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A Survey on Colombian Agricultural Policy the 1990's

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A Survey on Colombian agricultural policy during the 1990's[1]

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Abstract

This survey broadly reviews the structure and evolution of Colombian agricultural policy during the 1990s with especial reference to the disciplines of the World Trade Organization's Agreement on Agriculture. A wide set of programs, organizations, and institutional arrangements, both vertical and horizontal, emerges giving body to sectoral policy. While its structure and practice does not seem to be threatened from abroad (in the form of a deepened multilateral reform process), its coherence and effectiveness may be called into questioning. In effect, agricultural policy appears to be undesirably disperse and ill-funded. Proliferation of seemingly ad hoc or quasi ad hoc policy measures makes it difficult to focus agricultural policy and to aim it at measurable goals with long-lasting effects.

Resumen

Este documento presenta una amplia revisión de la evolución de la política agrícola durante los noventa, con un particular énfasis en lo relacionado al Acuerdo de la Organización Mundial de Libre Comercio sobre agricultura. La política sectorial se caracteriza a partir de programas, organizaciones y arreglos institucionales tanto verticales como horizontales.

Introduction

The main characteristics of Colombian Agricultural Policy, with emphasis on its relationship with the World Trade Organization's (WTO) Agreement on Agriculture, are depicted in this paper. In Section 1 an overview of the reform pro-

[1] Use of this paper is restricted to academic activities performed at the Universidad del Rosario. It has been published under authorization from the University of Sussex's Institute of Development Studies and is based upon a consultancy report prepared for the Institute. As part of the Borradores de Investigación series, it is intended to be one of several Background Documents aimed to partly provide the basic framework for a research area in Rural Economics. It also serves as a reference material for the undergraduate introductory seminar on "Rural Economics with emphasis in Agriculture". Research assistance by Catalina Prieto is gratefully acknowledged.

cess outlining the recent transformation of sectoral policy is provided. In the case of Colombia, a revamp of sectoral policy was undertaken prior to the implementation of the Agreement on Agriculture (AOA). For this reason, a better understanding of the significance of the Agreement requires going back to the beginning of the 1990's. In Section 2, the current agricultural policy is portrayed. Four major areas are covered: Social Rural Policy, Modernization and Competitiveness Policy, Institutional Reform Policy, and Sectoral Trade Policy. Finally, in Section 3 the situation of sectoral domestic policy *vis a vis* the AOA's commitments is presented.

1. Overview of the Reform Process in Colombian Agricultural Policy

The reform process of Colombian agricultural policy started before the issuing of WTO´s Agreement on Agriculture. In what has been known as the "Apertura", the Colombian government launched an ambitious economic policy reform that implied improved domestic market access conditions, the reduction or elimination of distortive sectoral policies and important measures for deregulating market performance.

Until 1990, Colombia had been recognized in international circles as an economically inward oriented country. Even though it ". . . has not always had a protectionist trade regime, external sector policies have been used frequently as an instrument of macroeconomic management of cycles in agricultural exports . . ." (Hallberg and Takacs, 1992; p. 260) - that were long the major source of foreign exchange receipts. Only with the macroeconomic adjustment program accomplished during 1984-86, did macroeconomic policies start to be used for economic stabilization purposes and trade policy for promoting long-term export growth and diversification of exports (Hallberg and Takacs, 1992).

Up to this time, agricultural production was kept under a protectionist regime that sought to develop self-sufficiency in food and raw materials production and to stimulate exports by means of a wide variety of trade instruments. Tariffs, advance deposits, import licenses, import quotas, minimum prices, export quotas, tax incentives for exports, and a government monopoly on agricultural imports were used to achieve this goals.

Broadly speaking, two main issues determined the set of sectoral policy conditions prior to the implementation of the WTO's Agreement on Agriculture. First, the issuing and implementation of Law 101 in 1993. Second, the advance in putting together the Andean Customs Union in 1995.

Law 101 contains thirteen chapters whose articles provide the legal basis for the whole set of sectoral policy instruments. Most of the previously existing ones were kept (especially those coming from the 1992's Recovery Program) and a number were created during the development of the Law. It must pointed out that not all Law's 101 provisions have been implemented yet.

Chapter One is devoted to the opening up of the agricultural sector and its protection. It is stated that, through the negotiation of trade agreements, the government can open up the sector in a gradual and selective manner on the basis of reciprocity, equity and national convenience. Besides, any multilateral treaty that involves concessions affecting the agricultural sector should be subjected to ratification by the National Agricultural Commission (CNA), a consensus building body integrated by government officials and private sector representatives. With no hindering of these provisions, the government is allowed to issue the tariffs, non-tariff measures, countervailing duties and other measures deemed necessary to give the sector the "adequate" level of protection and to defend it from undue competition, including the resort to a safeguard mechanism in the cases imports cause damage or threaten to cause damage to domestic production.

Chapter Two refers to the priority due to the rural sector. In this regard, any regulation affecting domestic prices, production costs, taxes, credit, and investment in productive and social infrastructure, should take into account the preferential treatment constitutionally given to agriculture. The establishment of incentives and direct payments for natural resources protection, when aimed towards benefiting sectoral production, rural income protection, and peace keeping was allowed. Finally, the land registry system was directer to take into account only the productive value of land and the worth arising from land improving or productive infrastructure when valuing rural land for taxing purposes.

Additionally, Chapter Nine states that all the objectives given to Law 101 belong to the Social Public Investment category. This implies that the corresponding budget allocation should be given priority and that its share in public spending can not be diminished with respect to the previous year's budget (Constitutional article 350). The Rural Investment Cofinancing Fund (DRI) was authorized to support rural communities' development initiatives and provisions were made to allow the joint intervention of national and local government agencies in local and regional projects. Also, in Chapter Ten, a Peasant Social Security System was created to enhance peasants access to subsidized health, education, domestic consumption, and other social services.

Credit provision measures were dealt with in Chapter Three. Subsidized credit was kept for small (peasant) producers, interest rates during 1994 and 1995 were given a coling equivalent to the level prevailing in October 31st/93, and a number of credit lines were established. Among the latter it is worth mentioning credit for land acquisition, land improvement, rural housing, capital goods acquisition, marketing, forestry projects, seeds production, and Price Stabilization Funds. Additionally, the Agricultural Loan Guarantee Fund (FAG), that provides collateral for small producers, was strengthened and allowed to cover up to 60% of annual credit repayment (including interests), for restructured outstanding loans. By means of Chapter Four, the Incentive for Rural Capitalization (ICR) was created. Its aim is to provide credit for rural investment with a rebate of up to 40%, subject to the following up of the performance of the investment plan by the Rediscounting Fund for Agricultural Credit (FINAGRO).

Chapter Five established "parafiscal" funds, modifying the existing "promotion funds". Largely fueled by "parafiscal contributions"[2] and government budget allocations for initial support, these funds were targeted towards benefiting the subsector in which the contributions originated. Areas such as research and technology transfer, technical assistance, sanitary control, export and consumption promotion, and infrastructure were among their main targets. The funds were meant to be managed directly by producers' associations under contract with the national government and its surveillance.

[2] "Parafiscal contributions" are "voluntary" taxes arising from crop sales, channeled directly through producers' associations.

In a similar fashion, Chapter Six modifies the Price Stabilization Funds (FEP) - created in 1983, aimed at regulating supply, stabilizing producer's income and promoting exports. Technically, FEPs are special accounting items fed by "transfers"[3] from producers and traders, as well as from seed capital provided by the government, whose capital resources must be devoted to stabilize producer's prices. This is done by withholding a percentage of the price difference between an international reference price and a stabilization price previously agreed upon (when the reference price is above the stabilization price), or by transferring to producers the same percentage of the price difference (when the reference price is below the stabilization price). Producers' associations under contract with the government also administer this type of fund.

Marketing measures were undertaken in Chapter Seven. The Agricultural Marketing Agency (IDEMA) was set to support crop marketing in marginal areas and to preferably deal with non perishable products. However, it was authorized to intervene in any other region under special circumstances. Among others, the main functions performed by IDEMA comprised guaranteeing farmers the minimum price set by the government (on the basis of international prices adjusted by trade and import costs), regulating food supply through domestic market operations as well imports and exports, subsidize storage costs for price stabilization purposes, give financial support to marketing and processing private initiatives involving firms creation, and develop forward put and call contracting. In addition, some other measures were issued to foster government's withdrawal from activities such as vaccine production and wholesale markets management, and to enhance auction spot markets (through tax privileges).

