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# ***PALAWIJA***

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## **Effects of Trade Liberalization in Indonesia**

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### **Institutional and Structural Aspects**

The completion of the Uruguay Round negotiation at the end of 1993 and the coming into effect of the World Trade Organization (WTO) in January 1995 has accelerated liberalization initiatives in all trading nations. The main elements of the UR agreement include commitments on enhancing market access, dismantling of quantitative restrictions and subsidies as well as non-tariff barriers by all members. In the Asia and Pacific Economic Cooperation (APEC) forum, members have committed to undertake trade liberalization further than the Uruguay Round commitments, except on agriculture for some member countries including Indonesia. Similarly, there have been strong needs among ASEAN members to accelerate the realization of the ASEAN Free Trade Area (AFTA). The agreement to realize AFTA is implemented through the scheme of Common Effective Preferential Tariff (CEPT).

Concern about the effects of trade liberalization on agricultural production has been growing. The project entitled: *Effects of Trade Liberalization on Agriculture in Selected Asian Countries with Special*

*Focus on CGPRT Crops* is aimed at analyzing the overall impacts and benefits of global, regional as well as unilateral trade liberalization on the agriculture sector in Indonesia. This two-phase study is being undertaken in ten Asian Countries including China, India, Indonesia, Japan, Malaysia, Pakistan, the Philippines, Thailand, the Republic of Korea and Vietnam.

Specifically, the objectives of this first-phase study are as follows: (a) to review economic development and trade-related policies including monetary, fiscal, investment and other related policies, (b) to review infrastructure and institutional developments affecting trade, (c) to analyze the performance Indonesia's trade as well as trade in agricultural commodities, and to assess the overall impact of trade liberalization in Indonesia, and (d) to draw policy recommendations to minimize adverse impacts of trade liberalization.

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### *The structure of the Indonesian economy*

The Indonesian economy has undergone significant structural change in the last two decades precipitated by adverse changes in the external environment facing Indonesia. Since the beginning of last decade, the growth of the non-agricultural sector has been much faster than that of the agricultural sector in line with the long-term economic development toward industrialization. Although its share to Gross Domestic Product (GDP) has been declining, agriculture including forestry and fishery remains one of the largest sectors in the economy.

During the period of 1985-1996, the agricultural sector grew at average rate of 2.7% per annum, while non-agricultural sectors grew at a rate of 7.8%. The lower growth rate of the agricultural sector compared to other sectors reflects a structural shift in Indonesia's economy. Agriculture's share declined from 22% in 1985 to 18% in 1996. Over that period, the share of manufacturing industry increased from 14.6% to 30.5%.

The declining share of the agricultural sector on employment has been much slower than its declining share of GDP, from 55% in 1980 down to 54% in 1991 and estimated around 49% in 1995. Although its share has fallen, the absolute number of agricultural workers has been continuously increasing. This indicates that the sector is and will remain the major sector for employment generation. Meanwhile the employment share of the manufacturing sector rose only slightly, from 9.0% in 1980 to 11.6% in 1991. All this evidence suggests the critical importance of promoting labor intensive employment in both in rural and urban areas in order to minimize unemployment problems and avoid social unrest.

### *Macroeconomic and trade policies*

A policy mix has been implemented to attain interrelated objectives through better coordination and a more appropriate balance of growth and equity. On the demand side, the efforts were aimed at striking a balance between domestic investment and consumption and export oriented activities, given constraints on the balance of payments. On the supply side, efforts were aimed at expanding production capacity through streamlining investment, import and export procedures as well as providing incentives for improving efficiency and productivity in targeted sectors. Cautious monetary

and fiscal policies along with efforts for maintaining a realistic exchange rate have been implemented to control inflation and the current account deficit. A competitive exchange rate under a "floating managed" policy has accelerated growth rates of non-oil exports and reduced the current account deficit.

Prior to 1985, Indonesia was oriented mainly towards a protected domestic market, creating a high-cost economy, the benefits of which were mostly enjoyed by those favored by protection. Since then significant progress has been made in opening up the economy. Many sources of high costs have been exposed to competitive pressures of world competitors. In general trade-related reform packages introduced since the early 1980s have focused on (i) simplifying ports and customs procedures including enactment of a new Custom Law, (ii) lowering tariffs and surcharges, (iii) reducing import licensing and other non-tariff barriers (NTBs), (iv) deregulating import and distribution systems, (v) deregulating the investment regime, and (vi) establishing bonded zones and export processing entrepôts (EPTE).

### *General performance of Indonesian trade*

During the 1985-96 period, the total volume of Indonesia's trade expanded substantially at an average annual rate of 12%, growing from around US\$29 billion in 1985 to US\$93 billion in 1996. During that period, the total value of exports increased from US\$18.5 billion to US\$49.8 billion growing at a rate of 10.8% per annum. Meanwhile, total import value grew at a higher annual rate of 13%, from around US\$10 billion to US\$42 billion. This higher growth rate of imports as compared to exports has deteriorated Indonesia's balance of trade. This was caused mainly by rapidly growing imports of raw material and capital goods that outpaced the significant improvement in non-oil as well as oil exports.

### *Direction of aggregate trade*

Indonesia's external trade has been heavily biased towards three countries, namely Japan, the USA, and Singapore, with accounted for more than 49% of total exports and around 40% of imports in 1996. However, Indonesia's dependence on these three countries has been declining steadily. Despite the relative importance of the European Union as a

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## ***Message from the Director***

Agricultural productivity is still low in many developing countries in Asia despite their efforts and international campaigns. It is obvious not only in statistical analyses but in my observations made during my visits to these countries. I have no space here to review the background causes, but I would like to say at least that raising agricultural productivity in these countries is surely a matter of international concern as well as a national issue.

Although the low productivity in agriculture in Asian developing countries has been well known for many years, it has emerged again as a conspicuous concern in the process of worldwide discussions on international trade liberalization. As a matter of course, we noticed again that low productivity in crop production was one of the limiting factors or barriers for these developing countries to join the world trade liberalization scheme, and that it would need many more years to raise the agricultural productivity in these countries to a level where they would be able to compete with developed countries in liberalized trade of agricultural commodities.

At the same time, it is also well known that high productivity in agriculture is achievable only in modernized agriculture. Consequently, modernization of agriculture is a prerequisite for raising the productivity of agriculture. Agricultural modernization, therefore, should be hastened as much as possible. However, I observe that many countries that are still in developing stages are not ready to immediately start the modernization

process, because they still lack suitable socio-economic conditions to enable them to introduce advanced technologies, for instance, into their farming systems, which is one of the typical ways of agricultural modernization.

Based on this background, an idea for an upcoming collaborative research project is presented, in the hope that further elaboration and recommendation for possible funding will ensue from the Technical Advisory Committee of the CGPRT Centre. The tentative project title "Pre-conditioning for agricultural modernization in selected Asian developing countries with special focus on upland farming (AgriModern)", encompasses the following prospective pre-conditioning factors:

- (i) Human resources (knowledge, skills, labour mobility, etc.);
- (ii) Infrastructure (road, irrigation/drainage, storage, welfare/environment, etc.);
- (iii) Technologies (crop variety, production, harvest/storage, processing, etc.);
- (iv) Institutional arrangement (finance and regulation, research and education, organization and administration, etc.);
- (v) Farm management system (size, type, etc.);
- (vi) Marketing scheme (dealing and price, trading system, etc.);
- (vii) Information system (market, technology, weather, etc.); and
- (viii) Others.

