

The Agroexport Model and Nontraditional Exports in Central America: Deja Vu or Something New?

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ABSTRACT

A number of inherent contradictions make the agroexport model, at least in its classical form, dysfunctional to future development in Central America. Nevertheless, most of the region has no alternative to agroexport production in the short-to-medium term, especially to generate foreign exchange. This paper examines the traditional agroexport model and analyzes a new related strategy based on nontraditional exports. Comparisons are made that illustrate the conditions under which outward-oriented development, whether of traditional or non-traditional exports, may overcome the contradictory nature of the classical agroexport model.

INTRODUCTION

Throughout the postwar era, nearly all mainstream development strategies (including, most recently, neoliberalism) have called on the majority of Third World countries to exploit their 'comparative advantage' in cheap land and labor by expanding agroexports. This advice was particularly aimed at poorer, smaller countries in regions such as Central America which had no history of export-oriented industrialization. Indeed, agroexport production did expand rapidly during the early postwar period in Central America, becoming a 'motor' for outward-oriented capitalist development. But many analysts now contend that a number of inherent contradictions have gradually played themselves out during recent years to render the classical agroexport model dysfunctional to Central American development. At the same time, however, Central America possesses few realistic alternatives to agroexport production in the short-to-medium term, especially to earn foreign exchange necessary for macroeconomic stability. Thus, a debate is now being waged in Central America over whether to retain agroexport production as a major axis of development and, if so, in what form. This paper addresses these issues, first, by examining the traditional agroexport model in Central America and, second, by analyzing an alternative, but related framework based on nontraditional exports that is gaining favor among some development strategists. Comparisons can be made between the models that should illustrate under what conditions outward-oriented development, whether of traditional or nontraditional exports, can overcome the contradictory nature of the classical agroexport model.

BASIC ELEMENTS OF THE AGROEXPORT MODEL OF THIRD WORLD DEVELOPMENT

Neoliberalism and other mainstream development strategies have focused both on stimulating growth according to the 'comparative advantage' principle and on attracting foreign capital through infrastructure projects and other programs designed to provide a profitable and stable environment for investment. In many Third World countries, this has led to an increased emphasis on exports of primary commodities, particularly from the agricultural sector, to exploit comparative advantages based on relatively cheap labor and land. Especially for many of the [end p. 1] poorer and smaller Third World economies, growth in the agroexport sector was thought to be critical for attracting (foreign) investment capital, creating a positive trade balance to provide macroeconomic stability, and expanding job creation in both agroexport production itself and related sectors through forward and backward linkages and the operation of 'multiplier' and 'spread' effects.

Since World War II, export agriculture has indeed attracted substantial foreign capital and has been the principal source of growth for many of the smaller Third World economies.¹ 'Traditional' export crops (e.g., coffee, tea, bananas, sugar, cotton), as well as newer agroexports (e.g., animal feeds, beef, fruit and vegetables), have claimed a growing proportion of cultivable land in the South, including large tracts of tropical rainforest and grassland savanna. In many areas of Latin America, Africa, and, to a lesser extent, Asia, degradation of fragile ecosystems has been linked to agroexport expansion and the accompanying displacement of peasants into environmentally sensitive areas (e.g., López 1992, Amin 1993). At the same time, the production of staple foods for the domestic market has stagnated or declined in most agroexport-dominated economies; indeed, in many of the South's main agricultural zones, it has been almost entirely supplanted. Moreover, the exigencies of agroexport production, in which comparative advantage is essentially generated by land concentration and absolute labor exploitation, have aggravated problems of societal polarization, blocking possibilities for the creation of more broadly-based development models stressing economic diversification for both internal and external markets.

The reorientation of agricultural production toward exports has also produced a profound structural transformation in many rural areas. The agroexport model, at least in its classical form, entails the destruction of small/medium peasant forms of production and enterprise, and of the rural village communities upon which they are based. Characteristically, peasants have been squeezed off their land in traditional food-producing areas by the lateral expansion of large-scale agribusiness. These former

peasants have commonly been converted into a landless or near-landless floating reserve of labor which is often seasonally employed for peak periods of labor demand such as during agroexport harvests. Peasant displacements have also contributed to growing rural-urban migration in many countries, thereby swelling the urban labor reserve which exerts downward pressure on wages and undermines non-wage relations of production (e.g., in small commerce, artisanal industries) in urban areas. An enlargement and reconstruction of the overall surplus population takes place as members of rural families (notably youths, the elderly, and women) are pushed into the latent labor reserve, with many forced to eke out a bare existence in the burgeoning informal sector.

In many Third World countries, particularly in Latin America, the agroexport model generated high rates of economic growth from the end of World War II until the mid-1970s. From 1950 to 1977, Central American agroexports increased by twelve times. During much of this period, some of Latin America's poorest and smallest countries (e.g., El Salvador, Guatemala, Nicaragua) sustained among the highest overall growth rates in the region based on the dynamism of their agroexport sectors (Brohman 1989, Bulmer-Thomas 1988, Pelupessy 1991b, Torres-Rivas 1981, Vilas 1984). By the end of the 1960s, however, many development theorists began to recognize that high rates of economic growth were not necessarily correlated with other basic development objectives such as rapid employment creation or poverty reduction. Impressive and, in many cases, unanticipated economic growth had often been accompanied by deteriorating trends in employment, income distribution, and levels of poverty.