Regarding technical assistance, Chapter Eight enforces the decentralized scheme previously issued for providing it at the local level. It was made mandatory for towns to establish the corresponding Municipal Agricultural Technical Assistance Units (UMATA) and to budget the resources needed for paying the

[3] These transfers are considered also to be "parafiscal contributions". Their amount is determined as a percentage (maximum 80%, minimum 20%) of the price difference between an international reference price and an agreed stabilization price that may be defined as a single price or as a range (a band price). Reference prices must be determined as moving averages ranging over periods between 12 and 60 months.

personnel. Besides, Rural Development Municipal Councils (CMDR) were established as consensus building bodies among local and national authorities and community representatives in order to establish spending priorities and touting local government performance. CMDRs were made responsible for controlling the creation and accomplishments of UMATAs, especially regarding the provision of free technical assistance to small farmers. Also, the Sanitary Protection Fund (FNPA) was created in order to secure and expedite the availability of resources for sanitary and input control purposes.

Chapter Eleven refers to agricultural insurance. Recently created, Law 101 provides for its development by widening the Agricultural Credit Commission, to include the Vice-Minister of Finance, a representative of the insurance firms, and a representative of farmers, and mandating the establishment of the scheme. It also determines to subsidize and exempt from the value added tax the cost of the insurance for farmers.

Finally, Chapters Twelve and Thirteen established mechanisms for consensus building between government and the private sector regarding sectoral policy and for congress to oversee it and evaluate sectoral agencies performance.

Besides the issuing of the Andean Agricultural Sanitary System (SASA), the most significant developments brought about by formation of the Andean Customs Union relate to trade policy. Since this topic is treated at some length ahead, at the moment it suffices to say that the SASA was developed for harmonizing criteria and procedures applied for plant and animal sanitary purposes. Trade facilitation and effective attainment of sanitary protection being the main objectives of the system.

By the time the Uruguay Round was finished, two circumstances had occurred that gave Colombia ample flexibility for coping with the fulfillment of its compromises. First, the base period for tariffying non-tariff measures, binding tariffs, and calculating the Aggregate Measure of Support was characterized by high levels of protection and direct government intervention. Second, by means of the opening up of the Colombian economy most of these policy instruments had been unilaterally eliminated or drastically reduced.

As a matter of fact, most non-tariff measures had been eliminated, applied tariffs had been simplified (reduced to a four-tier tariff system) and considerably reduced, most of the agricultural products were freely importable, price support measures had been reduced and minimum prices were set up based upon international prices, IDEMA's import monopoly had been banned, subsidized credit was restricted to small farmers, and monetary outlays for export subsidies had been reduced. As can be appreciated from comparing budget allocations for sectoral policy with reduction commitments within the AOA (presented in Section 3), Colombia has, in general, considerable room for complying with its multilateral commitments.

2. Structure and Evolution of Agricultural Policy 1994-1997[4]

A summary of agricultural policy during 1994-1997 is presented below. Distinction is made between Social Rural Policy, Modernization and Competitiveness Policy, Institutional Reform Policy, and Sectoral Trade Policy.

2.1 Social Rural Policy

Programs and instruments belonging to this category are aimed at improving rural inhabitants' welfare. Broadly, these comprise resource access enhancement (land, water, credit), employment generation, and social services provision (housing, social security, gender targeted programs).

Land Reform

The current land reform policy originated in 1994 (Law 160) and is aimed at improving land access to rural workers in order to foster their welfare. Perhaps the main innovation of the new land reform scheme was introducing "voluntary negotiations" between landowners and peasants through a "market for land" mechanism supported by the National Institute for Land Reform (INCORA), the government's agency for land reform. A land purchase program was issued, for which a subsidy covering as much as 70% of land value was established, while the remaining 30% was set to be financed through loans. Additionally, the legalization of land tenancy for those possessing land on a de

[4] This section draws on various issues of the Ministers' reports before Congress.

facto manner was launched (about 40% of Colombian land units were supposed to be under de facto arrangements). A third program was intended to transfer land property from the government to peasants. Also a support program for marketing and processing cooperatives was set up. A number of legal procedures were established for carrying out the land reform program. Farmers, peasants, and indigenous peoples associations were given seat within the National Land Reform Council, while land expropriation rules were adjusted (to directly affect those properties belonging to drug dealers). The whole land reform program was budgeted US$ 727 million.

Achievements in the land reform program have been modest. Slightly above 22% for land acquisition, between 32% and 44% for property transfer, and between 28% and 40% for the compound goals (as measured according to hectares affected and number of beneficiaries, respectively). According to the Ministry of Agriculture and Rural Development (MADR), this is due to several factors, among which it is worth mentioning the precarious development of some institutional arrangements that are key for implementing the program (such as the Rural Development and Land Reform State Committee and the CMDRs), the conditioning of subsidy disbursement upon loan approval for land acquisition, the lack of a land price information system, the existence of important distortions in land prices (partly caused by money laundering), and budget cuts commanded by the fiscal crisis.

Rural Housing

The Rural Housing Program is devoted to the improvement of buildings and housing related basic infrastructure (such as water supply and sewage). Known as "Better Living", the program is targeted towards rural communities living in towns of less than 2,500 inhabitants and located in the most impoverished rural areas. Subsidies of up to 75% of the total cost of the project are granted for community based proposals. Under exceptional circumstances (natural disasters) new house building is allowed.

Employment Generation

The Program for Generating Rural Employment (PGE) attempts to enhance temporary employment by means of supporting labor intensive local projects such as rural roads, water supply, watershed management, and phytosanitary controls. The state and municipal levels must jointly support projects in order to be eligible for cofinancing from the national government. From June 1997, a new branch of this program was created to support the development of rural micro-enterprises (PANDEMER). For this purpose, a loan was secured from the International Fund for Agricultural Development (IFAD). By June 1998, near one million dollars have been allocated to PANDEMER, from which around 98% were assigned to prospective projects. Budget allocation started at US$19.9 million in 1995, reached US$19.2 million in 1996 and was down to US$11.2 million in 1997.

Productive Modernization and Diversification

Originated in 1993 as part of the Recovery program, the Modernization and Diversification Program (PMD) is intended to foster peasant's production competitiveness and sustainability. The program is targeted towards goods traditionally grown by peasants and characterized by technological backwardness, cropping under difficult ecological conditions, and weak farmer's organization and management. Budget allocation for the PMD amounted to US$ 1.2 million in 1995, US$ 4 million in 1996, and US$ 3.3 million in 1997.

Alternative Development (illicit crops substitution)

Started in 1995, the National Plan for Alternative Development (PLANTE) is devoted to supporting the development of agricultural projects for small farmers in order to substitute illicit crops cultivation. Covering 97 municipalities in 1997, the program was enhanced in 1996 through a loan negotiated with the Inter-American Development Bank (IDB) for US$ 90 million to be spent during four years starting in 1997. A complex arrangement of activities, performed by several governmental agencies, is executed within the program. Valued at each year's representative exchange rate, PLANTE's assigned budget during the period 1995 - 1997 amounted US$ 13.2 million, US$ 31.5 million, and US$ 15.4 million, respectively.

Education for Community Development

This program was started in 1998 through the creation of a special fund (CAPACITAR) intended to finance training of peasant's organizations in areas related to community development and project management. Total budget allocations amounted to US$3.9 million in 1995, US$1.5 million in 1996, and US$2.6 million in 1997.

Rural Investment Cofinancing Fund

The Rural Investment Cofinancing Fund is in charge of channeling resources from the national government to the local level for developing productive and social projects in rural areas inhabited by peasants. Management of the Fund is performed by an old existing governmental organization (the Fund for Integrated Rural Development -DRI), reorganized for partly implementing the National Cofinancing System (SNC) in those aspects related to rural development for peasant areas. DRI's funds are available under demand from state and local governmental agencies as well as from farmer's organizations. Approved projects must have a complete feasibility study and be partly funded by regional or local governmental organizations.

Also during the period 1991 - 1996, the DRI carried out the Program for Peasant's Integral Development (PDIC) mainly devoted towards improving peasants and traditional fishermen's incomes, and enhancing rural communities welfare and self-determination. DRI has also been in charge of carrying out a regional project intended to the improvement of life quality along the Colombian Pacific Coast. DRI's budget allocation reached US$ 117.8 million in 1995, US$89.6 million in 1996, and US$160.6 million in 1997.

Rural Women's Participation and Equity

This gender oriented program was started in 1994 and is aimed at improving rural women's participation in communal and institutional settings for enhancing resource access and life quality. The program is partly carried out by allocating women a given percentage of target beneficiaries in other social programs. Also a number of social initiatives have been launched in order to improve women's quality of life. Among these, it is worth mentioning relief programs for women living in conflict areas. Between 1994 and 1997, a total of US$ 2.27 million were spent in this program, benefiting more than 30.000 women.

Peasants Social Security

The peasants' social security system is carried out by COMCAJA, a governmental agency legally created in 1993 and operating since 1995. As of mid 1998, COMCAJA had more than 12,000 affiliated firms, 77.5% of them belonging to the primary sector, bringing near 160,000 workers under COMCAJA's services (which include education, tourism and recreational activities, housing, and small firms support).