It would be our great pleasure if we could contribute to the partner countries through this project in drawing a blueprint of a long-term programme of agricultural modernization.

*HARUO INAGAKI*

group, its individual member countries play comparatively small roles in Indonesia's foreign trade, and their share of both imports and exports remained unchanged during the period 1985-96. Similarly, the share of the countries of Central and Eastern Europe has also been very small, although Indonesia has been attempting to develop these markets for its exports since 1984.

At the aggregate level, Japan, USA, and Singapore continued to be the major export markets

for Indonesian products. However, the total share of these three countries decreased from around 77% in 1985 to 49% in 1996. This indicates that Indonesia has been successful in diversifying its export markets. In 1985, Japan was the largest export market for Indonesian products accounting for 46% but its share then decreased to only 26% in 1996. Similarly, the share of USA decreased from 22% to 14% during the period. On the other hand, the European Union and ASEAN have become

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more important export markets for Indonesian products. The market shares of the European Union increased from only 6% in 1985 to more than 15% in 1996, and ASEAN's market increased from 11% to 15%.

Japan, USA, and Singapore have been the main sources of Indonesia's imports. Together they accounted for 38% to 51% of Indonesia's total imports for the last decade. The relative importance of Japan and USA as the main sources of Indonesia's imports decreased slightly over the period 1985-1996, although they remain important in absolute terms. Over the period, the share of Japan decreased from 26% to 20%, in spite of its increased value from US\$2,644 million to US\$7,273 million. Similarly, the share of USA decreased from 17% to 12%. The shares of ASEAN and other Asian countries increased slightly from 9 to 11%, and 17 to 21%, respectively.

#### *Performance of agricultural trade*

Over the period 1985-96, Indonesia experienced surpluses in its agricultural trade. Agricultural exports grew at an average rate of 10% per annum, increasing from US\$3.2 billion in 1985 to US\$10.6 billion in 1996. Meanwhile, the total imports increased at a much faster rate of 15% per annum. As a result, the agricultural trade surplus has been declining over time.

Despite its rapid growth rate, agricultural trade remains small compared to both total GDP and agricultural GDP. The ratio of total agricultural exports and imports to GDP remains small and constant over the 1985-92 period, from 0.04 to 0.5 for exports/GDP, and from 0.02 to 0.03 for imports/GDP. In 1996, total agricultural trade accounted for more than 51% of the total agricultural GDP, increasing from 23% in 1985. The share of exports on agricultural GDP increased from only 16% in 1985 to 29% in 1996. Similarly, the share of agricultural imports to agricultural GDP increased from 7% to 21% during that period. Again, this indicates that agricultural development in Indonesia has not really been "export led".

Natural rubber, palm oils, coffee, tea, and shrimps remain the major sources of foreign exchange earnings for Indonesian agriculture. Both export volume and value of some export commodities increased steadily over the period 1985-96. Cacao, palm oils, shrimps and lobster experienced the highest growth rates compared to

other commodities. Meanwhile, the export value of coffee, tea, pepper, and rawhide shrank over the 1985-96 period.

Rice, wheat, cotton, sugar, feed for animals, sugar, dairy products and honey are the main agricultural import commodities. Import value of wheat grew steadily at 14.9% per annum, from US\$259 million in 1985/86 to US\$1.1 billion in 1996/97. Import demand for wheat was mainly driven by the rapid development of food processing industries, and it is expected to increase steadily in the future. Since 1994, Indonesia has turned back into the world's leading rice importer. Severe drought in 1994 and 1995 affecting parts of Java and many of the outer islands led to significant area abandonment and reduced yields in these producing regions. Consequently, in 1995 the rice import was around 2 million tons, the most ever taken in one year by a single country.

#### *Direction of agricultural exports for selected commodities*

At the aggregate level, USA, Japan, Netherlands, Singapore, and Germany have been the five main countries of destination of Indonesia's agricultural exports. USA alone accounted for 19-27% of Indonesia's total agricultural exports for the period 1985-1996. In 1985, agricultural exports to USA accounted for 24%, increasing to 27% in 1988 but then fluctuating and dropping to 19% per cent in 1994 and increasing again to 24% in 1996. In terms of value, however, total agricultural exports to USA increased steadily from only US\$ 544 million to US\$ 1,100 million or at an average annual growth of 6.1% over the period 1985-1996.

The position of the USA as the main export market has gradually been replaced by Japan. The share of Japan increased from 14% in 1985 to 22% in 1996, while the export value to Japan increased from US\$308 million to US\$1,028 million. In contrast, the share of Singapore slightly declined in the past few years, that was from 11% in 1992 to 5% in 1996. This is also the case for the Netherlands, as its share decreased from 11% to 7% during the 1985-1996 period.

The direction of agricultural exports exhibited no significant change over the past decade. The export markets of Indonesia's agricultural products are becoming more concentrated. In 1985, the share of the USA and Japan together accounted for 38% of the country's total agricultural exports, while

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in 1995 the share increased to 46%. Nevertheless, it is important to note that the direction of trade and the relative importance of each export destination vary from one commodity to another.

*Potential impacts of Uruguay Round trade liberalization*

The Uruguay Round liberalization will potentially expand access for Indonesia's exporters to major export markets, particularly to industrial countries. The tariff reduction among the major export outlets will provide enhanced market access for Indonesia's exporters. Global tariff barriers on industrial products of export interest to Indonesia will be reduced by around 42%. Tariffs in industrial countries will decline to an average of around 4%. The simple average tariffs for all products (except petroleum) will fall to 4.4% in Japan, 6.0% in the European Union, and 6.5% in the United States.

Many of Indonesia's most important export products will face larger than average tariff cuts in the major industrial export markets. The largest cuts apply to wood, pulp, paper and furniture items (69%), mineral products and precious metals (59%), oil seeds, fats and oils (40%), and coffee, tea, cocoa, and sugar (34%). Export earnings from the items in these groups comprise 21 to 50% of the total export earnings. Substantive tariff cuts will also apply to certain export items such as fruits and vegetables (36%), spices (35%), grains (39%), and other agricultural products (48%).

A substantial proportion of Indonesia's exports will enter duty free to its major markets following the Uruguay Round. More than three-quarters of Indonesia's export to Japan, and nearly half of exports to the United States and European Union will be duty free. This is a substantial increase in duty-free access to major markets compared with the situation prior to the Uruguay Round.

In addition to tariff reduction, the Uruguay Round has resulted in greater security of market access through an expanded number of tariff bindings. For developed countries, tariff bindings will cover 99 and 100% of trade in industrial and agricultural items, respectively. For developing countries, the corresponding percentages are 59 and 100%. The guarantee that tariff bindings provide for market access is important. Industrial countries have bound their tariffs at actually applied levels so that the bound tariff levels following the implementation of the Uruguay Round will be those

actually in effect after the agreed tariff reduction is implemented.

*Estimated impacts of Uruguay Round trade liberalization*

Several studies indicate that most of the gains from trade liberalization arise as a consequence of a country's own liberalization. In particular, the efficiency gains, which result from market opening, are a benefit, which accrues directly to the country undertaking trade liberalization. Liberalizing countries may also gain from greater exploitation of scale economies, from increases in the range of goods available to their producers and consumers, and from more rapid transfer of technology. There may be benefits to the country's trading partners if its import expansion is large enough to improve the exporter's terms of trade.