THE AGROEXPORT MODEL AND POSTWAR CENTRAL AMERICA

Although much of the South has had some experience with the agroexport model, it is perhaps in Central America that the model has been applied in its most concentrated form for the longest period of time. The Central American development performance therefore represents a good case study of the model's long-term impact. Because economies that are concentrated on the export of primary commodities are extremely vulnerable to world market fluctuations, they characteristically follow a 'boom and bust' pattern. The Central American economies have historically been concentrated on a few agroexport sectors and, especially during the postwar era, this pattern has distinguished their performance (FitzGerald 1991). **[end p. 2]**

Although there were some variations in the performance of individual economies, Central America generally experienced a boom period of relatively high growth from the early 1950s to the mid-1970s. This growth was based on a very limited number of agroexports: traditional crops of coffee and bananas throughout the period, complemented by cotton beginning in the 1950s, beef from the 1960s, and sugar from the early 1970s. However, this boom period has given way to a pronounced recession that began in the late 1970s and has continued in most of these countries until the present. Of the Central American economies, only Costa Rica has resumed a high rate of economic growth in recent years. However, its growth has essentially been based on the rise of non-traditional exports, tourism, and other forms of economic diversification, rather than on continuing dependence on a limited number of traditional agroexports.²

The agroexport model in Central America has functioned according to "a logic of the minority" (Collins 1985: 108). The expansion of the agroexport model to serve the interests of a narrow economic and political elite has marginalized and impoverished the majority. Investments and growth are concentrated among a few agricultural sectors controlled by foreign capital and allied fractions of the domestic bourgeoisie, while the remainder of the economy smolders in neglect, unable to meet even the basic needs of the majority of the population (e.g., Whiteford and Ferguson 1991).³ Typically, the benefits of economic growth are concentrated among a few large-scale export producers, primarily in the dominant agricultural sector and related agroindustries. The economic structure closely conforms to the classical CEPALista model of Latin American peripheral capitalism (Prebisch 1950),⁴ with the dominant economic sectors oriented toward the reproduction and extension of a dependent capitalist mode of production. CEPAL (1983) characterized Central American export-led growth as 'superimposed development,' with a relatively modern agroexport sector superimposed on, and independent of, the remainder of the underdeveloped, internally-oriented economy. Despite relatively high growth rates during the boom period of agroexport expansion, few internal 'multipliers' have been created that might generate jobs and income for the majority of the population.

Within this pattern of development, the evolution of the external sector "determines the global behavior of the economy;" restrictions found in that sector "mark the limit on the rate of domestic economic activity" (CEPAL 1983, 5-6). A direct relationship is established between the performance of the export sector, on the one hand, and overall rates of economic expansion, investment and capital accumulation, levels of employment, external balance of payments and import capacity, and the principal sources of government revenue, on the other. The export sector not only determines economic patterns, but also conditions the social structure and configurations of political power. Torres-Rivas is among the many analysts who have stressed the fundamentally flawed nature of the agroexport model in Central America:

The export-oriented economy notably retarded national and social integration and contributed to the extreme rigidity of political and social relations [D]evelopment has been determined by an externally-oriented dynamic whose essential nature has remained unchanged in spite of efforts (after World War II and especially after 1955) ...

to implant a new productive base dependent on the growth of an internal market (Torres-Rivas 1980: 25).

STATE INTERVENTION TO SUPPORT AGROEXPORT CAPITALISM

In contrast to the rather haphazard involvement of the state within the Central American economies prior to World War II, state intervention in support of the accumulation requirements of agroexport capitalism became much more pervasive in the postwar era. In addition to strengthening repressive labor policies and various other methods of coercion designed to expand the rural labor reserve, the state has employed a variety of mechanisms that have decisively influenced the overall pace and direction of the accumulation process in the dominant agricultural sectors. Prominent among these state policies and programs have been: discriminatory credit, tariff, pricing and exchange-rate policies favoring agroexport sectors; selective construction of roads and other infrastructure to improve the accessibility of large-scale capitalist farms in the principal agroexport areas; and the provision of publicly subsidized irrigation, research and extension, storage, and processing/marketing facilities to favored elements of the agroexport bourgeoisie (Biderman 1983, Brohman 1989, Medal 1985, Núñez 1980, Wheelock 1975).⁵ State economic intervention has accelerated the tendency toward concentration and central [end p. 3] ization of capital in key agroexport sectors and related processing, commercialization, and import-export activities. Patterns of regionally uneven development have also been accentuated as state resources are directed toward major concentrations of large-scale agroexport production, while areas dominated by peasant producers of basic grains and other foodstuffs are left to stagnate in abject poverty and isolation.

This development strategy has been described as a "repressive agroexport model" (Barraclough 1982: 15). If state economic measures prove insufficient to meet the accumulation requirements of the agroexport bourgeoisie, armed force is brutally applied to bring recalcitrant social sectors into line. Peasants, rural workers, and the urban poor have no real role in the system other than providing a steady source of cheap labor. Because the markets for Central America's principal (agroexport) production sectors are located overseas, methods of absolute exploitation can be used to hold down labor costs without adversely affecting demand for the goods of those sectors. Rather than promoting the rise of a relatively 'progressive' modernizing bourgeoisie whose profits might be based on technological advance, state policies have strengthened patterns of absolute exploitation and ownership concentration that have traditionally supported agroexport production by a conservative landholding oligarchy.

LAND CONCENTRATION, SEMIPROLETARIANS, AND ABSOLUTE EXPLOITATION

Agroexport profitability stems not from increases in relative surplus linked with rising productivity, but is based on the extraction of absolute surplus from low labor and land costs.⁶ Land concentrations by the agroexport bourgeoisie reinforce traditional precapitalist mechanisms of peasant exploitation and provide impetus for the rise of newer, more capitalistic exploitative forms as land-poor peasants are forced to seek seasonal wage labor in the agroexport sectors. Agroexport profitability and international competitiveness become dependent on cheap labor supplied by a massive reserve of seasonal rural laborers. Low wages and poor working conditions linked with absolute exploitation are related both to the seasonality of agroexport labor requirements and to the lack of alternative sources of [end p. 4] steady income for masses of rural semi-proletarians and itinerant proletarians (de Janvry 1981).⁷ At the same time, the ability of these groups to meet their families' social reproduction needs from sources other than temporary wage labor in the agroexport sector (e.g., other types of seasonal wage labor, activities in the informal sector, partial subsistence production) allows agroexport producers to keep labor costs at levels beneath those which would be required to reproduce a permanent, fully proletarianized labor force.

Accordingly, the masses of semiproletarians and itinerant proletarians created by Central American rural development can be regarded as "peculiar forms of the proletarianization process of the capitalist agroexport model" (Núñez 1980: 39). The expropriation and displacement of much of the rural population created a mobile labor force which had few alternatives but to respond to the requirements of cheap, seasonal labor within the dominant agroexport sectors around which capitalist growth revolved. Barry (1987: xiv) reports that rural landlessness tripled in Central America from the 1960s to the 1980s, and that most farmers possessed insufficient land to feed their families; at the same time, 85% of the best land was used for agroexports and 45% of total arable land was devoted to cattle grazing.