Other programs

A number of other social programs have been developed and continue to function. Most of them are targeted towards specific groups and operate on the basis of either assigning to those part of the resources that are used by other programs (such as technical assistance, housing, employment generation, etc.) or developing agreements among governmental agencies pertaining to different ministries. Beneficiaries of these programs are, in general, people in distress because of varying circumstances, such as internally displaced people, former guerrilla fighters, indigenous peoples, small farmers affected by climatic phenomena, and small farmers from colonization areas highly influenced by illegal crops cultivation. During the period 1994 - 1998, the Social Solidarity Network and the Social Rural Contract, a couple of governmental initiatives aimed at improving social welfare for marginalized population, channeled resources and coordinated most of these programs.

2.2 Modernization and Competitiveness Policy

This policy area is devoted to improving agricultural, livestock, and fisheries productivity, enhancing productive private and public investment, diversifying production, modernizing agricultural technology and marketing, and fostering exports. In a number of cases operates as transitional policy instruments regarded as necessary for the agricultural sector to adapt to the opening up of the economy and to the increased competition before changing international market conditions.

Land Improvement

Accomplished by the National Land Improvement Institute (INAT), the land improvement program has been deemed as a cornerstone for the modernization and increasing competitiveness of the agricultural sector. In 1991 a Ten-Year Land Improvement Plan was issued and a budget of around US$ 1.1 billion was programmed. The scheme included a drastic institutional reform, a substantial increase in public spending in irrigation and drainage projects, and a demand driven allocation of resources that implied repayment of a certain percentage of public outlays (however, important subsidies were allowed for small farmers). Institutional reforms took a relatively long period of time and resistance to the scheme was offered by various interest groups inside and outside the central government.

By 1994 part of the reforms had taken place, but important modifications, weakening decentralization and democratization efforts, were introduced. During 1995 - 1998, 200,000 hectares were planned to benefit from the program, however, only 40% of the planned budget was effectively allocated and the results of the program fell very short of the expected goals.

Investment and Credit

The Rediscounting Fund for Agricultural Credit (FINAGRO), with the support of the Agricultural Loan Guarantee Fund (FAG), is responsible for implementing the investment and credit policies. A number of measures were taken from 1994 on, in order to alleviate the situation of indebted farmers with outstanding loans and to adapt loan regulations to cover a wider set of activities(such as processing and marketing) and to broaden the share financing has in the cost of certain projects. The rediscounting margin was broadened to 100%, and the coverage of the FAG was increased to benefit a greater number of small farmers. During the period August 1994 - April 1998, agricultural credit reached US$ 1.72 million, of which 81% benefited medium sized and big farmers and the remaining 19% small farmers.

Four special credit or credit related programs were also developed during the reference period. First, the Incentive for Rural Capitalization (ICR) was intended to foster investment in rural productive infrastructure by means of a subsidy that may amount up to 40% of the loan granted to the project (or to 400 times the monthly legal minimum wage). Between August 1994 and April 1998, subsidies to more than 3,000 projects were assigned reaching approximately US$ 31.7 million (about 20% of the total cost of the projects). Second, the FAG provided collateral for more than 60,000 small farmers to support loans amounting to US$ 116.8 million (besides, in 1996 an Agricultural Solidarity Fund - FONSA- was created, to support small farmers in distress). Third, the Forestry Incentive Certificate (CIF), created in 1994 to foster the development of forestry projects, was fully implemented in 1995. The program provides a subsidy of 50% of the cost of planting (75% for native species) and 50% of plantation maintenance costs during the first five years. Low budgetary assignments, though, led to a meager 11% of the planned goals (160,000 hectares) at a cost of around US$ 7.5 million, leaving applications for another US$ 1.6 million unmet. Fourth, the Agricultural Insurance Scheme was designed and preparation studies for eight products were conducted during 1994 and 1995. Although the scheme has been launched for coffee and bananas, its implementation is still in a preliminary phase and continuation of the program is running under delay.

Research and Technology Transfer

The national system of agricultural research and technology transfer was revamped in 1993 and reached near completion towards mid-1995. The system divides research, technology transfer, and sanitary and phytosanitary control. The bulk of research is carried out by the Colombian Corporation for Agricultural Research (CORPOICA). Technology transfer is supported by means of a National Program for Agricultural Technology Transfer (PRONATTA), a demand driven World Bank supported program intended to cofinance applied research and technology transfer to small farmers, and to the municipal technology transfer units (UMATAs). On the other hand, sanitary supervision and control is under the responsibility of the Colombian Agricultural Institute (ICA).

A complex arrange of cross section programs, using the above mentioned organizations as a hub, links several organizations for performing applied research and technology transfer (some of them involving international agents).

This is the case of a center for the mechanization of agriculture, a center for the development of organic farming, a program for the establishment of a gene bank and genetic improvement of native forestry species, a training program in hill-side farming, and others.

The MADR has supported CORPOICA through transfers for performing a set of research activities previously agreed upon within the Science and Technology Agricultural National Council. A total of US$ 23.4 million were transferred to CORPOICA in 1995, US$ 27.3 million in 1996, and US$ 27.1 million in 1997. About 62% of the assigned budget was spent in research, 22% in support activities (as infrastructure maintenance and repairing), and 16% in management. In August 1995 the contract for officially financing PRONATTA was set up. Total investment performed by PRONATTA reached US$ 16.2 million in 1995, US$ 8.8 million in 1996, and US$ 13.8 million in 1997.

ICA concentrates on avoiding, supervising and controlling sanitary, biological, and chemical risks potentially affecting agricultural, livestock and fisheries production as well as human health. In this regard, a number of pest and disease control projects have been under way covering most of the economically important crops and livestock activities. Research and technology transfer in the fisheries and aquacultural sectors is in charge of the National Fisheries and Aquaculture Institute (INVIMA). The Institute develops a set of activities within the framework of the Policy for the Development of Fisheries and Aquaculture, organized through four broad programs: (a) research and technological development, (b) traditional fisheries and rural aquaculture fostering, (c) fisheries and aquaculture resources management, and (d) institutional support and enhancement.

Domestic Marketing and Agroindustry

IDEMA intervened agricultural markets mainly for non-perishable crops originated in marginal agricultural areas or in areas affected by cultivation of illicit crops. At the beginning of the period, guarantee prices were changed into intervention prices which were meant to be applied to buy harvested products as a last resort measure before abnormal marketing conditions. Also IDEMA created and managed a special fund for supporting small farmer's marketing and processing projects (Fondo EMPRENDER). With the dismantling of IDEMA in 1997, abolishment of price intervention was completed and replaced by a set of alternative instruments comprising storage subsidies, transport subsidies for marginal areas, and direct support transfers. Some of these instruments were temporarily administered by IDEMA and from December 1997 they have been under the MADR's rule. In the same vein, the EMPRENDER Fund was transferred to the MADR.

The storage subsidy is administered by means of a consensus building body presided by the government and covered rice, soybeans, beans, corn and fique (a natural fiber). Transport subsidies apply to a variety of products originated in areas characterized by expensive or difficult transportation, mainly under the coverage of PLANTE. On the other hand, direct support payments have been temporarily awarded to crops sensitive to trade liberalization, among them cotton, soybeans, wheat, barley, and corn. In 1996, the government spent around US$ 3 million to finance these measures, while in 1997 near US$ 6 million were allocated for this purpose.

During 1994 - 1997, the EMPRENDER Fund spent approximately US$ 3 million, including a marketing program targeted towards small farmers (the Crop Marketing Fund). Also, a variety of marketing support programs (such as quality certification, technical assistance in food safety, market research, and price information), have been carried out through agreements between the MADR and the Corporación Colombia Internacional (CCI), a semi-public organization created in 1992 for promoting agricultural and agroindustrial exports.

The government also supports, through equity, eight of the ten wholesale markets established in the country. These shares have allowed in some cases to finance an important portion of the needed infrastructure. In a similar fashion, government participation in the development of the agricultural auction market (Bolsa Nacional Agropecuaria), has been instrumental in fostering its growth in scope and geographical coverage. Finally, a set of projects devoted to developing agricultural information systems have been enhanced or put in place. Among them the Strategic Information System for the Food Sector (SIESA), the

Agricultural Assessment System (Sistema de Evaluaciones Agrícolas por Consenso), and a couple of decision support systems for the agricultural sector (SITOD and SIAPA), play a significant role in the effort to gather, organize, and spread data among users.

Parafiscal and Price Stabilization Funds

Of the twelve parafiscal funds that currently exist, nine were created after the issuing of Law 101 and the other three have been modified to comply with its regulations. The funds are primarily devoted to support research and technical assistance projects (the aim is that at least 40% of the funds' budget should be allocated for research projects), although a number of marketing, processing, export promotion, and price information projects have also been supported. Products covered by parafiscal funds include oil palm, rice, livestock, hogs, fruits and vegetables, cereals, soyabeans, cotton, poultry, feed grains, cocoa, and solid molasses (panela).