Unilateral trade liberalization can increase real income in a number of ways: (a) by allowing consumers to purchase their needs from the most efficient source, (b) by scaling back production of goods which are not efficiently produced domestically and increasing production of goods which are most efficiently produced at home, and by (c) increasing the volume of trade on which remaining trade taxes are collected. Further gains may be achieved by greater exploitation of scale economies in production, and from improvements in the range and quality of specialized products available to producers and consumers. In addition, countries may gain from liberalization by their trading partners, particularly if this increases the demand for their exports, and hence their terms of trade.

A particular concern raised by developing countries was the possibility of adverse terms of trade effects resulting from agricultural trade liberalization. Enormous agricultural protection provided by many developed countries was depressing world prices of many agricultural products both by protecting domestic markets from importing and by generating surpluses to be disposed of on the world markets with the help of export subsidies. Reductions in domestic supports and export subsidies in these countries will benefit countries, which are net exporters of the products whose world prices rise but may harm net importers of the respective products.

Trade liberalization following the Uruguay Round is estimated to have a very strong and

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positive impact on the Indonesian economy, and Indonesia will stand to gain considerably in terms of stimulus to both its trade and income. The simulation results show that if Indonesia does not pursue trade deregulation along the lines of its trading partners, then not only will it suffer a loss of export competitiveness, but it will actually experience a decline in net social welfare. Trade reform, along with the effort for increasing technical efficiency, is necessary for Indonesia to enjoy the largest benefits from the Uruguay Round. The results also confirm the notion that the more Indonesia deregulates its domestic economy, the larger the gain it can capture from global trade liberalization.

The results show that Indonesia's export value (volume) could increase by 10.4 (12.38)% more than would otherwise occur, following complete implementation of the trade liberalization agreed in the Uruguay Round. Uruguay Round liberalization is estimated to increase household and factor incomes by 2.0% and 4.2%, respectively. In terms of increased income, implementation of the Uruguay Round commitments is estimated to result in a net social benefit of around \$ 782 million, which represents 0.75% of the GDP in 1992.

The simulation results show that Indonesia could become a potential rice exporter. China, the European Union, North and Latin America are shown to be the main export markets for Indonesian rice. The results also show that Indonesia could expand exports of other agricultural products such as coffee, palm oil, rubber and other industrial crops to the European Union, Sub-Saharan Africa, Australia and New Zealand. Exports of livestock products are also estimated to increase, especially to the European Union. However, Indonesia's exports of forestry, fishery and agricultural-processed products are estimated to decline to all export destinations. A decline in the export of forest products to Japan could have a considerable impact on foreign exchange earnings, since Japan is currently the major export market.

#### *Policy implications*

In spite of increasing government commitment toward an export-oriented economy, there was no significant increase in the ratio of both exports and imports to GDP over the 1985-96 period. The ratio of the total exports to GDP increased slightly over the 1985-92 period, from 0.22 to 0.26, but then

started to decline and went back to the level of 0.22 in 1996. These figures are well below those of other East Asian export oriented economies, where the ratios are in excess of 40%. This indicates that the Indonesian economy has not really been "export led" in the way it has in some East Asian export oriented economies. Accordingly, this may suggest the need for the government to further reform the economy and consistently implement existing deregulation packages.

The flattening of export growth in recent years highlights the need for Indonesia to maintain the pace of reform in order to improve economic efficiency and foster internationally competitive industries. The most recent trade reforms are encouraging but more is needed to overcome the anti-export bias of the trade regime and to stimulate domestic competition. Agricultural-based manufacturing industries could continue to prosper in the future if the government were to accelerate the pace of policy reform and in particular to reduce the remaining disincentives against these sectors. This would involve not only further reducing manufacturing protection but also deregulating food processing and the export crop sector. The elimination of non-tariff barriers on agricultural raw materials would promote the food and beverage industry.

Indonesia can expect to do very well in a liberalized and freer world market, if it speeds up the opening of its own economy during and following the implementation period of the Uruguay Round agreement. Agricultural growth may slow marginally, however, unless additional growth-enhancing policies are adopted. But even if farm output growth is slowed slightly as a consequence of the round, income growth of rural households nonetheless is likely to accelerate as new job opportunities emerge with the expansion of labor intensive firms as more government investments in infrastructure are shifted outside urban areas.

The negative impacts arising from trade liberalization for various parts of the agricultural sector can be attenuated if the government could act to help enhance production efficiency by consolidating and expanding farm size, investing in infrastructure and in research and development. All of these measures fall within the "Green Box" under the Uruguay Round Agreement on Agriculture and can thus be pursued legitimately without violating any of Indonesia's multilateral trade obligations. These increases in production efficiency would be

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particularly effective if they were accompanied by investment in human resource development.

### **Commodity Aspects**

In general, this study is aimed at analyzing the effects of trade liberalization on production, consumption, trade and marketing of selected CGPRT commodities, namely rice, soybeans, maize, cassava, and potatoes in Indonesia. The analysis is undertaken at both the aggregate and farm levels. Specifically, the objectives of the study are (i) to review production, marketing and trade-related policies on selected commodities, (ii) to measure the effects of trade liberalization at both national and farm levels, particularly on production, export, import, farm income, as well as producer, consumer and government surpluses, and (iii) to draw policy recommendations to minimize adverse impacts of trade liberalization.

#### *Effects of trade liberalization prior to the economic crisis*

At the macro level, unilateral trade liberalization through tariff reductions for import substitution would reduce the wholesale price, producer price, supply quantity and producer surplus, but increase demand quantity, import and consumer surplus. The eventual effect would be an increase in net surplus, suggesting an improvement in social welfare. The extent of change, however, would be dependent very much on the transmission elasticity of tariffs on wholesale price, the transmission elasticity of wholesale price on producer price, and the price elasticity of supply and demand. Higher tariff transmission elasticity would have a large negative effect on producer surplus, but also a larger positive effect on consumer surplus and eventually a larger positive effect on social welfare.

At the farm level, tariff cuts would reduce the producer price. Due to own-price and cross-price effects, a decline in producer price would reduce the use of inputs such as fertilizer and labor, which subsequently reduces yield and net revenue. As reflected in price transmission elasticity, the magnitude of the effects at the farm level would be dependent on the marketing system of the respective commodities. It is likely that the more efficient the marketing system, the higher the elasticity of price transmission. In the case of rice and potato in West Java and soybean, maize and

cassava in East Java, the marketing systems can be considered efficient. Further improvement in the marketing systems would therefore improve the producer prices.

#### *Rice*

The removal of implicit import tariffs for rice (reduction by 16.4%) would increase the demand for rice by 2.36% or 796,700 tons. Meanwhile, the supply of paddy would decline by 2.83%, from 51.1 million tons to 49.7 million tons in response to the drop in producer price of paddy. The import quantity would increase by around 1.7 million tons, from 2.04 to 3.7 million tons. The net welfare gains for a 16.4% cut of implicit tariff would be around Rp 1,832.2 billion. At the farm level, the gross revenue and total variable cost of rice farms would decrease by 13.9% and by 5.7%, respectively, resulting in a reduction of net revenue of 21.7%, from Rp 892,119 to Rp 698,373.