By the end of the postwar agroexport boom in the early 1970s, all of the Central American countries (with the exception of Honduras⁸ had developed immensely expanded rural labor reserves, composed primarily of part-time peasants and migrant workers who supplied the bulk of the labor power used by their agroexport sectors (Brohman 1989, de Janvry 1981, Torres-Rivas 1981, Williams 1986). Because other sources of income were largely blocked as a result of agroexport expansion, the peasantry throughout Central America became dependent on seasonal wage labor during agroexport harvests as its principal source of family income. In Guatemala, for example, Burbach and Flynn (1980) found that temporary wage labor in the agroexport sector accounted for almost three-quarters of total peasant family income. In Nicaragua, almost 54% of the rural workforce during the 1970s depended on three export crops (coffee, cotton, and sugarcane), with particularly heavy labor requirements during the harvest season (Baumeister 1984).

CONCENTRATED LAND TENURE AND INCOME INEQUALITIES

Because land is generally the principal means of production in agroexport economies, extreme concentrations of land ownership commonly generate equally skewed income distributions (e.g., Barraclough 1982, Enge and Martínez-Enge 1991). In Central America the acceleration of land concentrations in the postwar era greatly widened income inequalities (Table 1). By the 1970s, the share of national income received by the wealthiest 5% of the population exceeded that of the poorest 50% in all countries except Guatemala; in Nicaragua and Honduras it was more than double. Moreover, the share of national income garnered by the wealthiest 20% exceeded that of the poorest 50% by a wide margin in all five countries (for more Central American data on land tenure and income distribution, see Brohman 1989: 518-23).

TABLE 1. INCOME DISTRIBUTION IN CENTRAL AMERICA DURING THE 1970s

<u>Population Group</u>	<u>Percentage of National Income</u>				
	Nicaragua	Costa Rica	El Salvador	Guatemala	Honduras
Wealthiest 5%	28.0	22.8	15.4	21.8	35.0
Wealthiest 20%	60.0	50.7	64.8	51.3	58.9
Poorest 50%	15.0	20.8	12.4	23.5	17.3

Income distributions calculated for Nicaragua in 1977, Costa Rica in 1971, El Salvador in 1974, Guatemala in 1976, and Honduras in 1976-79.

Sources: compiled from figures of Vilas (1984: 84) using original data for Nicaragua from CEPAL (1979) and for Costa Rica, El Salvador, Guatemala, and Honduras from Rosenthal (1982).

While postwar inequalities became particularly pronounced among Central American countries, owing to the absolute domination of their economies by agroexport capital, a marked tendency toward more regressive income distribution also marked rural development in other areas of Latin America that were subjected to a rapid, if somewhat less concentrated, form of agroexport expansion (de Janvry 1981, Grindle 1986, Weisskoff 1992, Williams 1986). A number of studies carried out near the end of the agroexport 'boom' in the 1970s reveal a staggering rate of rural poverty for Latin America as a whole: a 1975 World Bank study found that 42% of the region's rural population had per capita incomes of less than \$75 per annum, while a 1978 CEPAL study reported that 62% of the region's rural households could not satisfy their basic needs (de Janvry 1981: 85). As a direct consequence of growing inequities and impoverishment, malnutrition and associated problems also increased, especially among the most vulnerable sections of the population such as poor children. By the 1980s it was estimated that about three out of four children in Central America were malnourished (Barry 1987: xiv), while in Mexico some 90 percent of the rural population suffered from a severe deficiency of calories and protein (Esteva 1983: 13). Nor is this pattern unique to Latin America--links between agroexport growth and problems of malnutrition and food scarcity have been uncovered in many other Third World areas, including Africa (Bryant 1988), the Pacific Basin (Schuh and McCoy 1986), and Asia (Chisholm and Tyers 1982).

Increasing land concentrations, new and more onerous forms of rural exploitation, and widening rural inequalities have accompanied postwar agroexport booms in a succession of Third World countries. As Grindle (1986: 7, 112) notes, the determinants of increasing rural inequalities in post-war Latin America are not based in the isolation or backwardness of the peasantry, as the dualist thesis of the modernization approach contends, but arise out of the ways in which peasants have been inserted into the expanding capitalist economy in the countryside:

The rural poor are not isolated or backward and have not simply been left behind by the modern sector, but the growth in their unemployment and underdevelopment, landlessness, wage dependence and migration is a direct result of developments in the modern capitalist sector and of state policies At the same time that policies for agricultural modernization increasingly dominated markets and profits, peasants were driven into greater debt, squeezed from their land, forced into wage labor, and pushed to migrate in increasing numbers.

[end p. 5]

SYSTEMIC LIMITATIONS AND CONTRADICTIONS OF THE AGROEXPORT MODEL

The contradictory nature of the agroexport model in Central America has not only blocked possibilities of development for much of the peasantry and domestic agriculture, it has also limited growth within the industrial sector to a narrow branch of activities tied through forward/backward linkages to agroexport production. The limited industrialization that took place under the Central American Common Market (CACM) in the 1960s and 1970s actually strengthened the hold of the dominant agrarian-based export structure over the remainder of the economy (Torres-Rivas 1980: 28-30). The polarization that characterized agricultural development was replicated and extended into the industrial sector with the establishment of a limited group of large capital-intensive enterprises linked to agroexport production alongside a large number of small, technologically

backward operations oriented toward domestic consumption.⁹ This truncated industrialization did little to alter the global position of the Central American economy as an exporter of largely unrefined agricultural products and an importer of manufactured intermediate and final consumption goods. The concentration of industrial production within sectors supplying goods to the advanced capitalist world did not permit the broadening of patterns of development to other areas of the economy. Very partial internal processing of most agroexports meant that most of the value-added and employment associated with the elaboration of primary agricultural products into final consumption goods was exported to the developed world.