As of 1997, three Price Stabilization Funds existed in Colombia. The cocoa fund was established in 1989 and has targeted its efforts to envision alternative developments for the subsector so that it can cope with a crisis period characterized by low international prices, diminished production, and lack of competitiveness. Of the other two, the cotton fund was created in 1993 and the palm oil fund in 1996, both being at present administered by the private sector under contract with the government.

Absorption Agreements and Sectoral Competitiveness Accords

In the wake of the 1992 crisis, a short-term plan was issued to alleviate the situation of those crops deemed to be in trouble. The key of the plan rested on the establishment of Absorption Agreements (AAC) which essentially are consensus building procedures that should rend as a result a "contract" for buying the projected harvests. The agreements comprise an estimation of the volume of the harvest, the set up of quality standards, and an agreed price (or a price determined by a formula). Starting in 1994, AACs were established for wheat, barley, corn (white and yellow) and sorghum, rice, soybeans, and vegetable oils.

Enforcement of the AACs is accomplished through subjecting approval of imports to its fulfillment. For this purpose, a prior-license-like mechanism was implemented and put under the administration of the MADR (Vistos Buenos a las Importaciones - VoBos). The VoBos rule not only for imports of the like-products, but also for a set of 64 derived products[5]. Simultaneously, and applying to those cases in which agreed prices were above the cost of acquiring products at international prices, a tariff rebate was issued to compensate buyers for the extra costs. This instrument, known as the DAEE, can be applied to imports of wheat, barley, and corn, which are conditioned upon the absorption of domestic production of wheat, sorghum, and barley. Even though it has not been legally abolished, the DAEE was actually used only between September and December 1994 and during 1995.

As a temporary measure, AACs were focused on diminishing risk to farmers, avoiding oversupply of some agricultural products, and fostering competitiveness. However, as a tool for fostering competitiveness, AACs felt short and in 1996 governmental and private sector representatives signed the Memorandum of Understanding for the Competitiveness of the Agricultural and Agroindustrial Sectors. The strategy was a step forward to compromise the private sector to improve its competitiveness and the government to guarantee that sectoral and macroeconomic policy would provide the right conditions for such an improvement. Lengthy appraisals and negotiations surround the issuing of Competitiveness Accords (ACs). As of 1997, two ACs had been signed, covering cotton and some forestry products, and five Memorandums of Understanding (a step previous to the development of an AC) had been agreed upon, affecting dairy, oil seeds and oil palm, forestry products for furniture production, feed grains, and grains for human consumption.

2.3 Institutional Reform Policy

Decentralization is one of the most important features of current sectoral policy in Colombia. As such, efforts have been made to help settling the new organiza-

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[5] The 64 products belong to the value added chains of poultry, yellow maize, wheat, oilseeds, cotton fiber, and red beans. In 1998 a new set of 14 dairy items (at the eight digits level) were temporarily subjected to the system.

tional scheme and to support municipalities and states in developing the appropriate organizations. In October 1997, a set of rules were put forward by the MADR (Resolución 460) to order the process of sectoral planning by means of a National-Regional System for Agricultural and Fisheries Planning.

This system comprises a four-tier arrangement for consensus building. At the national level a Council (CONSA) was established to link the State's Secretaries of Agriculture and the MADR. At the regional level, which involves sets of States based on a broad socio-economic planning system, regional councils were established (CORSA). At the state level Sectional Councils for Agricultural and Fisheries Development (CONSEA) were also set up. Finally, at the municipal level Rural Development Municipal Councils (CMDR) were linked to the whole system.

The States' Secretaries of Agriculture are meant to act as the hub of the system. Among their functions they have responsibility for planning and coordinating agricultural development and for preparing proposals for developing programs that involve the participation of the MADR and different sectoral organizations at the national level (such as ICA, CORPOICA, INAT, etc.). Diverse efforts have been made to upgrade regional capabilities for understanding sectoral policy programs and instruments and for channeling resources made available through the national cofinancing system. Training and support programs have been focused both at the state level, where State Confinancing Units (UDECO) were given priority, and at the municipal level by means of the creation of a specialized unit within the MADR for strengthening the CMDRs.

2.4 Sectoral Trade Policy

Colombian agricultural trade policy suffered an important transformation alongside other sector's during the "apertura" period. Import tariffs changed in structure and level, quantitative restrictions were dismantled for the most part, the import licensing regime practically abolished other than automatic licensing procedures, the monopoly on agricultural imports on the part of the state trading enterprise was abolished, and almost all export restrictions were banned. In the unfolding of these changes, a number of trade policy measures were taken, either on a temporary or a permanent basis, giving body to the current status of agricultural trade policy. Trade policy instruments stem from three possible sources: (a) national legislation, (b) WTO's legislation, and (c) Andean Community's legislation.

For describing the main agricultural trade instruments in force in Colombia, five sections are developed. The first one deals with tariffs and other tariff issues; the second one with remedial measures (of the type of safeguards and countervailing duties); the third one with other types of measures (like minimum prices, licensing, and so on); the forth, covers issues related with effective nominal tariffs; and the fifth, with effective protection.

Import Tariffs and Tariff Related Issues

The Andean Common External Tariff

After unilaterally reforming its tariff system in 1991 and establishing a free trade area with Venezuela in 1992, Colombia entered into negotiations with the other CAN members to set up a Common External Tariff (CET). Negotiations led to an agreement towards the end of 1994 and Decisión[6] 370, issuing the Andean CET from January 31st 1995, was signed. The Andean CET is based upon a four-tier tariff structure, starting at a 5% level (usually applied to inputs and capital goods) that increases five points to the next level up to a top of 20% (applied to most final goods and an important number of agricultural products).

The CET is mandatory for Venezuela, Colombia, Ecuador, and Bolivia, with some particularities, while Peru is allowed to apply its own tariff system[7]. A set of rules for dealing with potential trade distortions arising from these particularities was established. Also, some articles rule on temporary deviations from the application of the CET, justified on the grounds of temporary supply shortages, situations of national emergency, and unilateral concession of tariff pref-

[6] "Decisión" (decision) is the name given to rules originated in the meeting of Andean Trade Ministers (this meeting is known as the Comisión).

[7] As a matter of fact, the status of Peru is different from that of the other Andean countries. While they are part of a customs union, Peru is just in the process of perfecting a Free Trade Area with the rest of CAN members.

erences to third parties. After four and a half years of its issuing, the CET is not yet completely harmonized.

The Andean Price Band System (APBS)

Parallel to the CET, Andean countries entered into negotiating the establishment of an Andean Price Band System. Colombia has made use of this type of mechanism since June 1991 as part of the package of policy instruments created within the process of opening up of its economy. After lengthy negotiations, entangled with those corresponding to the issuing of the CET, towards the end of 1994 Decisión 371 was set up and the APBS entered into force in April 1995.

Decisión 371 established a set of thirteen price bands, each under a "marker" product[8] and comprising a set of products characterized for being either derivatives or substitutes of the "marker", making up for a total of 138 items. It also established the methodology for calculating the ceiling and the floor prices, and for calculating the variable levy which ought to be added or subtracted from the CET. Finally, a set of rules were established for governing the operation of the system, the treatment to be given to preferences granted to third countries prior to the issuing of the APBS or thereafter, and imports of products under food aid programs.

Even though the purpose of the APBS is to stabilize import prices, its differentiated impact on effective protection made it necessary to grant countries to apply slightly different calculating procedures for determining the floor price. This exceptional procedure applied to three price bands and a schedule was agreed upon to completely harmonize the application of the APBS in April 2002. However, in 1997 intense negotiations led to the early harmonization of the system. Some antagonism persists regarding the inclusion of some other products or the dismantling of at least one the bands. Also, a provision for limiting the tariff level derived from the APBS to the corresponding consolidated tariff

[8] "Marker" products are the basis for building up the price band system. They essentially are the target products of the system, i.e. those whose prices are deemed subject to undesirable fluctuations in international prices, and determine the tariff level that is applied to the derivatives or substitutes that belong to its price band.

before the WTO and the existence of preferences previously granted to third countries have proven contentious.

WTO's Agreement on Agriculture Consolidated Tariffs

Although most Colombian consolidated tariffs were set up at the four digit level, there is a good number of products whose consolidations were made at the six and even the eight digit level. A total of 294 product lines were consolidated. The average unweighted basic tariff (consolidated tariff at the beginning of the implementation period) was 111.3% with a maximum of 332% and a minimum of 83%. On the other hand, the average unweighted consolidated tariff (consolidated tariff at the end of the implementation period) was set up at 84.7% with a maximum of 226.8% and a minimum of 70%[9].

