalization. Old policies discriminated against and weakened the rural sector.

Globalization provides an opportunity to redefine the role of the rural sector in development, particularly in national development plans.

A new order of economic blocs is emerging at the international level that is seeking to expand markets and, accordingly, the opportunities for the production apparatuses of member countries. In many of our countries, the rural sector must address its shortcomings in this process and identify its new opportunities. Food production worldwide tends to be dominated by developed countries that continue to use and defend high levels of protection, and this makes it very difficult to reach agreement to make world markets more transparent.

THE TRANSITION

The Rural Mission's concern regarding transition, which has been accepted as one of the key aspects of its work, has to do with the type of decisions needed to bring about the

adjustments and changes required by our economies. Transitional processes have taken place in other places and at other times. Transition is the term used to describe the process still under way in Eastern European countries that is moving them from a socialist model to a capitalist market model. Transition is also what Europe experienced after the Second World War, and what Spain went through after the Franco dictatorship. It can also be used to describe the efforts of the National Front in Colombia.

At present, Colombia's transition comprises two dimensions: economic and political. Economically speaking, it has been identified as a process to open up the economy. Temporary measures must be taken to facilitate the changeover to a more suitable production apparatus.

The development model of our countries is framed by a capitalist structure that gives a key role to private property and the market. In recent decades, however, the interpretation and role of this market model has been affected by the process of structural adjustment, the most important aspects of which have involved institutional adjustments for markets, on the one hand, and the internationalization process, on the other. Market development requires specific structures and relations between the State and civil society. These took different forms in the process Colombia was involved in through the late 1980s, which was characterized by a high degree of State intervention, a domestically oriented development model, and a weak market structure.

The model agreed to was induced capitalist development; the State continued to have a high degree of discretionary authority in economic decision making. Most important was the system of protection and intervention governing the relations between Colombia's production structures and the world, which made it possible to develop economic and business-type institutional structures that did not exist in the 1950s.

This "managed" capitalist model began to show that it had run its course when, although it had modernized the economy in relative terms, it also began to curtail modernization. In other words, it began to limit the possibilities of growth, modernization and competition, and overall economic performance began to decline.

Colombia's present process of adjustment and transformation is based on a new view of the economic role of the State in society, which favors rational decision-making, price signals, private enterprise, and private investment as motors of growth and development. We are only halfway through this structural adjustment process, and the nature of our economic activity is intimately related to it.

The world is undergoing an accelerated process of economic integration that has been strengthened with the collapse of the socialist bloc. It is consolidating around the provisions of sweeping international agreements, particularly those of the World Trade Organization (a result of the GATT negotiations), that obligate Colombia as a signatory country. These agreements set parameters for market regulations, economic measures to protect national output, permissible forms of State intervention in the economy, and rela-

tions between countries or blocs of countries. They also clearly establish that it is unacceptable to maintain institutions whose functions are regulatory and interventionist.

It is necessary (and practically obligatory) for the production machinery of the countries to become integrated with the rest of the world; this is no longer an autonomous national decision but rather a requirement for participating in the new world economic order. In the new world scenario, it is impossible to imagine a country retreating or isolating itself from this worldwide trend, especially if the country has a capitalist-type economy. This international pressure has been felt to different degrees in Latin American countries. In comparison with other countries of the world, Colombia was late in addressing economic opening and intensifying market development, as it held to its system of protection when other countries were already intensely involved in opening up their economies. This weakened its potential and undermined its adjustment process, which can be seen in the way opening and globalization policies have developed. The transition process, particularly for the agricultural sector, was hampered.

Today, Colombia clearly needs to undertake a process of modernization, using markets efficiently as a mechanism for development. To this end, current deliberations about market mechanisms and internationalization are focusing on the structures the country has for guaranteeing suitable market conditions: competition, mobility of the factors of production, reliable information for all players in the economic process, and institutions that inspire confidence.

The challenge facing us now is not whether the market is necessary, but how to improve markets. Structural deficiencies in market institutions cause biases in the objectives of development, produce inequitable situations and are unsustainable; this can only aggravate instability and the institutional-political crisis.

In this context, it is important to discuss and analyze the role the State should play. As mentioned earlier, the State as an economic agent intervening in a capitalist economy was part of the protectionist model; this brings with it the need for sweeping changes which have already been initiated in Colombia, but which need to be completed. The new State must guarantee for society the protection of collective rights, the prevalence of public interest over private interests, and well-being and happiness for all. In this connection, the State cannot merely extend the rules of non-intervention and deregulation of the market to its other responsibilities—for example, building a national identity, ensuring security and providing for justice. A key challenge for the new State is to serve as an instrument that ensures development with a market economy, but does not neglect social equity and sustainability.

However, although the economic sphere is clearly most in need of change, other aspects of society—including, especially, political processes—are similarly in need of change.

The focus is currently on participatory democracy and decentralization. There is an evident need for temporary measures that support the transformation process and help over-

come the institutional shortcomings of local entities, shortcomings that result from inadequate training in general and financial management.

The transition also requires intermediate measures that will facilitate further advances in the so-called "modernization of society." For many reasons, Colombia is considered an extreme case. It is categorized as one of the most violent countries of the world; drug trafficking permeates its economic, social and political structures; it is also ranked among the most corrupt countries of the world; and the legitimacy of the Colombian State and its respect for human rights have been questioned not only at home but also abroad.

Although these are not the only aspects of the crisis, there is need for drastic action in order to solve serious problems in the near future. This could even require sacrificing temporarily key elements of our development process in an effort to solve more immediate problems.

Clearly, the dynamics of our development and the natural mechanisms for adjustment we should have as a society have not yet been capable of addressing the extensive and serious deterioration of conditions in our country. A collective awareness of the need for change must be internalized in all segments of society for us to extricate ourselves from this impasse. To be successful, the transition must be something we visualize together. The Rural Mission understands that we will not be able to realize our expectations about change, social advancement, and development unless sweeping transformations are made soon in the model we are following.

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