With the possible exception of Costa Rica, the basic characteristics of the postwar Central American economies are defined by:

- the overall dominance of production by the agricultural sector;
- a chronic crisis within agricultural production for the internal market;
- the weakness and narrowness of an industrial structure based on agroindustrial processing;
- bloated informal and unproductive commercial sectors;
- and severe polarization of growth in sectoral, regional, and class terms (Bulmer-Thomas 1988, FitzGerald 1985, Pelupessy 1991b, Torres-Rivas 1981).

All of these characteristics can be seen as direct consequences of the particular logic of accumulation upon which the agroexport model is based. The manner by which agroexport production takes place, based within diverse forms of absolute exploitation and the concentration of land and other means of production, conditions the entire internal socioeconomic structure and the nature of political power. The shackling of economic growth to a subordinate position within the international division of labor, based on the comparative advantage offered to agroexport sectors by low labor and land costs, retards national socioeconomic and spatial integration and inevitably leads to extremely polarized political structures.

The rhythm of growth and the pattern of overall development in an agroexport economy is dependent on an externally-oriented dynamic in which the demand for the goods of its principal production sectors is based not within domestic consumption but in overseas markets. Because their sources of demand are external, the key agroexport sectors operate according to an independent logic of accumulation which has little correspondence to the necessities of broader development for other economic sectors. The lack of domestic demand for consumption goods blocks the spread of internally-oriented growth and is directly related to the rise of agroexport production, based in property concentration and deepening exploitation. Mechanisms which might stimulate internal demand (e.g., agrarian reforms, rising wage levels and income redistribution, improvements in the social wage) do not have a functional relationship to the accumulation dynamic of the dominant agroexport sectors. Indeed, they appear as dysfunctional to agroexport production, serving to undermine the bases of its comparative advantage (i.e., cheap labor and land) in the international commodity markets.

Growing systemic tension within the agroexport model has recently been noted in most Central American countries (e.g., Bulmer-Thomas 1988, LaFeber 1983, Pelupessy 1991b, Torres-Rivas 1981, Williams 1986).¹⁰ Although the way in which systemic contradictions eventually manifest themselves is also dependent on indeterminate socio-political factors which may be particular to each social formation, most analysts agree that the agroexport model, at least in its classical form, has recently become exhausted and offers no real future for development. As intractable societal problems have become more acute in Central America, the model is said to have entered the stage of its 'final crisis'; the ability of the model to overcome its central contradictions in the absence of structural change is increasingly called into question. The focus of many recent accounts of Central American development has been on the economic and political difficulties involved in breaking with the agroexport model against the interests of the region's powerful landholding oligarchy and its domestic and foreign allies. Possibilities for broadening development based on industrialization and other forms of economic diversification have been blocked because the class factions that dominate the major productive sectors and political arenas have opposed economic changes that might reduce their profits and power (FitzGerald 1991, Torres-Rivas 1981). At the same time, the logic by which the agroexport model operates has promoted the systematic impoverishment of large segments of the population and greatly accelerated environmental destruction in many rural areas (Whiteford and Ferguson 1991, Williams 1986).

POSSIBILITIES FOR AN ALTERNATIVE AGROEXPORT-LED DEVELOPMENT MODEL

Most analysts agree that future development for agroexport economies is dependent on structural change which responds to the needs and interests of the popular majority rather than a narrow elite. Nevertheless, in traditional agroexport areas such as Central America in which neither regional autarchy nor widespread economic diversification are realistic possibilities for the immediate future, agroexport production must be maintained at least in the medium term. Agroexports in small, narrow, dependent economies represent the equivalent of a 'capital goods sector' (FitzGerald 1985), in that agroexports have the unique ability to generate foreign exchange that in turn determines the availability of producer goods needed to generate overall economic growth. The deterioration of key agroexport sectors would cause unacceptably high social and economic costs in terms not only of foreign exchange earnings, but also of internal savings and investment capital, productive employment, income generation, and sources of government revenues. Given the existing structures of production and social class formations in the

region, there are no economic sectors which can readily replace agroexports. It follows that any program of economic revitalization must include a strategy to recover the agroexport dynamic.

However, while selected agroexports should continue to play a role in the creation of any viable alternative development strategy, the central mechanisms by which the old model operated need to be replaced to allow for more broadly based and sustainable development. A dynamic agroexport sector need not necessarily be based on an exclusionary and exploitative *latifundio-minifundio* model. Instead, it might be based on alternative forms of rural organization such as medium-sized farms and cooperatives that could combine, if given proper state support, economic viability with social equity (Achong 1992, 1993; Mendizabal and Weller 1992; Paus 1995). Small/medium farmers and cooperatives might complement their traditional focus on domestic foodstuff production with a carefully managed entry into selected agroexport markets (Arias 1989, Collins 1995). Indeed, many small/medium farmers' associations in Central America have indicated that their members would welcome the opportunity to diversify into export sectors if proper conditions were provided (Achong 1993, Paus 1995, Rosene 1990). Development policies to promote exports ought to be designed to meet the specific needs of small/medium producers (e.g., risk minimization, export diversification alongside food production, use of labor-intensive production techniques). Credit, service, and marketing cooperatives and other forms of producer associations ought to be encouraged, in cooperation with national farmer's organizations, to enhance technical and marketing expertise and to assist in promoting market diversification, especially into overseas areas.

The creation of an alternative, more broadly based development model for areas such as Central America will require the construction of a more flexible and diversified export platform in which comparative advantage is derived from an increasingly skilled workforce, an expanded domestic wage-goods sector,¹¹ and other factors beyond those rooted in land concentration and absolute labor exploitation that propelled the old agroexport model. Mechanisms, such as redistributive agrarian reform and fiscal modernization, need to be implemented to facilitate the transfer of agroexport profits to sectors and social classes beyond the agroexport elite. In addition, public investment priorities should shift toward provisions of basic social and economic infrastructure (e.g., rural health care, education, technical [end p. 7] assistance programs, roads, irrigation) that permit wider economic participation and allow living standards to rise via productivity gains without sacrificing international competitiveness. Unit costs of labor can decline for agroexport and other globally competitive economic sectors (allowing wages to rise alongside profitability) without reliance on capital-intensive technologies if labor intensity improves (with income incentives) and the labor force becomes increasingly skilled (as a result of better social infrastructure). An additional advantage is that the laborforce also becomes increasingly flexible in terms of its ability to adapt to new production sectors and techniques. This means that an expanded wage-goods sector (to provide income incentives) and social services sector (to heighten labor skills) should be seen as essential components rather than alternatives for a renovated export-led development model in areas such as Central America.