Tariffication of quantitative and other types of restrictions covered a total of 56 product lines. For these reservation was made for allowing recourse to the special safeguard. Minimum access commitments were established for ten product lines for which in quota tariffs were set up at the 80% level while out of quota tariffs vary from a maximum of 208.8% to a minimum of 99%, at the end of the implementation period. Forty nine of the consolidated product lines contain products covered under the APBS. All of them were subject of tariffication and, therefore, are covered by the AOA's special safeguard. For seven of them, additionally, minimum access commitments were established. Consolidated tariffs (at the end of the implementation period) for the forty nine products range from a high of 226.8% to a low of 74.7%.

Colombian consolidated tariffs are well above those corresponding to the Andean CET. However, in some cases during 1999, Colombia has had to recourse to limiting the tariff resulting from the APBS in order to avoid exceeding its consolidated tariffs. Finally, the structure of consolidates tariffs seems to avoid tariff peak and tariff escalation problems.

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[9] There are three exceptions to this, corresponding to products consolidated before the AOA was negotiated.

Remedial Measures

Colombia counts on the set of internationally commonly applied trade corrective measures: antidumping duties, countervailing duties, and safeguards. These are administered by means of national legislation applying to countries not belonging to the WTO, national legislation adopting WTO's disciplines, disciplines specifically contained in trade agreements, and Andean Community's legislation.

From these available instruments, Colombia is currently making use of three measures. First, a safeguard applied on Vietnamese rice, since 1994 on, on the grounds of national legislation and based upon existing production subsidies. Second, an Andean Community's safeguard (Article 109) applied on imports of rice from Ecuador[10]. Third, countervailing duties applied on imports of sugar from Venezuela in the context of the functioning of the APBS.

Other Types of Measures

"Reference" Prices

The operation of the APBS requires making use of "reference" prices for calculating the variable levy. Since customs valuation by means of minimum prices is generally prohibited under the WTO's Agreement on Implementation of Article VII, Colombia retorted to a special and differential treatment clause contained in the Agreement that allows developing countries the use of minimum prices for customs valuation on a temporary basis.

Vistos Buenos for Imports (VoBos)

As mentioned before, VoBos are a prior-license-like mechanism used for enforcing the operation of Absorption Agreements and are administered by the MADR. Their administration is based upon a set of relatively ad hoc procedures (five of them can be distinguished) based on a legal ruling from the Ministry and constitute the only non-tariff-barrier-like instrument in use in Colombia.

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[10] The measure was declared illegally applied by the CAN's Secretariat towards the end of July 1999.

In spite of the fact that, in practice, almost all import licenses presented receive approval, such a type of instrument, with clear implications on trade and enormous internal importance, is seemingly at odds with the market access provisions of the Agreement on Agriculture. Partly for this reason, the domestic absorption policy (conceptually and legally covering any individual absorption accord) was notified before the WTO under the TRIMS agreement instead of the AOA. In the context of the TRIMS agreement usage of the measure is allowed on a temporary basis under special and differential treatment clauses[11] .

The DAEE

As mentioned, the DAEE is a complementary measure to absorption agreements. This basically is a tariff rebate that is granted to importers in cases in which the prices agreed for buying domestic harvests are set above international prices, causing extra costs to them. Although the measure is legally in force, its use has vanished due to fiscal difficulties, differing (although solved) interpretations on its scope, and relatively high transaction costs.

Prior Licensing

Currently, Colombia has a set of nine poultry items (at the six digit level) under the prior licensing system[12] . This procedure implies that import licenses must be submitted before the National Foreign Trade Institute (INCOMEX) in order to obtain approval. According to Colombian notifications before WTO's Agreement on Import Licensing Procedures, the prior licensing system corresponds to WTO's non-automatic licenses. It is applied, among others, for national security reasons or in cases in which the imported goods belong to the category of leftovers (without specifying if originated in production, marketing, or other processes), and is not subject to quantitative or value restrictions.

In this regard, there are two issues that it is worth mentioning. First, although there have not been any formal challenges from other WTO members, there is a

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[11] It is important to mention that other WTO members have contested the position of the Colombian government, the United States among them.

[12] Since they are of recent inclusion in the prior license list, Colombia is in the process of notifying them before the corresponding WTO's Committee.

gray area arising from the inclusion of products that can be classified as leftovers within the prior licensing regime. First, potential discretionality in administering the regime since there are no quantitative restriction to be applied through this regime. Second, even though the VoBos may be regarded as falling within prior licensing, the Colombian government does not include them under this regime. On the contrary, they are deemed as part of the procedures that an importer should follow under the free import regime (automatic licensing). However, it is explicitly recognized that there are quantitative restrictions applying to some agricultural products (in compliance with multilateral and regional accords) and that "With the exception of . . . those (goods) from the agricultural sector subject to Vistos Buenos, in Colombia imports are of free importation . . ."[13] .

Export Subsidies

Colombia mainly uses two export promotion instruments, of general availability for exporters. The agricultural and agroindustrial sectors have used them on a permanent basis, although the practical coverage of these schemes has not always been the same. The schemes, known as the CERT and the Vallejo Program were notified by Colombia before the WTO and are currently under reduction commitments within the Agreement on Agriculture[14] .

Table 1 below, presents a summary of the situation of Colombian agricultural export subsidies *via a vis* its WTO's commitments. From there it is easy to see that, at the aggregate level, the proportion of subsidy disbursements allowed that is effectively used is pretty low. Subsidized quantities, on the other hand, were significantly below the ceilings at the beginning of the implementation period, but have been increasing steeply to reach a percentage usage above 80%.

At the four-digits level of the Harmonized System -HS, the one used to establish reduction commitments, the situation is as follows. Regarding the amount of disbursements, there is no individual item for which Colombia is granting the full

[13] In Spanish in the original. Source: WTO's document G/LIC/N/3/COL/1, paragraph 2.

[14] In the case of the Vallejo Plan, reduction commitments apply only to the modalities which comprise deferral of prior stage cumulative indirect taxes and the drawback of import charges for capital goods and inputs for use in producing exporting goods.

amount she is allowed to use, with the exception of a group of products that benefited from them during 1995-1997 and that were not during the base period. As a matter of fact, disbursements for most items are significantly below the ceilings.

As for quantities subsidized, almost 62% of notified items in 1995 were breaching their corresponding ceilings, slightly over 62% were in the same situation in 1996, and 51% in 1997, most of them although on a modest basis. In most cases the trouble arises from products that benefited from subsidies during 1995-1997 and that were not receiving them during the base period. A problem that has been apparently caused by a lack of control mechanisms in administering subsidies.

Table 2 shows the situation of the eight most important Colombian exports *via a vis* their corresponding WTO's reduction commitments. From there, it can be appreciated that in 1997 the number of products exceeding their quantity ceilings doubles with respect to the previous years.

Table 1 Situation of Colombian Agricultural Export Subsidies *via a vis* WTO's Commitments. 1995-1997

Item		1995	1996	1997
Disbursements:	Aggregate Commitment (1)	377.2	378.2	368.1
	Aggregate Actual Disburse. (2)	17.9	22.3	25.4
	(2)/(1) percentage	4.7	5.9	6.9
Quantities:	Aggregate Commitment (1)	2,247.1	2,248.5	2,213.1
	Aggregate Actual Quantity (2)	661.0	1,023.8	1,797.0
	(2)/(1) percentage	29.4	45.5	81.2
	Total Items Notified (1)	73	74	72
	Items Breaching Commit. I (2)	14	16	12
	(2)/(1) percentage	19.2	21.6	16.6
	Items Breaching Commit. II (3)	31	30	25
	(3)/(1) percentage	42.5	40.5	34.7

Disbursements are in US$ million

Quantities are in thousand tons.

Items Breaching Commitments I, refers to items benefiting from subsidies during the base period.

Items Breaching Commitments II, refers to items not benefiting from subsidies during the base period. These items, obviously, also breach disbursement commitments.

Commitment levels in 1996 are above those of 1995 apparently because of differences in the basket of products included in the notifications.