Implementation of Uruguay Round trade liberalization is expected to lift the world market price of rice by 7%. The analysis shows that this price change would increase the wholesale and producer prices by 6.63% and 6.76%, respectively. The increase in the domestic wholesale price would reduce the demand for rice by 1.27% (427,650 tons), but increase production of paddy slightly by 1.52% (30,940 tons), an increase from 51.102 million tons to 51.133 million tons. Import quantity would decline by around 446,840 tons, from 2.040 to 1.593 million tons. The net welfare would be around Rp 1,069.30 billion. At the farm level, the Uruguay Round trade liberalization would increase net farm revenue by 11.7%.

The economic crisis has forced the government to abruptly deregulate its domestic rice market. The December 1998 deregulation liberalized rice markets including removal of the BULOG monopoly on importation of rice. There has been growing concern recently about the potential adverse effects of this situation. In order to reduce potential adverse effects, the government has been considering implementation of an import tariff on rice. The analysis found that the net welfare loss for imposing a 15% import tariff is around Rp 588.3 billion per year.

#### *Soybean*

The decrease in the domestic wholesale price following the tariff removal would increase the

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demand for soybean by 35,500 tons or 1.61% higher than the base year level. In contrast, the supply of soybean would decline by 1.6% (32,300 tons), from 1,680 thousand tons to 1,648 thousand tons in response to the drop in producer price of soybeans. Import quantity would increase by around 67,800 tons, from 533,600 tons to 601,400 tons. The net welfare gain resulting from tariff removal on soybean imports is estimated around Rp 32.3 billion. At the farm level, removal of the tariff would reduce net revenue of soybean farms by 4.6% from Rp 872,629 to Rp 832,354.

The 7% increase in the world market price of soybean arising from the Uruguay Round trade agreement would increase the wholesale and producer prices by 5.01% and 4.39%, respectively. The increase in the domestic wholesale price would in turn reduce the demand for soybean by 2.14%. Meanwhile, the production of soybean would increase by 2.57%, from 1,680 thousand tons to 1,693 thousand tons in response to the increase in the producer price of soybean. Import quantity would decline by 61,150 tons, from 533,600 tons to 472,450 tons. The net welfare loss resulting from implementation of the Uruguay Round trade liberalization would be around Rp 69.14 billion. At the farm level, gross revenue and total variable cost of soybean farms would increase by 4.6% and 0.4%. The net revenue would increase by 6.1% from Rp 872,629 to Rp 925,860.

#### *Maize*

The decrease in the domestic wholesale price following the tariff removal of 5% would increase the demand for maize by 302,700 tons or 1.8% higher than the base year level. In contrast, the supply of soybean would decline by 159,000 tons. The import quantity would increase by around 461,700 tons. The net welfare gain resulting from tariff removal on maize imports is estimated around Rp 36.3 billion. These social welfare gains are attributed to the gain by consumers, which is much higher than the loss borne by producers as a result of tariff removal. The consumer surplus is estimated around Rp 136.3 billion. Due to tariff removal, the government would give up income of around Rp 12.9 billion per year. At the farm level, the tariff removal would likely reduce net revenue by 4.86%.

The increase in world price would have severe effects on the maize economy. The quantity imported and consumer surplus would decrease by

4,490 tons and Rp 177.8 billion, respectively, while producer surplus would increase by 133.8 billion. The social welfare of the society, in effect, would get worse because of a decline in net surplus by Rp 44.0 billion. At the farm level, on the other hand, the farmer's income would be better off from additional net revenue of 4.74% or Rp 34,814 per hectare per season.

#### *Cassava*

A 6% increase in world price would eventually decrease the quantity demanded by 0.04% or 7,000 tons. In contrast, a similar rate of increase in the world price would eventually increase the quantity supplied by 0.44% or 74,900 tons. These changes would generate a potential increase for export of around 81,900 tons. As a consequence, consumer surplus would be expected to decrease by Rp 109.4 billion and the producer surplus increase by Rp 110.7 billion. The net surplus would increase by approximately Rp 1.3 billion. This is to say that any increase in the world price of cassava would eventually improve social welfare. At the farm level, the world price change would increase the net farm revenue by 4.39% or Rp 85,666 per hectare per season.

#### *Potato*

The decrease in the domestic wholesale price following the tariff reduction (from 22 to 17%) would increase the demand for soybean by 4,400 tons or 0.42% higher than the base year level. In contrast, the supply of potato would decline by 2.8% (29,900 tons), from 1,035 thousand tons to 1,005 thousand tons in response to the drop in producer price of potato. Import quantity would increase by around 43,000 tons, from 2,100 tons to 36,500 tons. As a result, the net welfare gains from tariff removal would be around Rp 10.4 billion. At the farm level, this 5% tariff reduction would reduce net farm revenue by 7.9%, from Rp 10,356,164 to Rp 9,533,752 per ha per season.

#### *Effects of the economic crisis and related policy reforms*

Since the economic crisis hit the country, the government has undertaken massive policy reforms in agriculture, including: (i) eliminating the BULOG import monopoly over wheat, wheat flour, sugar, soybeans, garlic, and quite recently rice, (ii) reducing tariff rates on all food items to a maximum

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of 5% and abolishing local content regulations, (iii) removing restrictive trade and marketing arrangements for a number of commodities including local content requirement, and (iv) deregulating trade in agricultural products across district and provincial boundaries including cloves, oranges, and livestock. It is expected that consistent implementation of these reforms will restore investor confidence and allow more efficient and productive investment.

Despite the ongoing reforms, the economy remains in a deep crisis. The massive currency depreciation has serious implications on domestic demand, the banking system, corporate balance sheets, inflation, trade and the balance of payments, government finances, and eventually growth, incomes, employment, welfare, and poverty. The most immediate effect of the exchange rate depreciation was a collapse in domestic demand. The collapse of domestic demand overwhelmed producers of import substitutes, who might otherwise have benefited from the exchange rate depreciation. Exporters of manufactured products have been handicapped by a shortage in trade finance due to lack of confidence among the trading partners. The main gainers were exporters, especially those exporting agricultural and natural resource based products.

The currency depreciation caused inflation to soar. Inflation over the 12 months to the end of June 1998, reached 59%. The bulk of this increase was caused by a rise in the price of tradable goods, especially food and clothing. This has serious implications on the welfare of the poor. Agricultural supply shocks due to weather problems combined with the high inflation have sharply reduced consumer purchasing power and triggered an alarming rise in the number of food insecure families. Up to now, the government is retaining a targeted subsidy on rice, particularly to food insecure families, and it is still seeking the most appropriate mechanisms to deregulate trading in this staple and to make the price affordable.

Weather problems and the economic crisis have pushed Indonesia into a serious food crisis. In terms of rice, the supply shocks occurred after several years of slow growth of rice production. The monetary crisis, which has disrupted agricultural input and output markets, seriously affected the food supply. Rice production, in the form of dried paddy, dropped from 51 million tons in 1996 to 49 million tons in 1997 at a rate 4.1%. According to the

second production forecast of the Central Bureau of Statistics, rice production in 1998 is forecast to drop further by 6.5%, to a total amount of 46.3 million tons. Similar situations occurred in the production of other food crops. The case of soybean was the worst, and its production declined continuously during the 1995-1998 period.