However, a new development model for Central America should, in addition to promoting enlarged and more equitable primary agroexport structures, also incorporate opportunities for diversification into both domestic wage-goods and export sectors based in new areas such as nontraditional agriculture, manufacturing, and services. In fact, Costa Rica's relatively successful growth performance since the early 1980s (based largely on nontraditional exports) helps to illustrate the potential for increased economic diversification in the region. While there is nothing inherently wrong with increasing production from traditional agroexport sectors under the conditions outlined above, this does not mean that promising opportunities for diversification into nontraditional export sectors ought to be pushed aside.

BASIC ELEMENTS OF A NONTRADITIONAL EXPORT (NTE) STRATEGY

The theoretical case for the promotion of NTEs is based on the contribution that they can make to the development of a large diversified trade sector (e.g., Derosa 1992, Lucke 1993). Development in most Third World countries has been severely circumscribed by small trade sectors limited to a narrow range of exports based on resource-intensive products. Many of these products (especially traditional agroexports) have suffered a long-term decline in international terms of trade and have experienced severe limitations with respect to both supply and demand, affording few possibilities for export expansion at the margin (Eswaran and Kotwal 1993). At the same time, export expansion is necessary in most countries to maintain macroeconomic balance and to offset the cost of necessary imports, particularly of capital goods needed to keep industries and other domestic sectors functioning. A large diversified export sector is also critical for generating growth in developing economies with small or underdeveloped internal markets. In addition, it permits countries to adjust more easily to periodic trade shocks caused by fluctuations in global commodity markets than can other countries with external sectors dominated by a few traditional exports. If a country can diversify into a broader range of exports so that the variability of earnings from one subset of exports is largely offset by that from another subset, then that country will tend to face less uncertainty in its ability to finance imports and other necessities for development.

In global terms, the strategy focuses on exploiting niches in international markets according to a country's particular comparative advantages based on its factor proportions (e.g., land, labor, capital). For a few NICs (New Industrializing Countries), especially in East and Southeast Asia, this has meant rapid industrialization via export substitution; growth has been based on a growing

number of increasingly sophisticated manufactures.¹² However, for the bulk of Third World countries, this strategy has concentrated on complementing more traditional agroexports with nontraditional agroexports (e.g., off-season vegetables and tropical fruits, ornamental flowers, specialty nuts) and/or low-level manufactured goods assembled in 'final touch' industries. Common sources of comparative advantage contributing to low production costs and high profitability among these export sectors include: inexpensive and abundant land and natural resources; a relatively cheap, unorganized, and compliant labor force; the lack of labor, environmental, and other state regulations concerning production; and relatively low rates of taxation.

Given these sources of comparative advantage, the strategy calls for specialization in low wage, labor and land-intensive export sectors. In order to exploit opportunities for growth based on the principle of comparative advantage, neoliberal development programs (often packaged as structural adjustments) maintain that trade restrictions ought to give way to liberalization and that macroeconomic policy should provide incentives to move resources from non-tradable to tradable (i.e., export) sectors. Essentially, growth is to be export-led; production of manufactures, food, and other goods for the internal market should occur only when domestic producers can successfully compete against importers without subsidies, duties, or other forms of state protection.

In Latin America, Chile and Costa Rica have been among the most successful exporters during the 1980s and 1990s. In contrast to the historical domination of their economies by traditional resource-based exports (copper in Chile, bananas and coffee in Costa Rica), much of these countries' export growth since the early 1980s has been based on nontraditional exports. Both Chile and Costa Rica began exploiting comparative advantages derived from their southern locations to ship high-value tropical vegetables and fruits, nuts, and horticultural products to North America during its winter months. Other important exports, also primarily to the North American market, have been wine from Chile and pharmaceuticals and seafood from Costa Rica. From 1984 to 1989 NTE growth was 348% in Costa Rica and 222% in Chile, representing an annual rate of growth of 28% and 17%, respectively (Barham et al. 1992: 49). Rapid growth of NTEs was a key factor in propelling the economies of these countries to among the highest rates of economic growth in the region during this (recessionary) period: the annual rate of GDP growth for 1984-89 was 4.0% in Costa Rica and 6.4% in Chile.

COMMON PROBLEMS OF NTE STRATEGIES

Given the success that a growing number of countries have enjoyed with NTEs, many Third World governments have begun turning to nontraditional exports in order to restimulate the growth that both traditional exports and domestic market expansion have failed to generate in recent years. NTE expansion has been made a key element in the neoliberal growth strategies of many countries and, as such, has often been actively promoted (in terms of inspiration, resources, managerial direction, etc.) by bilateral (e.g., U.S. Agency for International Development, Canadian International Development Agency) and multilateral (e.g., World Bank, Inter-American Development Bank) aid and lending agencies. Intellectual support for the inclusion of NTEs as a critical part of most development strategies has also come from the community of development scholars (e.g., Hiemenz 1989; Paus 1989, 1995; Pelupessy 1991). However, there is also growing evidence that NTE expansion is replicating a series of problems commonly associated with the more traditional agroexport model. These problems include: the progressive concentration of land and other major means of production among a narrow minority; rising inequalities and dislocations, especially in rural areas; the inability of small/medium farmers to participate in the programs without state support; and increasing dependence on First World markets that are subject to wide fluctuations (Achong 1993, Carter and Mesbah 1993, Rosene 1990).