Source: Colombian Export Subsidies Notifications

Table 2 Situation of the Main Colombian Agricultural Exports *via a vis* WTO's Reduction Commitments in Export Subsidies. 1995-1997

Item	1995		1996		1997	
	Disbursement	Quantity	Disbursement	Quantity	Disbursement	Quantity
Coffee	Complying	Complying	Complying	Complying	Complying	Complying
Bananas	Complying	Complying	Complying	Complying	Complying	Breaching
Cut Flowers	Complying	Complying	Complying	Complying	Complying	Complying
Raw Sugar	Complying	Complying	Complying	Complying	Complying	Breaching
Refined Sug.	Complying	Complying	Complying	Complying	Complying	Breaching
Sug. Confect.	Complying	Breaching	Complying	Breaching	Complying	Breaching
Gelatin	Complying	Breaching	Complying	Breaching	Complying	Complying

Source: Colombian Export Subsidies Notifications

Effective Nominal Tariffs

Diversion from nominal protection provided by the CET is only caused by preferences granted to different trade partners in the context of bilateral or plurilateral trade agreements. Preferences for a wide variety of agricultural products, including some of those under the APBS, have been granted to most South American countries[15]. In spite of the fact that only just few items effectively

[15] These have been carried out in the context of regional negotiations (although frequently on a bilateral basis) under the umbrella of LAIA.

generate trade flows, preferences benefiting crude oils and other products have caused trade distortions that have led countries to try to harmonize them. However, recent negotiations between the Andean Community and the Mercosur intended to achieve such an harmonization ended in failure and a more limited agreement was reached between the former and Brazil.

Besides preferences granted in LAIA's framework, nominal tariffs in Colombia are affected by a set of trade agreements or free trade agreements undertaken on a bilateral basis. Unilateral preferences for a limited number of agricultural products or its derivatives have been granted to countries in the Caribbean Basin. However, none of the most sensitive products or products under the APBS were included in the agreement. A free trade agreement (FTA) was signed by Colombia, Mexico, and Venezuela in 1993. Known as the G-3 FTA, the agreement practically excluded the agricultural sector. No products under the APBS were included and negotiations intended to bring sugar into the agreement within a year from its start failed to fulfill its commitment. Products such as pulses, pepper, and food preparations were scheduled for tariff phase-off.

Perhaps the FTA with Chile provides the most important change in nominal tariffs. Tariffs for all agricultural products have been scheduled for phasing-out. Seven schedules were agreed upon, the first one establishing immediate liberalization for a limited set of products and the last one starting tariffs phase-out in January 2007 and ending in January 2012. Most products under the APBS belong to this last category. It is important to note that trade with Chile does not imply, in general, a danger for domestic production. This is due to the fact that Colombian and Chilean agricultural sectors tend to be complementary rather than competitive (although some problems arise from the FTA between Chile and Mercosur).

Effective Protection

Measurement of effective protection for the agricultural sector is cumbersome. It is not only relatively difficult to gather the appropriate data for calculating it, but also assigning the right weights to different crops and activities becomes complicated when regional production is diverse. Estimations of effective protection for Colombian agriculture during the decade of the 80s were carried out by the Agricultural Sector Research Mission (ASRM)[16]. After that study, scarce work has been done on the subject. Camacho and Jaramillo (95) provide estimates for the period 1991-1993. Availability of Nominal Protection Coefficients estimates is slightly more abundant. For illustrating the more recent evolution of agricultural protection in Colombia, the study of Jaramillo (98) is used here.

The ASRM estimated effective rates of protection for the agricultural sector for 1980, 1983, 1985, and 1988, based upon different calculations of tariffs. As a consequence, three alternative estimations were provided for each year: the first one on the basis of nominal tariffs; a second one on the basis of granted tariffs[17], and a third one on the basis of nominal protection coefficients. Table 3 shows the ASRM's estimations for different product groupings. Caution should be exercised with these data since information for calculating nominal protection coefficients were not always available and "typical" crops, rather than weighted averages of the same product type, were used in cases.

Table 3 Effective Protection Rates for Colombian Agriculture during the 80s

Product Group	Effective Protection Rate from:	1980	1983	1985	1988
Importables	Nominal Tariffs	11.1	11.6	15.0	15.7
	Granted Tariffs	1.3	2.2	-0.7	0.6
	Nominal Protection Coefficient	17.4	-6.6	-9.7	40.9
Net Exportables	Nominal Tariffs	n.a.	n.a.	n.a.	n.a.
	Granted Tariffs	1.8	8.7	4.5	2.8
	Nominal Protection Coefficient	n.a.	n.a.	n.a.	n.a.
OtherExportables	Nominal Tariffs	17.2	23.2	32.1	28.8
	Granted Tariffs	19.1	24.7	37.2	31.3
	Nominal Protection Coefficient	-35.9	16.8	24.3	22.8
Total Agriculture(no coffee incl.)	Nominal Tariffs	15.4	19.8	27.1	25.0
	Granted Tariffs	13.9	18.2	26.2	22.4
	Nominal Protection Coefficient	-20.4	10.0	14.4	28.0

Source: ASRM (89)

[16] A governmentally appointed temporary research body in charge of carrying out a diagnostic of the agricultural sector and providing sectoral policy lines. The Mission rendered its final report in 1990.

[17] Granted tariffs refer to nominal tariffs added (or subtracted) with the effect of specific taxes or subsidies affecting agricultural products.

As can be observed, Colombian agriculture, in general, tended to be protected during the 80s. However, agricultural protection was traditionally below that for the whole economy, bringing as a result that the former was discriminated against. Also, with some exceptions, the group other exportables (those for which imports are relatively important) tended to be more protected than the importables group. On the other hand, net exportables, as might be expected, were the least protected.

It is important to notice too, that agricultural protection rose during the 1980s. This trend runs along with a reversal in the behavior of protection among product groups. In effect, protection for importables tended to rise while that for exportables to decline, a result that appears to be linked to a deliberate protectionist policy towards the former. On the other hand, the behavior of effective protection for exportables is rather erratic, switching drastically for one product from one year to another and registering high dispersion within the group.

Effective protection rates calculated by Camacho and Jaramillo (95) for the whole agricultural sector, indicate an important decrease throughout the period 1991-1993. Effective protection was estimated at 91.3% in 1991, falling then sharply to 40.5% in 1992, and remaining stable in 1993 at a 39.2% level. These figures illustrate the magnitude of the impact that economic reform entailed for the agricultural sector; however, due to the short period covered are unable to show the evolution that post-crisis implemented measures had on protection.

Jaramillo (98) provides an idea of what happened to agricultural protection after economic reform. Even though the author does not estimate effective protection coefficients, his calculations on nominal protection coefficients (NPCs) supply a fairly good approximation for the purpose. Table 4 presents Jaramillo's calculations for an important set of products between 1986/90 and 1994/97.

Table 4 Nominal Protection Coefficients for Main Colombian Agricultural Products. 1986/90 – 1994/97 (data in percentage)

Crop Type	Crop	1986/90	1991	1992	1993	1994/97
Under Price Band	Sugar	12	n.c.	25	n.c.	29
	Rice	9	n.c.	4	n.c.	49
	Maize	26	n.c.	16	n.c.	46
	Oil Palm	47	n.c.	-19	n.c.	-8
	Sorghum	17	n.c.	17	n.c.	36
	Soybeans	16	n.c.	12	n.c.	10
	Wheat	21	n.c.	11	n.c.	10
	Barley	33	n.c.	36	n.c.	32
	Milk	41	n.c.	42	n.c.	16
Exportables	Cotton	2	0	24	17	3
	Bananas	9	-13	5	-4	-4
	Coffee	-24	-6	1	-19	-20
	Cocoa	-9	-22	-8	-11	-7

n.c.: not calculated
Source: Jaramillo (1998)

Since measures set up by the "Recovery Plan" in 1992 were targeted towards alleviating the agricultural crisis, and to some extent intended a partial reversal of liberalization, changes in NPCs from 1986/90 to 1992 are unable to show the effect of economic reform, they rather allow a comparison among pre-reform protection and crisis protection levels. In a similar fashion, NPCs for 1994/97 allow for comparisons between pre-reform and post-crisis protection levels.

The first, and perhaps more important, conclusion to be drawn from data in Table 4 is that there is no systematic shift in protection levels. What tends to happen, on the contrary, is that protection levels vary widely depending upon the crop. This fact is consistent with the idea (expressed before) that agricultural trade policy has been plagued by ad hoc arrangements that, most surely, generate incentive distortions and send mixed signals to current and potential investors in the agricultural sector[18] .

From the pre-reform period to 1992 protection increased for 3 out of the 12 products analyzed. Sugar, cotton , and coffee benefited from this protection rise while products such as sorghum, milk, and cocoa registered negligible changes (the latter with negative protection levels). The rest of products show lower protection levels, oil palm being the least protected[19] . On the other hand, for the post-crisis period almost half of the listed products experienced rises in protection levels, two of them show stable NPCs, and for the rest protection declined. As a consequence, from the pre-reform to the post-crisis period four products gained protection, all in a significant fashion and all importables, five show declining protection levels (two of them are exportables), and four may be considered to retain the same protection (or negative protection) levels.

In spite of large increases in protection levels, domestic production of rice, maize, and sorghum tended to decline and imports to rise. Declining international prices, exchange rate variations, and booming domestic consumption, appear as the main forces behind this fact. In sum, the impact of economic reform on protection levels seems to have been modest and that of policy measures undertaken during the 1992 crisis and beyond rather limited. The significance of different variables determining this outcome (such as multilateral and bilateral trade commitments, demand increases, and so on) is unknown and remains an open question.