The decline in domestic food supply has been partially offset by an increase in food imports. Imports of rice, soybeans and sugar, in particular, have increased significantly to offset the low level of domestic production. The import of wheat has also increased to meet an increasing demand in relation to the food and social safety net program. The decline in rice production in 1997 has been offset by a rice import of 3.6 million tons plus 4.3 million tons of wheat import.

Whether it is timely to undertake abrupt policy reforms in agriculture when the delivery system has collapsed is now a controversial policy issue. Many argued that before the subsidies were removed, the government should have secured an effective food delivery system in order to reach those who are food insecure. In terms of fertilizer subsidy removal, negative reaction spread out not long after the policy was announced, since fertilizer not only disappeared from the market but their prices were too expensive. Many people suggested that subsidy elimination should instead be done gradually.

#### *Policy recommendations*

Trade liberalization would act to redistribute income between consumers and producers. In the case of import substitution commodities, such as rice, soybean and maize, trade liberalization through tariff reduction would increase the social welfare of the society. In the case of export commodities, such as cassava, an increase in world price resulting from trade liberalization would also increase the social welfare of the society. The negative effects arising from trade liberalization can be attenuated if the government could act to help enhance productive efficiency. In addition, government policies should also act to better redistribute the welfare gains arising from trade liberalization.

Since the effects of unilateral trade liberalization on import substitution commodities would likely reduce the welfare of producers, at least in the short-run, attempts should be made to prevent producers from income squeeze. Agricultural policy reform should be directed to

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further increase farm productivity and marketing efficiency. Introduction of improved production technology, provision of farm credits, and improvement of infrastructure such as transportation facilities, are among other policies expected to minimize the negative effects, and at the same time, open opportunities to gain from trade liberalization.

Government intervention on rice remains a debatable policy issue. Although the rice trade has been liberalized, the government is still attempting to use a floor price and market operations program to support producer incomes and stabilize consumer prices. Three options might be considered. At one extreme, the government could abandon all efforts to stabilize domestic rice prices, abolish the public procurement and distribution system, and rely solely on private trade. The question is whether domestic producers and consumers would be willing to accept the consequences of considerable price volatility. Another extreme option would be to restore the government monopoly on rice imports and return to its pre-1998 rice price stabilization policy. The compromise option would be to retain many of its previous rice policy objectives, while implementing them in a more transparent and cost-effective way.

## Effects of Trade Liberalization in Thailand

*Kajonwan Itharattana\**

### **Institutional and Structural Aspects**

Thailand's economy partly depends on the world economy. Thailand has long had an open economic system, which started international trade in 1855. Thailand often experiences a deficit trade balance due to the fact that its imports of goods and services tend to increase more than exports. The rise in the imports has resulted from the development of the country. Although Thailand has

experienced unfavorable trade balances, the agricultural trade account has always been favorable. This indicates that the non-agricultural sector caused the unfavorable balance of trade.

Agricultural commodities have long been Thailand's major exports with a growth rate of 11% during the 1980-1996 period. The increase was due to rising trade of several export items, namely rice, rubber, sugar, and frozen chickens and shrimp products. The export of maize decreased tremendously as a result of increase in the domestic livestock industry requiring feed for raising animals. It declined at a rate of 18.8%.

Total export value of agricultural commodities was 16,500 million dollars in 1996 in which rice was a major export commodity since the beginning of the nineteenth century. Rubber became a major export item in the twentieth century. Rice and rubber took turns being in the first rank of total agricultural exports. Furthermore, many agricultural products, namely maize, cassava, shrimps, frozen chicken, etc. were added to the list of important Thai export items.

Considering the percentage share of each agricultural commodity to the total export, it was found that the percentage share of rice to total agricultural exports declined from 29.88% in 1960 to 3.59% in 1996. Rubber fell from 30% to 4.5% during the same period. Fisheries products, shrimps and shrimp products in particular, became a major source of income.

Thailand's total import has increased along with its development trend at a rate of 17.4% during 1980 to 1996. Pulp and paper products have been a major agricultural import group of Thailand followed by dairy products and soybean products.

Although international trade has played a significant role in the Thai economy as source of national income and agricultural trade is a leading sector, the export statistics of farm commodities show that its value has been dependent on export of a few traditional crops, such as rice, rubber and cassava. However, between 1980-1995, the value of these products showed a declining trend and their percentage shares of the total export decreased. This indicates that there has been an increase in export value of other agricultural commodities. The sectors, which became more important are livestock and fisheries, i.e. poultry and shrimps in particular. Nevertheless, statistics also show that the import value of agricultural products increased over time with higher rates relative to the

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\* Office of Agricultural Economics, Ministry of Agriculture and Cooperatives, Kasetsart University Campus, Bangkok, Thailand. This paper is adapted from *Effects of Trade Liberalization in Thailand: Institutional and Structural Aspects*, Working Paper No. 39, CGPRT Centre, Bogor, and *Effects of Trade Liberalization in Thailand: Commodity Aspects*, Working Paper No. 49, CGPRT Centre, Bogor.

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export. If this trend persists, the farm sector may confront trade imbalance in the future.

In the coming age of globalization, Thailand is facing rising competition in the world market. While the free trade concept is endorsed, an adjustment of demand and supply among countries will result. The principle of comparative advantage of countries is brought into consideration. Apart from straight competition, trade policies and measures of trading countries will have influence on production and marketing among countries. Furthermore, the implementation of the WTO agreements is expected to have impact on the production situation in major exporting countries, including Thailand.

Reduction in producer subsidies of the developed countries by 20% of producer income will lead to a downward adjustment of the production area and result in reduction of total export volume of those countries. The adjustment is projected to have a positive effect on prices. Thus, the change in prices will impact on a large exporting country like Thailand.

By the same token, the adjustment of Thailand is to reduce import duties by an average of 24%. This will open up Thai markets to increased imports of commodities with prices lower than those of local products. In addition, Thailand has to reduce the current producer subsidies on soybean, palm oil, dairy products and sugar. This will affect the production of these commodities.

While the international trade of agricultural products is being deregulated, it is important that WTO members undertake a study and analysis of the impact of trade liberalization on their major export and import products. These findings will lead to adjustments to cope with changes in the world trade situation.

### **Commodity Aspects**

International trade has played a significant role in the Thai economy and agricultural commodities have been taking the largest share of the total export of the country. However, export statistics show that the value of export depends on a few traditional crops, namely rice, rubber and cassava, although their importance has decreased. In contrast, Thailand has imported maize since 1992 due to expansion of livestock industries. At the same time, frozen and chilled chicken and shrimp

products were added to list of major export items of Thailand.

In this globalization era free trade policies are favored by the world community. Thus, the Agreement on Agriculture has committed WTO members to reducing their tariffs, internal support and export subsidies. According to the agreement and commitments, member countries including Thailand have to prepare and adjust themselves to a more liberalized trade system. Therefore, this study on impacts of trade liberalization on major Thai exports and imports was undertaken. It is expected that the findings will help planners and policy makers lay down appropriate policies and measures to develop the agricultural sector to be able to cope with the changing world trade situation.

The study presents an overview of trade policies, measures and institutions in Thailand including the findings of the first phase of the projects. The analysis of trade liberalization effects covers major export and import commodities, namely rice, maize, soybeans and dairy products. The impacts on production, marketing and demand of the said commodities are analyzed both at the national and the farm level.