Many of these problems seem to be appearing in the very places that are being portrayed as successful cases of NTE expansion in the neoliberal development literature. A good example is in Costa Rica, where NTE expansion has been propelled by a new program of rural development, called *Agricultura de Cambio* (Agriculture of Change), supported by the state and external organizations such as USAID and the World Bank. In announcing the program, former Costa Rican President Arias said: "We are concerned about the situation of the small producers. We know they need more help, they are the base of our democracy" (Desanti 1988). Under the program, however, poverty has increased dramatically in Costa Rica's main agricultural zones. One report states that over 80% of the rural population now lives below the poverty line (Rosene 1990: 371). Land concentrations, many of which have accompanied property purchases by foreigners, have displaced increasing numbers of peasants from traditional production areas of basic grains and other foodstuffs for the domestic market. Nontraditional agroexport (NTAE) growth has almost exclusively been concentrated among larger, more affluent farmers that enjoy considerable advantages in important areas such as access to capital and bank credit, technical assistance programs, and expertise in marketing and import/export activities (Achong 1992, 1993; Weller 1992). State provisions of rural credit, technical assistance, and various subsidization programs [end p. 9] have increasingly been shifted away from encouraging peasant diversification toward the further expansion of large-scale NTAE operations (Lowder 1990: 97-8).

Without sufficient access to credit, technical and marketing assistance, or other forms of state support, small/medium farmers who have tried the *Agricultura de Cambio* have had very high failure rates. In an article quite critical of NTAE development and the *Agricultura de Cambio* program in Costa Rica, Rosene (1990: 373) states:

The Agricultura de Cambio program seems to be working directly against the small producers with the apparent intention of forcing them off the land to become cheap laborers in agribusiness farms or in the assembling and service industries According to the farmers, the program will end up creating a dangerously skewed land tenure system. It will destroy Costa Rica's ability to feed itself, thus creating more dependency. It will increase social tension, threatening the stability that Costa Rica has enjoyed for so many years

Evidence points to a similar process of concentration and centralization of capital accompanying the rise of NTAEs in other Central American countries,¹³Weller (1992: 229) reports, "[A]gricultural production of nontraditional crops in the region is largely in the hands of transnational corporations and medium/large national companies." In the few sectors that have a relatively large presence of smaller producers (e.g., broccoli in Guatemala), control is commonly exercised by transnationals and other large producers via 'advanced sale' contracting arrangements, 'backward' linkages supplying agricultural inputs and technological assistance, and 'forward' linkages focussed on processing/export activities (Achong 1992, 1993). Such arrangements are particularly effective for dominating unorganized small producers whose access to rural credit, agricultural extension, technological packages, and marketing/export expertise is otherwise severely limited. In these cases, small producers normally assume most of the production risks, while the majority of their surplus is drained away in the commercialization process. For example, a study of the Guatemalan broccoli market found that the margin for commercialization to the U.S. was about 85% (Achong 1993, 144). Another study of Honduran mango exports found that local producers received only 3.1 % of the final (CIF) price in the U.S. (Achong 1993, 143).

ELEMENTS OF AN ALTERNATIVE, BROADLY BASED NTAE STRATEGY

If policies are not implemented to assist disadvantaged smaller producers, the new cycle of export diversification based on NTAEs threatens to reinforce the exclusionary character of more traditional postwar development models focused on agroexport production. As has happened so often in the past, export-led growth will serve the narrow interests of an elite minority rather than the broader needs of the popular majority. Conversely, however, the inclusion within NTAE strategies of policies designed to meet the specific needs of small/medium producers (e.g., risk minimization, diversification into exports while maintaining food production, adoption of labor- rather than capital-intensive techniques) might encourage their diversification into and successful exploitation of highly profitable NTAE sectors (Achong 1992, Arias 1989, Collins 1995, Weller 1992). This inclusion might create new sources of employment and accumulation that could help to reverse tendencies toward social, sectoral, and spatial polarization that have marked previous export-oriented development strategies. It might also help to lay the social foundations for increased political stability, without which any future development strategy, whether or not it contains a significant NTAE component, cannot be sustained (Paus 1995).

While many NTAE sectors have been highly profitable in recent years, they have also often been quite risky, especially for smaller producers during the initial stages of production. Some of this risk is due to the uncertainties of adapting new production methods and technologies to diverse and often harsh local conditions. However, other important elements of risk stem from the vagaries of producing 'luxury' goods for a severely restricted group of First World countries. In most Third World areas, NTAE production is aimed at a quite limited market (e.g., at the U.S. from Latin America and East Asia, at Europe from Africa and the Middle East). Like more traditional exports, NTAEs often compete with similar products from many other developing countries. While these exports may dominate their production sectors within a particular Third World country, they normally represent only a small fraction of similar imports by a large economy such as the U.S. Costa Rican flowers, for example, represent only 1 % of all U.S. flower imports; at the same time, flower exports to the U.S. comprise 91 % of all Costa Rican flower production (Rosset 1989). Under these circumstances, NTAEs from the South often have only minimal stability in the large markets of the North. Moreover, because many NTAEs are discretionary or 'luxury' items subject to sudden cutbacks during economic downturns, demand instabilities for these products are further accentuated.

Faced with such fluctuations, a transnational corporation may switch production to other goods or shift exports to another country. However, these types of changes are often much more difficult for small/medium producers who normally lack the capital, technical expertise, marketing arrangements, and knowledge of global market conditions to make such shifts smoothly. For all of these reasons, it is critical that policies encouraging the formation of support organizations for small/medium producers be put in place to minimize the considerable risks inherent in NTAE production and to assist in penetrating overseas markets. As Achong (1993: 152) notes, "In general, those [small producers] that have managed to survive the rigors of the [NTAE] process have done so thanks to their organization in associations or cooperatives." These support organizations might take on different forms according to the particular historical conditions prevailing in the individual countries of a region such as Central America. In Nicaragua, for instance, support organizations might take the form of credit, service, and marketing cooperatives operating under the auspices of a strong national peasant organization (*Union Nacional de Agricultores y Ganaderos* or UNAG). In other countries of the region lacking strong forms of peasant organization, independent producer associations focused on particular NTAE sectors might be created.