3. Sectoral Policy During the Implementation of the Agreement on Agriculture

This Section presents a summary of governmental outlays during the period 1995 - 1997, grouped according to the Agreement on Agriculture's classification of domestic support measures. As can be appreciated in Table 5, the bulk of governmental expenditures is covered under the "Green Box", followed by mea-

[18] It is important to recall though that NPCs are dependent upon short-term variations in international prices.

[19] After 1993 the oil palm's NPC is calculated as corresponds for an exportable.

sures under Special and Differential Treatment provisions, and, last, by measures under reduction commitments ("Amber Box").

Table 5 Colombian Domestic Support Measures (US$ million). 1995 - 1997

Year	Green Box Meas.(1)	Special and Diff. Treat.(2)	Amber Box Meas.(3)	Total Dom. Support (4)	(1) / (4)	(2) / (4)	(3) / (4)	AMS Ceiling(5)	(3) / (5)
1995	317.8	132.3	58.1	508.2	62.5	26.0	11.4	392.5	14.8
1996	577.8	141.2	4.0	723.0	79.9	19.5	0.5	387.2	1.0
1997	350.5	75.8	14.4	440.7	79.5	17.2	3.3	381.9	3.8

Source: MADR

The structure and evolution of "Green Box" measures is presented in Table 6. The biggest contributors to this type of expenditures are Investment Subsidies, under Structural Adjustment Assistance, Rural Infrastructure, and Research and Technological Development, both under the Governmental General Services heading. As an average for the whole period, these items contributed 37.8%, 31.3%, and 10.8% of total "Green Box" expenditures. What appears to be "normal" level of expending in this type of measures, was disrupted in 1996 jumping almost 82% with respect to the previous year. This behavior is due to changes in rural infrastructure expending, which, as has been mentioned before, is subject to variations mostly depending on the cycle of irrigation projects (the size of budgetary disbursements goes up in years when projects are in the construction phase).

Table 6 Evolution of "Green Box" Expenditures. Colombia, 1995-1997

Type of Measure	Description According to Annex 2	Expenditure 1995 US$ million	Expenditure 1996 US$ million	Expenditure 1997 US$ million
General Services	Training Services: on sectoral policy, participatory processes, planning, and managerial capabilities	12.05	4.32	1.60
	Research and Technological Development: for agricultural productivity and environmental protection	40.42	42.07	43.49
	Marketing Services: price information system	34.21	17.51	2.64
	Infrastructure: irrigation, electricity, water and sewage, and marketing infrastructure	117.61	147.17	110.29
	Phytosanitary Services	9.38	7.79	7.71
	Diffusion and Advisory Services: agricultural information network	1.11	18.35	0.78
	Management: specialized management services (regional planning, public servants training, follow up, institutional organization)	12.69	7.22	19.01
	Agro-economic studies	0	11.80	0
Structural Adjustment A. through Investment Aids	Land improvement, land acquisition and distribution, small farmers credit	81.39	321.00	112.41
Payments under Regional Assistance Pr.	Agricultural Development Programs for indigenous peoples and marginal areas	0	0	4.03
Payments for Relief from Natural Disasters	Payments to farmers affected by adverse climatic conditions	1.10	0	48.58
Others	Support for farmers' cooperatives: marketing aid	7.86	0.48	0
	Nutritional Programs: nutritional improvement for population in marginal areas	0	0.05	0
TOTAL		**317.82**	**577.76**	**350.49**

Source: MADR

Detail on governmental expenditures for measures under Special and Differential Treatment provisions is provided in Table 7.

Table 7 Evolution of Expenditures under Special and Differential Treatment Measures - Development Programs. Colombia, 1995- 1997

TypeofMeasure	Description According to Article. 6.2	Expenditur-e1995US$ million	Expenditur-e1996US$ million	Expenditur-e1997US$ million
Investment Subsidies Generally Available	Support for new Rural Investment Projects: Incentive for Rural Capitalization (ICR)	14.24	16.59	8.49
	Support for Forestry Projects: Incentive Certificate for Forestry (CIF)	1.86	3.58	3.71
	Marketing Support for Small Farmer's Organizations: Fondo Emprender	6.35	3.86	1.66
	Rural Housing Programs: subsidies for building housing and housing improvement for rural workers	76.74	62.24	35.36
	Rural Employment Generation	19.94	22.94	11.24
Diversification Encouragement from growing illicit crops	Illicit Crops Substitution Program: Alternative Development Program	13.17	31.46	15.36
	Assistance for Forestry Programs	0	0.48	0
TOTAL		**132.30**	**141.15**	**75.80**

Source: MADR

Measures under reduction commitments ("Amber Box") are reported in Table 8. In the case of Colombia, only three types of measures belong to this category. First, credit subsidies which, as mentioned before, are targeted towards small farmers and have been maintained on a permanent basis. Second, price supports, either in the form of guaranteed prices or of "intervention" prices. Both administered by the governmental agricultural trade enterprise and aimed at supporting small farmers but vanished in 1996 with the dismantling of this firm. Third, various types of direct support measure. These comprise the DAEE, applied in 1995, internal transport subsidies, storage subsidies, and income compensations. Finally, it is important to mention that all "Amber Box" measures applied by Colombia are product specific.

Table 8 Evolution of Colombian AMS. Total and by Product, 1995 -1997

Product	Measures included*			Expenditure-1995 US$ thous.	Expenditure-1996 US$ thous.	Expenditure-1997 US$ thous.
	1995	1996	1997			
Sesame	CS, PS	CS	CS	64	1	9
Cotton	CS, DP	CS, DP	CS, DP	3,500	329	1,145
Rice	CS, PS	CS, PS	CS, DP	15,353	283	3,331
Tubers - arracacha	CS	CS	CS	25	8	13
Oats	CS	CS	CS	0	0	0
Bananas & Plant.	CS	CS	CS	320	64	115
Cocoa	CS	CS	CS	47	13	28
Rapeseed (Canol.)	CS	CS	CS	0	0	0
Cane (molasses)	CS	CS	CS	232	87	117
Sugar Cane	CS	CS	CS	123	0	342
Barley	CS, DP	CS	CS, DP	2,156	0	89
Coconuts	CS	CS	CS	0	0	2
Crotalaria	CS	CS	CS	2	1	1
Red Beans	CS, PS	CS, PS	CS, DP	1,148	32	176
Sunflower	CS	CS	CS	1	0	2
Maize	CS, PS	CS	CS, DP	4,292	87	1,350

Peanuts	CS	CS	CS	8	0	7
Tubers - ñame	CS	CS	CS	37	2	0
Potatoes	CS	CS	CS	767	202	360
Oil Palm	CS	CS	CS	105	1	94
Sorghum	CS, PS, DP	CS, DP	CS	12,430	459	127
Soybeans	CS, PS, DP	CS	CS, DP	9,229	2	568
Wheat	CS, DP	CS, DP	CS, DP	269	849	177
Seeds	CS	CS	CS	85	4	29
Vegetables	CS	CS	CS	240	73	163
Fruits**	CS	CS	CS	76	13	27
Black Tobacco	CS	CS	CS	45	6	12
Tobacco	CS	CS	CS	79	37	37
Cassava	CS	CS	CS	639	111	124
Poultry	CS	CS	CS	505	8	411
Hogs	CS	CS	CS	276	45	94
Beef and Milk	CS	CS	CS	5,899	1,236	4,246
Sheep and Goats	CS	CS	CS	155	7	79
Other Fruits			CS	n.a.	n.a.	281
Coffee			CS	n.a.	n.a.	556
Flowers			CS	n.a.	n.a.	4
Grassland			CS	n.a.	n.a.	268
Forestry			CS	n.a.	n.a.	2
Others			CS	n.a.	n.a.	5
TOTAL AMS				**58,109**	**3,961**	**14,393**

* CS: Credit Subsidy
PS: Price Support
DP: Direct Payment (non-exempt)

** Includes: avocados, mangos, pears, apples, peaches, and plums.

Source: MADR

4. A Final Comment

A series of special sessions of the WTO's Agriculture Committee, the first scheduled for March 2000, should define the required procedures for continuation of the reform process. As mandated by Article 20 of the AOA, the new negotiating round must deepen the liberalization efforts and take into account the experience to date with the implementation of the commitments acquired under the Uruguay Round, the effects of reform on world agriculture, non-trade concerns, special and differential treatment for developing countries, and the rest of objectives set for in the preamble of the AOA. Without discussing the adequacy of the current level of protection or of support that Colombian agriculture has, this section attempts a first approximation to the likely impact of the new negotiating round. Its scope is limited to the question of whether or not current levels of protection or support are in danger *via a vis* the new negotiating round.