The analysis of impacts on rice is based on the FAO study, which indicated that the impact of the Uruguay Round would be to increase the world price of rice by 7%. It assumes that the export price of 5% broken Thai rice is the world price. The results of the analysis show a positive effect on the Thai rice economy with a net gain of 148.421 million dollars. The analysis also included the impact of removal of the fertilizer subsidy, which caused a higher farm production cost. However, the assessment of impacts does not include adjustment of other rice producing countries, which might adapt themselves to the changing world market situation. Therefore, Thailand needs to prepare itself by enhancing the efficiency of production, reducing production costs, improving the quality of farm products in light of consumer demand, and developing product research and an information network of production and marketing in cooperation with the private sector.

The impact on maize of a 4% increase in the world price of maize due to the effect of the Uruguay Round will be increased domestic prices. A positive effect is observed because the domestic supply increases. There is a negative effect due to the expanding local livestock industries, which utilize more maize as animal feed. The overall

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impact is a net gain to the country. However, the boom of the livestock industries creates a shortfall of maize supply, raising the need for more imports to compensate for the shortage. To prevent this problem, farm technologies to enhance maize production are needed, including research and development with a focus on seeds. In time of great demand for maize, an import measure is required with a reduced tariff. In the meantime, maize exports need not be restricted in order to keep the market share in the world market.

In the case of soybeans, the assessment of impact is based on a reduction of the soybean grain import tariff from 5 to 0% and of soybean meal from 15 to 10 and 0%. It was found that prices of domestic and imported soybeans were closely related. As the tariff was reduced from 5 to 0%, local soybean prices at both wholesale and farm levels declined. This generates a loss in the producers' surplus of 3.302 million dollars and a gain in the consumers' surplus of 1.768 million dollars. Similarly, the reduction of soybean meal import tariffs from 15 to 10 and 0% would bring down prices of domestically produced soybean meal and increase the demand for the meal. This will create a consumers' surplus gain of 19.336 million dollars at the 10% tariff and 58.48 million dollars at no tariff.

However, local soybean production and imports show a close relationship with the use of soybean meal and oil products. A sufficiency in producing the meal would create an oil excess. To prevent this, an attempt to find the oil demand was made. With 10% reduction of soybean meal tariff, the soybean oil price fell and demand for the oil increased from 107,997 to 124,370 tons, which comes from 872,160 tons of grain. This amount of grain can produce 671,563 tons of meal. Therefore, the feed industry would need to import part of the demand for the meal. However, production increase to 872,160 tons as required might not be attainable because in the national plan an annual target of 440,000 tons is specified.

When the impact of removal of the fertilizer subsidy was investigated, it was found that soybean farmers faced a higher cost of production and their gross income declined. Efforts to enhance soybean productivity to reduce and cope with the domestic demand should focus on zoning for suitable cultivation, seed improvement research and development, better transfer of the production

technologies and lastly, formation of soybean farmer groups.

With respect to milk and milk products, free trade for the skim milk powder would both give positive effects to the dairy processing industry, and, at the same time, a negative effect to dairy producers at both the national and farm level. Therefore, assistance for dairy farmers to compete with the cheaper skim milk powder is recommended such as enhancement of production efficiency with quality improvement, designation of dairy farming zones with technical suitability, and organization of dairy farmers' groups.

Regarding overall policy, review, revision and rebuilding of the WTO commitments of each country are recommended. The CGPRT Centre can play a role in this matter for the region. Furthermore, findings from the study indicate that Thailand should adjust itself for competitiveness. The guidelines for greater production and marketing potential should emphasize enhancement of farm production efficiency and cost reduction through technological initiatives, developments in commodity quality, processing and packaging and gear its production toward the needs and requirements of the markets. Aspects of standardization of commodities are of great concern. Zoning for a best production and quality control in all stages of production should be considered. Lastly, the development of human resources in the agricultural sector should not be neglected in order to keep pace with changing world conditions. However, agricultural production must be practiced with concern for environmental sustainability.

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## Effects of Trade Liberalization in Viet Nam

*Nguyen Trung Que and Nguyen Ngoc Que\**

### **Institutional and Structural Aspects**

Vietnam is an agricultural country with 80% of the population living in rural areas and 74% of its

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\* Institute of Agricultural Economics, Hanoi, Viet Nam. This paper is adapted from Effects of Trade Liberalization in Viet Nam: Institutional and Structural Aspects, Working Paper No. 40, CGPRT Centre, Bogor, and Effects of Trade Liberalization in Viet Nam: Commodity Aspects, Working Paper No. 52, CGPRT Centre, Bogor.

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labor force engaged in agriculture. In recent years, under the implementation of economic structural adjustment, the agriculture of Vietnam has been diversely developed, with regard not only to production for domestic demand but also for export. The main exportable crops of Vietnam, rice, coffee, rubber, cashew nut, pepper, etc. have grown both in quantity, quality and export value. They have contributed considerably to Vietnam's economic development. Vietnam also has high potential for developing various exportable upland crops and root crops such as coffee, tea, rubber, groundnut and so on. Expansion of domestic, regional and world markets has impacted significantly on the promotion of agricultural production in the country. Furthermore, promotion of agriculture, including expansion of acreage under cultivation, increase of crop yield, enhancement of quality of primary products and development of the processing industry is the key motivation to expanding and sustaining market development. The Vietnam Government has clearly recognized this matter. Therefore, numerous directions, solutions as well as strategies are adopted, encouraging farmers and agents to promote agricultural production, creating possibilities for market expansion.

In recent years, the development towards trade liberalization in Vietnam has positively affected agricultural production. As a country of mono-crop agriculture based on primitive farming technology, Vietnam, step by step, has been shifting its self-sufficient agriculture to a more commercialized one serving both domestic and export markets. In 1997 Vietnam became the second biggest rice exporter in the world, with an export volume reaching 3.55 million tons or US\$ 870 million. Other upland crops such as coffee, rubber, groundnut, pepper and cashew nut have increased both in quantity and export value. In 1997 agriculture contributed 27.1% of total export value. The quality of exported agricultural products has been considerably enhanced. The export price of each product day by day has also been increasing. The markets for Vietnam's export agro-products have been expanding. There are many factors contributing to the above-mentioned results, the most important of which is that we have oriented towards the development of a market-based agriculture. The government has promulgated many policies encouraging households and enterprises to produce goods, free commodity circulation within the country and export to the region and the world market. The

policies related with tax, investment, capital, infrastructure, etc. have been gradually and firmly improved in order to catch up with economic reality.

However, there are many constraints in the production of agricultural products for export; most agricultural products were exported in the form of raw materials with low quality. The processed products have not met the requirements of international markets yet, mainly due to of the obsolete processing technology. Therefore, the result is low selling price and profit.

The capacity to expand and maintain markets has also been very limited, because of lack of experience, export opportunities and limitation of marketing skills. Furthermore, Vietnam has not yet effectively integrated into the region and the world market. In addition, due to the recent economic crisis in ASEAN countries, the markets for Vietnam's agricultural products have become constrained.