Whatever type of producer support organizations might be created for each country in Central America, they will normally require considerable state support, at least in their initial stages. The mechanisms by which such state assistance might be made available may be quite variable so as to conform as much as possible to particular historical conditions. However, there are a number of areas that, given the nature of NTAE production in most countries, will almost certainly have to be addressed in any program to enhance the participation of small/medium producers and spread the benefits of growth in NTAE sectors to the popular majority. These include: increasing access to land and other major means of production; extending short-and long-term credit and other forms of financial support; providing agricultural extension programs and other technical assistance targeted at specific NTAE sectors; improving provisions of more general social and economic infrastructure (e.g., education, health care, transportation systems), particularly in outlying rural areas; facilitating backward linkages, both to increase articulation with other domestic economic sectors and to increase access to needed imports at fair world prices; promoting forward linkages (e.g., in processing, refining, packaging) to capture more value-added and increase local multipliers; and, finally, assisting in penetrating foreign markets.

It should be emphasized again that the mechanisms by which these various forms of state assistance may be provided will vary across countries according to local conditions. For example, increased access to land has successfully been provided for many small/medium rural producers via land reforms in some countries (especially Nicaragua). However, given the present political realities in the other countries of the region, less politically contentious methods of land redistribution might have to be employed, at least in the short term, in order to gain necessary support from powerful economic and political interests. For example, following the analysis of Carter and Mesbah (1993: 1085) in Chile, such methods might focus on the extension of "self-financing land market reform policies--which include progressive land taxation, and the creation of land banks or land financing institutions such as mortgage banks--[that] will achieve the traditional land reform goal of linking agrarian growth with poverty reduction."

Likewise, different means may be chosen by the state to offer assistance in areas such as foreign market penetration or export financing. In a recent study of export promotion among East and Southeast Asian countries, the World Bank (1993: 143-5) found that various states successfully employed different methods in both of these areas in order to meet goals for export diversification and expansion. Virtually every country in the study had some programs to ensure access to credit, often at subsidized prices. But there was also an impressive degree of variety within successful programs of export financing, including in the types of credit (long- versus short-term), the [end p. 11] degree of subsidization (guaranteed access versus subsidized rates), the selectivity (all exports versus targeted export activities), and the means of delivery (specialized state-controlled financial institutions versus market subsidies). Similarly, nearly all of the states in the study recognized the difficulty that new exporters often face in penetrating foreign markets. But various means were chosen to encourage these exporters to overcome such problems. Some states directly subsidized export activity (direct income tax incentives), some subsidized market penetration (through exporter associations), some subsidized small/medium exporters to offset their particular difficulties in market penetration, and some promoted the creation of international trading companies.

The point is that various means may be chosen, but active state involvement is a requisite in Central America if NTAE growth is to avoid reinforcing tendencies toward societal polarization that have accompanied previous export-led development strategies in the region. If managed efficiently, and there are a growing number of examples of successful state-directed export promotion, particularly among the Asian NICs (Brohman 1996), the dividends paid in terms of stimulating more broadly based and socially sustainable economic growth would far out-weigh any costs involved in state intervention. There is nothing inherently wrong with development strategies that seek to increase production of NTAEs, or of agroexports in general, if they are consistent with larger societal goals (e.g., promoting growth with equity, maintaining access to affordable food and other basic needs).

Indeed, many peasants and other small/medium producers are not opposed to diversifying into NTE sectors. However, they wish to do so on terms that allow them to effectively compete with larger producers and to minimize risks to acceptable levels. This normally entails putting mechanisms in place (e.g., technical assistance, credit programs, forward/ backward linkages) to provide for true productive diversification-involving the continuing production of basic grains and other internal consumption goods alongside NTAEs, rather than a complete switchover to the more risky export sectors. It also entails the creation of institutions (e.g., different forms of cooperatives, producer associations) to enhance producers' technical and marketing expertise and to assist, when necessary, in promoting market diversification.

CONCLUSION

Agroexport production has dominated postwar Central American development so completely that many of the basic characteristics of the economies in the region can be derived more or less from the accumulation logic of the agroexport model. The model has exploited comparative advantages of cheap land and labor in the region based essentially on the structural transformation of rural areas to serve the interests of the landholding oligarchy. Land concentrations in the principal agricultural zones have displaced the bulk of the peasantry from their traditional plots and have transformed many peasants into semi-

proletarian laborers. These laborers form a floating labor reserve that supplies much of the seasonal labor requirements for the agroexport sector at a fraction of the costs of a full-time labor force. The twin processes of land concentration and semi-proletarianization, then, supply Central American agroexport sectors with key comparative advantages on global commodity markets.

However, this logic, according to which the agroexport model functions, has also systematically impoverished the bulk of the rural population, produced an extremely polarized form of development, and structurally limited possibilities for the advance of an alternative, more broadly-based development model. Many analysts contend that the agroexport model in Central America has now begun to collapse under the weight of its own internal contradictions. Questions are being raised as to what role agroexports should play in future development frameworks, and the search is on to find a viable alternative for the contribution that agroexports have traditionally made to outward-oriented growth and macroeconomic stability.

A growing number of analysts are now shifting their attention to nontraditional agroexports as a new, potentially dynamic source of outward-oriented growth for the region. Similar to the classical agroexport model, much of the theoretical justification for NTAEs depends on the exploitation of Central America's comparative advantages in global markets. If these comparative advantages are derived from land concentrations and forms of absolute labor exploitation, NTAE production threatens to reinforce traditional mechanisms that have systematically polarized Central American societies and impoverished the majority of the population. In fact, [end p. 12] preliminary evidence concerning NTAE production shows that this threat is quite real--even in a country such as Costa Rica, where historically more equitable patterns of rural distribution are becoming rapidly more polarized.