The three main areas covered by the Agreement provide the framework for this analysis. Following, each of them is briefly examined and some conclusions are reached. It is worth pointing out, though, that any conclusion reached from the perspective of this approach will be highly dependent upon the assumptions made on the scope and deepness of further reform.

In terms of market access commitments, it is important to remind that the Colombian average unweighted consolidated tariff is 84.7% (with a maximum value of 226.8% and a minimum of 70%)[20] . A level that is well above the Andean Common External Tariff with the exception, under certain circumstances (low international prices), of the set of products under the APBS. In this regard, it is foreseeable that further tariff reductions to be agreed will not entail a threat to products other than those under the APBS. From the point of view of the reduction of tariff bindings[21] , the menace on the latter will come from the potentially increasing need to recourse to limiting tariffs resulting from the APBS, impair-

[20] Products for which minimum access commitments were set up, have in quota tariffs at the 80% level.

[21] Other related negotiating areas, besides tariff reductions, may endanger the survival of the APBS.

ing the system's capability to stabilize price fluctuations and worsening trade distortions within Andean trade As for tariff peaks and tariff escalation is concerned, it seems that there must be no trouble for Colombia. It has been mentioned that Colombian tariffs register only moderate dispersion and no big gaps between processing levels.

In reference to quota fill, the situation of Colombia is relatively comfortable. Average quota fills for 1995, 1996, and 1997 were 1,200%, 3,281%, and 3,154%, a fact that is due to low commitment levels. However, the number of product lines for which there were underfills has been increasing from 11 in 1995, to 15 in 1996, and to 17 in 1997. Most of them are caused either by reversals in trade flows due to changing market conditions or by lack of demand for imports, but a few may seem suspicious. In all, taking into account the surge in imports stemming from trade liberalization at the beginning of the nineties, there must be no significant difficulties arising from further broadening of import quotas.

Therefore, from deepened market access conditions the only set of products that appears, at first glance, to confront difficulties is that under the APBS.

Regarding domestic support measures, it should be recalled that most of Colombian domestic support is under the green box. As mentioned, as an average for the period 1995-1997 green box measures accounted for 74% of total governmental spending, while measures under special and differential treatment clauses accounted for 20.9%, and those subject to reduction commitments for 5.1%. During this period, the share of green box measures in governmental spending has been relatively stable, that of measures under special and differential treatment has been declining, and the corresponding to amber box measures has been decreasing too.

The use of amber box measures has been well below the ceiling levels, reaching as an average just 6.5% of the permitted amount. The share of spending in measures under special and differential treatment with respect to the AMS' ceilings, has been as an average 30%. This means that under the scenario of a highly unlikely elimination of special and differential treatment, Colombia would be using 36.5%, at most, of its spending rights in domestic support. On the other hand, the composition of green box measures shows high shares for investment subsidies under structural assistance programs (37.8%), and rural infrastructure (31.3%) and research and technical development (10.8%) under the governmental general services category. In the likely event of tightening criteria for programs to qualify for the green box, this type of measures seem to be the least affected since they are clearly among the best fitted to meet the non trade distortion criterion[22] (specially if special and differential treatment clauses are to remain in place).

The above means that there must be no difficulties arising from further reductions and tightening criteria for qualifying domestic support measures. A reasonable expectation, unless a methodology for calculating further reductions is agreed that may imply taking into account actual expenditure levels during the implementation period – a fact that is very unlikely.

A less clear-cut conclusion arises from the export subsidies side. As mentioned, Colombia has experienced problems in fulfilling its reduction commitments in terms of subsidized quantities and has an anomalous situation stemming from the fact that has granted subsidies to products that were not benefiting from them during the base period. A set of 14 products in 1995, 16 in 1996, and 12 in 1997 were breaching the quantity ceiling. Besides, 31 products in 1995, 30 in 1996, and 25 in 1997 received subsidies in spite of having no right to.

The extent of the problem that it entails for further export subsidies reductions, largely depends on what will happen to special and differential treatment in this area, and on the possibility to issue new export subsidy programs in the lines of clauses 1(d) and 1(e) of Article 9 of the Agreement (covered under special and differential treatment). Since it seems to be a reasonable chance for designing and implementing alternative support programs for exports, other than those subject to reduction commitments, the threat coming from the new negotiating round should considerably ameliorate.

In synthesis, whether or not further reductions in export subsidies will entail a danger for some Colombian agricultural exports is an open question. Provided that either special and differential treatment clauses remain and are of use to Colombia, or that the Colombian government has the capability to de-

[22] Contrary to what happens to blue box measures, for instance.

sign alternative support measures, the answer should be that there will not be difficulties.

There are some other issues that impinge upon the identification of sensitive products, depending on the scope of the negotiating process. Among them there are three that are worths mentioning. First, the possibility that the APBS may be subject to questioning on different grounds. Issues, well founded or not, such as the lack of predictability of the APBS, the variability of tariffs within the system, the use of reference prices, and so on, may pose a threat on the mechanism. Second, the transparency of the administration of import licenses may be an issue for the operation of the Vistos Buenos and for the administration of the prior licensing mechanism. Both of them may be under siege on the basis of discretionality, due to the lack of explicit rules for granting import approval.

Consideration should be given to products selected in illicit crops substitution programs. Even though currently the selection of products is far from finished and it is likely that it will cover a wide variety of crops, the situation of these products seems to be not an issue. Nowadays there is basket of exportables and non-tradables among these type of products. They are affected by market access and export subsidy commitments in the same fashion as other products. In as much as its production will not reach a big dimension, it is unlikely that they will be affected in a special way by the new negotiating round. What is important in this case, beyond any doubt, is that special and differential treatment in the domestic support area will remain in place for this type of program.

Finally, independently of the fact that more detailed analysis may or may not confirm the suggestion that it is reasonable to expect no threat for Colombian agricultural policy from the new WTO's negotiating round, what seems to be important now is to evaluate the orientation and effectiveness of sectoral policy. Preparations for the new round may provide a good opportunity for reducing its apparent dispersion and to focus it on the structural changes that Colombian agriculture needs if the right incentives for economic agents are to be set in place in order to foster modernization and growth.

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GLOSSARY

AAC: Absorption Agreements.

AC: Competitiveness Accord.

AOA: Agreement on Agriculture.

AMS: Aggregated Measure of Support.

APBS: or SAFP Andean Price Band System.

ASRM: Agricultural Sector Research Mission.

CAPACITAR: Fund for Rural Population Training.

CET: Common External Tariff.

CERT: Fiscal Reimbursement Certificate.

CIF: Forestry Incentive Certificate.

CMDR: Rural Development Municipal Councils.

CNA: National Agricultural Commission.

CNRA: National Land Reform Council.

COMCAJA: Fund for Rural Population Social Security.

CONSA: National Agricultural Council.

CONSEA: Sectional Councils for Agricultural and Fisheries Development.

CORPOICA: Colombian Corporation for Agricultural Research.

CORSA: Regional Agricultural Council.

DAEE: Special Equivalent Tariff Discount.

DRI: Rural Investment Cofinancing Fund.

FAG: Agricultural Loan Guarantee Fund.

FEP: Price Stabilization Funds.

FINAGRO: Rediscounting Fund for Agricultural Credit.

FNPA: Sanitary Protection Fund.

FONSA: Agricultural Solidarity Fund.

FTA: Free Trade Agreement.

HS: Harmonized System.

ICA: Colombian Agricultural Institute.

ICR: Incentive for Rural Capitalization

IDB: Inter-American Development Bank.

IDEMA: Agricultural Marketing Agency.

IFAD: International Fund for Agricultural Development.

INAT: National Land Improvement Institute.

INCOMEX: National Foreign Trade Institute.

INCORA: National Institute for Land Reform.

INVIMA: National Fisheries and Aquaculture Institute.

LAIA: Latin American Integration Association.

MADR: Ministry of Agriculture and Rural Development.

NPC: Nominal Protection Coefficient.

PANDEMER: Program for Rural Micro-Enterprises' Support.

PDIC: Program for Peasant's Integral Development.

PGE: Program for Generating Rural Employment.

PLANTE: National Plan for Alternative Development.

PMD: Modernization and Diversification Program.

PRONATTA: National Program for Agricultural Technology Transfer.

SASA: Agricultural Sanitary Andean System.

SITOD and **SIAPA:** Decision Support Systems for the Agricultural Sector.

SIESA: Strategic Information System for the Food Sector.

SNC: National Cofinancing System.

TRIMS WTO's: Agreement on the Application of Trade Related Investment Measures.

UDECO: State Confinancing Units.

UMATA: Municipal Agricultural Technical Assistance Unit.

VoBos Vistos Buenos a las Importaciones.

WTO: World Trade Organization.

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