### **Commodity Aspects**

During the last two decades, under the implementation of economic structural adjustment, agriculture of Viet Nam has been diversely developed with regard to production for both domestic consumption and export. Implementing the renovation policy shifting from a subsidized, bureaucratic, centrally planned production to market-orientated commodity production with the development of many economic sectors under the management of the State has paved the way for the expansion of trade.

The main exportable crops of Viet Nam have grown both in quantity and export value. They have contributed considerably to Viet Nam's economic development. Viet Nam has emerged in the world market as one of the main exporters of rice. Besides rice, there is also high potential for developing various exportable upland and root crops such as coffee, tea, rubber, groundnut and so on. The ongoing momentum of internal and external trade liberalization and the expansion of national, regional and international markets have notably impacted on agriculture in Viet Nam. Deeply concerned about this matter, the Government of Viet Nam, therefore, has launched a series of economic and institutional reforms encouraging farmers and agents to promote their agricultural activities and creating possibilities for market expansion.

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During implementation of the renovation policy, Viet Nam has devised numerous policies in order to guide the economy such as the promulgation of the foreign investment law, the development of different economic sectors enjoying equality before the law and the import-export tax policy and at the same time Viet Nam has conducted administrative reform, re-organizing the system of trade, customs, quarantine control, etc.

To meet rapidly increasing demand Viet Nam has invested in the expansion and upgrading of infrastructure such as communication roads, the system of ports, railway stations, airports, the building of power plants, oil refinery facilities, and irrigation and telecommunication systems. This has created favourable conditions for the circulation of commodities nation-wide and the expansion of exports. However, infrastructure, especially the transport system, is still very backward and weak.

The effect of trade liberalization at the national level in this study is based on different methods including econometric estimation of supply and demand behavior parameters and partial equilibrium modeling of Viet Nam's agricultural trade with special focus on four major exportable crops: rice, coffee, tea and groundnut. Together, these sub-sectors contributed 70% of total sown area and 66% of agricultural exports during the last decade.

The model analyzes two trade policy options to examine the effects of trade liberalization at the national level on the production, marketing and demand of the selected commodities. In the first policy option, all export quota and other trade restrictions are assumed to be totally removed. Apart from the elimination of all trade restrictions, the second policy option also includes the assumption of an increase of 7% in the world prices for exports of the four crops in Viet Nam. According to the results of various simulations, some preliminary conclusions could be formed: if Viet Nam removes all her export restrictions the country's overall agricultural export is likely to increase by nearly 26%, and in addition to this, if the WTO agreement on agriculture is fulfilled bringing about a 7% increase in the world prices for Viet Nam's agricultural export commodities, Viet Nam's agricultural export earnings might increase by more than 40%. In short, the analysis shows that the effect of national and global trade liberalization seems to be great for Viet Nam's agricultural sector. However, many difficulties and challenges emerging from world competition and the risk of economic

instability caused by world trade fluctuation should be further considered.

The impact of trade liberalization on agriculture at the farm level was also studied using the partial budget approach. The cost and returns for the selected crops in specified locations were computed based on data drawn from the Institute of Agricultural Economics' commodity-specific study. For the scenario with full trade liberalization, only prices for outputs of the four selected crops were assumed to be changed. The result of partial budget analysis with and without trade liberalization demonstrated some very impressive potential impacts of free trade at the farm level. If trade were totally free, net return per hectare in the case of rice in the Mekong River Delta, coffee in Dak Lak province, tea in Thai Nguyen province and groundnut in Nghe An province would increase by 1.4, 8.7, 9.3 and 1.4 million VND.

The study of the impact of trade liberalization on agriculture, both at national and at farm levels, is based on a limited amount of data and resources. Therefore, the findings of this study need to be further investigated. The analysis, however, could contribute to the clarification of the effects of trade liberalization on agriculture in Viet Nam.

Due to the influence of trade expansion, the production of agricultural commodities of farmer households has increasingly developed. The lives of farmer households in zones producing export commodities, such as rice in the Mekong river delta and coffee in Tay Nguyen, have clearly improved compared to the period before implementing the expansion of trade and zones, which are still undertaking self-sufficient production.

Besides the positive impacts of expansion of trade on agricultural production, there are also numerous restrictions; administrative procedures have not been improved thoroughly and their implementation has been delayed. The relationship between farmer households and organizations dealing with processing and export has been loose, with no firm contracts. The producers have not been sponsored, so when market prices go down below the production cost, they suffered losses.

Being aware of the important role of the expansion of trade in boosting agricultural production, the Government of Viet Nam has devised a strategy and measures for the year 2010 aimed at bringing into full play the competitive advantage of agricultural commodities such as rice,

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coffee, rubber, cashew nuts, pepper, sugarcane, sugar, fruits, vegetables, and meats.

In short, the benefit of free international trade has been proved in this study with its findings that appear to be very convincing for Viet Nam. However, the implementation of binding commitments under the WTO and AFTA agreements on agriculture is not easy in real life. Acceding to the regional and world trade organizations, Viet Nam may still have various problems and challenges of its own, which need extra precautions and further comprehensive studies. The following are recommendations to increase agricultural production and exportation further:

- Price stability and food security for its low-income population may become great concerns of Vietnamese policy-makers, when the country liberalizes its foreign trade in the agricultural sector. There is a need to further accelerate agricultural diversification, income-generation and poverty alleviation programs in rural and marginal areas.
- In order to ensure smooth flow of agricultural products from production to exportation, a well-developed organization system, operation mechanism and infrastructural conditions are necessary for Viet Nam.
- As a country of high potential for export of agricultural products, Viet Nam needs to further improve its competitiveness in international agricultural markets through expanded programs for enhancing product quality, upgrading its physical infrastructure, strengthening the banking system, reforming the inefficient state enterprise sector and creating more access for the private sector to domestic and foreign trade.

- For better marketing and exportation, investment for processing, preserving, packaging and wrapping technologies is necessary.
  - For adjustment to trade liberalization, it is necessary to reform administrative procedures, to plan specialized agricultural zones and to ameliorate laws and policies.
  - For Viet Nam, the shift to tariffication from non-tariff border measures and removal of import licensing procedures may result in lack of effective protection in agriculture; the current tariff level in agricultural commodities is not high compared to that of other countries. However the application of the so-called minimum-buying price list in calculating import tax tends to increase the protection level of the current tariff system. Thus, removing this minimum-buying price list when joining regional and world trade communities may weaken the protection level of Viet Nam's agricultural production compared to that of other member countries.
  - Establishing really fair trade with other countries of the region and international communities under the general agreed system of binding trade protection measures is not easy for Viet Nam, since it lacks sufficient experience and capacity in these areas. Thus, efforts must be made to improve the technical and managerial capacity of government officers working in related fields.
  - Positive measures have been devised to implement AFTA and APEC for integrating into regional and world markets and at the same time preparing for admission to the WTO.
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## CGPRT Centre News and Activities

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### ECOPOL

In Indonesia, the analysis of field data on poor agricultural households continues, focusing now on:

- the factors determining the development of the five main activities: rice cultivation, wage working (on other farms), non-agricultural

activities, cassava cultivation and mixed perennial crops;

- the reasons why different types of households have different incomes.

The aim is to derive development policy implications from this analysis.

For this purpose, two training sessions were organized at the CGPRT Centre for the Indonesian team, one in July and the other in August. These

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sessions focused on methodologies for data analysis.