If NTAEs are to contribute to a more broadly based form of development that avoids the inherent contradictions of the classical agroexport model, it is particularly important that mechanisms be put in place to facilitate the participation of traditionally disadvantaged producers such as the peasantry and other small/medium farmers. The inclusion of policies within NTAE strategies which are designed to meet the specific needs of small/medium producers might help to reverse tendencies toward societal polarization and lay the social foundations for increased political stability, both of which are necessary to sustain any future development strategy in the region. In order to have any chance for success, these policies must address a number of areas, including: increasing access to land, agricultural credit, and other major means of production; providing well-targeted agricultural extension, as well as more general social and economic infrastructure; assisting in creating forward and backward linkages for agricultural production; and helping with commercialization and marketing, particularly in foreign markets. The ways in which these areas ought best to be addressed may vary according to the conditions prevailing in particular countries; but, whatever methods are chosen, all will require some form of active state involvement, at least in the short term. Evidence from East Asia and elsewhere shows that state intervention into export promotion, if managed efficiently, can yield substantial long-term benefits that far outweigh the short-term costs. This would provide a far more socially acceptable and sustainable form of development for the region than the current market-driven model of the neoliberals, which threatens to deepen many of the most serious contradictions of the old agroexport model.

NOTES

1. Although the agroexport model has been extended and deepened in most Third World countries since the Second World War, its origins commonly date back to the early colonial period.
2. A more detailed examination of new development strategies based on economic diversification into sectors such as nonconditional exports is carried out in the last part of this paper.
3. Within Central America, Costa Rica historically has represented an exception to this pattern of extreme polarization among social classes and economic sectors. Although agroexport production has traditionally formed an important part of the Costa Rican economy, the major agroexport sectors (at least until recently) have not been marked by excessive levels of concentration as in the other Central American economies. Many analysts contend that a more diversified and internally-articulated pattern of economic growth has evolved in Costa Rica which has, in turn, facilitated the rise of a social democratic political system. All of these features differentiate Costa Rican development from the classical agroexport model. However, as we shall see in the last part of this paper, the recent rise of agroexport production in Costa Rica has been marked by many of the same negative characteristics that have traditionally defined the agroexport model in the rest of Central America.
4. During the 1950s and 1960s the United Nations CEPAL or *Comisión Económica para América Latina* (Economic Commission for Latin America) based in Santiago, Chile, was a center of criticism of the agroexport model and other forms of dependent development in Latin America. Much of the analysis of CEPAL was subsequently incorporated into the dependency approach, which became especially popular in Latin America during the 1970s.

5. Moreover, many discriminatory state programs that have favored large-scale agroexport production over small/medium food production in Central America have also been supported by international aid and lending organizations (e.g., USAID, Inter-American Development Bank, World Bank). Particularly noteworthy in Central America (as well as in other areas such as the Brazilian Amazon, the Dominican Republic, and Paraguay) have been greatly increased amounts of investment capital supplied by international donors and lending institutions for expansion of the export beef industry since the 1960s.

6. Profitability in most productive sectors in the advanced capitalist world during the postwar period has been based on increasing relative surplus value. Increases in relative surplus are linked with rising productivity, which also allows wages and labor costs to increase. For a more detailed discussion of forms of absolute surplus extraction linked with an analysis of the Central American agroexport model see Torres-Rivas (1981).

7. In his analysis of alternative roads of capitalist rural development in Latin America, de Janvry coined the term semi-proletarians for land-poor peasants who are forced to seek seasonal wage labor (normally in agroexport harvests) to meet the social reproduction needs of their families. They are part peasant and part wage laborer, thus becoming rural semi- [end p. 13] proletarians. Itinerant proletarians are usually completely landless and have been forced into a cyclical migratory pattern of seasonal wage jobs. They are therefore fully proletarianized in that they normally work only as wage laborers; however, they are also itinerant in contrast to more sedentary permanent proletarians. These semiproletarians and itinerant proletarians, many of whom are former peasants that were displaced by post-war land concentrations, form the bulk of the (seasonal) labor requirements of the principal agroexport sectors in Central America and many other rural-based Third World economies.

8. In Honduras, the economic dominance of the 'banana enclave' along the Caribbean coast led to the creation of a more sedentary rural proletariat in contrast to the largely semiproletarian labor forces of other Central American rural areas.

9. In some sectors (e.g., meat, animal feed, dairy products), agroindustries were created to supply both the export and domestic markets simultaneously. Some food processing industries also enjoyed rapid growth, especially those supplying 'luxury goods' and/or items of low nutritional value (beer and alcohol, soft drinks, tobacco) mainly for the domestic market (see Teubal 1987).

10. Similar tensions have also been noted in other areas of the South in which postwar development has been dominated by agroexports (e.g., Barraclough 1982, Collins 1985, de Janvry 1981, Weisskoff 1992).

11. Domestic wage-goods sectors are dedicated to supplying goods to the working class and other popular sectors. The expansion of these sectors is often cited as a key element of internally articulated development strategies. It may be contrasted to other models focused on the production of goods solely for export and/or consumption by the local elite.

12. For a more detailed discussion of the development performance of the Asian NICs see Brohman (1996), which finds that neoliberal explanations of development in these countries typically overlook a number of key factors, including the activist role of the state, the emphasis on inward-oriented as well as outward-oriented development, and the unusual advantages offered by particular geographic and historical conditions.

13. Some NTAEs have a long history in Central America: cacao and tobacco have been cultivated from the colonial period; sesame from the 1930s; African palm from World War II; and onions, cabbage, tomatoes, and other vegetables from prior to the 1970s. However, recent NTAE growth has been concentrated in six sectors: cut flowers, vegetables (especially snow peas, broccoli, and *chayote*), melons, pineapples, ornamental plants, and roots and tubers. These NTAEs are also highly regionally concentrated: in the 1980s, 76% of Central American NTAEs originated in Costa Rica and Guatemala, while 90% of NTAE growth was in those two countries (Kaimowitz 1992).

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RESUMEN

Algunas contradicciones intrínsecas hacen al modelo agroexportador, al menos en su forma clásica, disfuncional con vista al futuro desarrollo en Centroamérica. Sin embargo la mayor parte de la región no tiene ninguna alternativa a la producción agroexportadora en el corto a mediano plazo, especialmente para generar las divisas externas. Este artículo revisa el modelo agroexportador tradicional y analiza una nueva estrategia relacionada la cual se basa en las exportaciones no tradicionales. Se hacen unas comparaciones que ilustran las condiciones bajo las cuales el desarrollo hacia afuera, ya sea de las exportaciones tradicionales o no-tradicionales, pueda superar la naturaleza contradictoria del modelo agroexportador clásico. **[end p. 16]**