In Vietnam, a series of surveys of a total of 180 institutions was completed for those actors directly and indirectly affecting the performance of rice and pig commodity chains ranging from farmers to government decision-makers. Analysis of the data collected has already been started and should be finished in October 2000.

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## SouthPIC

Partial draft country reports of Papua New Guinea and Vanuatu have been received by the Centre. We are still waiting for the drafts from Fiji and Tonga as well as the remaining parts from Papua New Guinea and Vanuatu.

Due to unanticipated problems, the regional workshop, which was once scheduled to be held in Port Vila, Vanuatu, during 26-27 October 2000, has to be rescheduled as follows:

Date: 12-13 December 2000

Place: Sydney, Australia.

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## ELNINO

The planning meeting of the ELNINO project was held on 13-14 July 2000 at the CGPRT Centre, with participation of the regional advisor, all national experts and Centre's staff. A rough review on policy and former research, immediate objectives, methodologies, organization of the study team and work plans was presented by each national expert. Although overall objectives of the study were almost identical in all countries, research focus differed among the countries due to the differences in tangible impacts of El Niño-related abnormal weather on agriculture and rural socio-economy as a whole.

It was agreed that: i) the main focus should be placed on the impact on agricultural production and rural socio-economy in upland areas, although immediate objectives may differ among the countries responding to their unique conditions; ii) major expected outcomes for the phase I are policy review, historical review of El Niño-induced weather changes and their impacts at national/provincial level mainly based on secondary and statistical data while reconnaissance village survey is

recommended for rough impact assessment considering regional/local agrarian and socio-economic conditions and for site selection for further in-depth village survey to be conducted in phase II; iii) major expected outcomes for phase II are impacts, farmers' responses and recovery processes focused on village level coping mechanisms and indigenous knowledge mainly based on in-depth village survey. For this purpose, comparative analysis on several research sites representing different agro and socio-economic conditions is recommended. Utilization and sharing of survey data of former and/or ongoing related research projects may be required; and iv) the latest and the century worst El Niño of 1997/98 should be the focal case for impact analysis.

The project entered into the implementation stage from August, as each national expert started the country study of phase I (August 2000 to May 2001).

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## Database

The database activities for the quarter include:

- Acquisition of latest agricultural statistics on Bangladesh and the Philippines.
  - Work in progress: CGPRT Crops in Bangladesh – A Statistical Profile, 1947-1999.
  - Upgrading of users interface for Regional Statistical Database Systems (RSDS W1.0).
  - On-going collection of agricultural data from FAO for the countries of Asia and the Pacific.
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## Administration

The budget request for 2001 was submitted to the Government of Indonesia in July. In accord with the change of the fiscal period of the Government from April-March to January to December, the requested budget was arranged for nine months from April to December 2001.

Preparation for the 18<sup>th</sup> session of the Technical Advisory Committee (TAC) (14-16 November 2000) and the 19<sup>th</sup> session of the Governing Board (GB) (22-23 November 2000) started in August. The related documents were dispatched to the members late September.

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## Announcements

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### PGDip/MSc Courses at the Natural Resources Institute

#### Grain Storage Management and Post-Harvest Horticulture

Both courses are available in two modes of delivery:

*In Attendance:* a 16 week, highly intensive PGDip programme at NRI in the UK, followed by an MSc. research project usually conducted in the student's home country. Dates:

PGDip: 12 March to 29 June 2001

MSc: 2 July 2001 onwards

*Computer-mediated Distance Learning* delivered via the internet to your office or home computer, enabling you to study at your convenience. Ideally suited to busy professionals. Dates on request.

#### New for 2001 Food Safety

A 45 week full-time programme at the Natural Resources Institute. The programme will address the needs of professionals working in food and agriculture who need a wider view of food safety issues.

For further information, contact:

Training Support Unit

Natural Resources Institute, University of Greenwich,  
Chatham Maritime, Kent ME4 4TB, UK

Telephone: +44 (0) 1634 883448 or 883095

Fax: +44 (0) 1634 883386

E-mail: [nri-training@gre.ac.uk](mailto:nri-training@gre.ac.uk)

Internet: <http://www.nri.org/Training>

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### New CGPRT Publications

#### Integrated Report of the Project "Effects of Trade Liberalization on Agriculture in Selected Asian Countries with Special Focus on CGPRT Crops"

Kanai, Michio and Titapiwatanakun, Boonjit. Working Paper No. 53. 2000. 129 pp. ISBN 979-9317-09-6.

#### Effects of Trade Liberalization on Agriculture in Viet Nam: Commodity Aspects

Nguyen Trung Que and Nguyen Ngoc Que. Working Paper No. 52. 2000. 64 pp. ISBN 979-9317-07-X.

#### Effects of Trade Liberalization on Agriculture in Asia: Proceedings of a Workshop Held in Bogor, Indonesia, October 5-8, 1999.

Kanai, Michio; Titapiwatanakun, Boonjit; and Stoltz, D.R. CGPRT No. 38. 2000. 266 pp. ISBN 979-9317-08-8.

Forthcoming:

#### Actor-Led Change for Efficient AgriFood Systems: Handbook of the Participatory Actor-Based CADIAC Approach.

Bourgeois, Robin; Herrera, Danilo CGPRT No. 39. 2000.

This is a practical handbook for scientists, analysts, and students working on the definition and implementation of policy changes that contribute to real economic and social agriculture-based development, with a special focus on commodity systems. The objective is to promote efficient and sustainable agrifood systems that broadly benefit society.

The method presented here relies on the participation of actors in directing the evolution of agrifood systems, including both identifying problems as well as elaborating policies and implementing decisions through concrete actions. There are two linked components: consensus-building between actors – to define actions and to implement changes, and participative research – based on commodity-chain analysis methods.

The first part of the book shows how to promote a dialogue and consensus-building process among the various actors of a commodity system. It is based on the output of a thorough analysis of the systems situation, conducted in a participatory way. This analytical approach is detailed in the second part of the book with reference tables, examples and hints for data collection, analysis and interpretation.

For more information on Centre's publications, please contact Information Section at this e-mail address: [ids@pop.bogor.net](mailto:ids@pop.bogor.net).

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### CGPRT Centre

The Regional Co-ordination Centre for Research and Development of Coarse Grains, Pulses, Roots and Tuber Crops in the Humid Tropics of Asia and the Pacific (CGPRT Centre) was established in 1981 as a subsidiary body of UN/ESCAP.

### Objectives

In co-operation with ESCAP member countries, the Centre will initiate and promote research, training and dissemination of information on socio-economic and related aspects of CGPRT crops in Asia and the Pacific. In its activities, the Centre aims to serve the needs of institutions concerned with planning, research, extension and development in relation to CGPRT crop production, marketing and use.

### Programmes

1. Research, which entails the preparation and implementation of studies covering production, utilization and trade of CGPRT crops in the countries of Asia and the South Pacific.
2. Training of national research and extension workers,
3. Information and documentation which encompasses the collection, processing and dissemination of relevant information for use by researchers, policy makers, and extension workers.

### Palawija News

Contributors are invited to submit concise summaries of significant social research related to CGPRT crops for publication. Figures (graphs or tables) may accompany the article. All articles are subject to editing to meet space limitations.

Please send all queries relating to articles in *Palawija News* to Publications Section, CGPRT Centre, Jalan Merdeka 145, Bogor 16111, Indonesia.

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