The transition process underway in the formerly centrally planned agriculture systems is very difficult. Historically, it is not comparable to any other agricultural reforms. More than 20 percent of the world's agricultural resources are involved. The changes are going to take place in different countries more or less at the same time.

It is important to emphasize that the objectives of the changes are more or less the same in all of the countries and regions or sub-regions concerned. The countries want to develop market-based, private-based agricultural systems. However, quite different approaches to implementing the changes are being used in the regions. These differences are partially attributed to different historical heritages and backgrounds. Therefore, I stress the heterogeneity of the region.

Heterogeneity

When we deal with the problems of these countries, including their agricultural problems, it's important to understand that they have all experienced controlled systems. However, there are visible differences in the speed of transition, the methods which are used, and the cultural and historical perspectives that influence major and minor decisions.

I distinguish among five major areas in the region. The first group includes Poland, Czechoslovakia, and Hungary. I would also place Croatia and Slovenia in this group. These are the countries where a market has traditions. These countries used to have a developed market economy and a developed political system. Therefore, the transition is relatively fast, and this is the area where the political transition took place most easily. They have democratically elected parliaments and political parties, comparable to those of Western Europe. And they are clearly trying to develop a Western European style of economic and political system as fast as possible.

In the second group of countries, I include Bulgaria, Romania, and the rest of the new Yugoslavia, Serbia, Montenegro and Albania. Their traditions are less strong with respect to a market economy. Politics are more puzzling, and the level of development is lower.

In the third group, I include the western part of the former USSR, the Baltics, Belarus and Ukraine. They have some traditions with a market economy, but much less than the first group. They are relatively developed countries but, after seventy years of the Communist system, there is strong indoctrination of the population. A relatively unbalanced economic situation exists with high inflation, monetary problems and breakdown of trade much more than in any of the other countries. Still these countries have a developed infrastructure, an educated labor force and good agricultural resources, but much fewer energy resources.

Next is Russia as such. Actually the resources are tremendous. Potentials are tremendous, but instability of the overall economy is very serious. The heritage of the past is a big burden. But still I believe that, from an economic point of view, conditions are good for recovery. Politically, the situation is rather complex. In Russia, you still don't see really what sort of political system will emerge. In the rural areas, there is not much political structure at all.

Finally, there is a fifth group, which is the rest of the former USSR: Asian and Caucasian countries. One must also distinguish between the Caucasian and the Asian countries. These are the most difficult areas concerning development, resources and political problems. These countries really fall into the category of classical developing countries. They are deserving of all sorts of assistance, as are other developing countries. When we approach these regions, it is good to know that this is an area with a very sizable diversity under a similar umbrella. I believe that the solutions also have to be very much tuned to the concrete conditions.

Business Opportunities

These classifications have implications for business opportunity and development. They reflect the level of development of markets as well as the legal framework, which is extremely important for doing business in these areas. You can have demonstration farms without a solid legal framework, but it's hard to have a real operating business without a legal framework.

Therefore, the most important transitional measure toward market development is privatization based upon minimal institutional and legal frameworks for working markets. This is essential for doing business on a broader basis. There are already, in most places, the minimum conditions for doing business. However, the risks get higher as you move from the first to the fifth group. But there is also the possibility of doing really well. Thus, in the latter group, risks are high, but on the other hand, if you are smart, brave, and perhaps lucky, you can actually do much better business than in many other countries. Of course, it's not surprising pioneers sometimes get hurt. However, I believe that minimum conditions are in place everywhere so that the U.S. business community should be encouraged to look for options everywhere in the region. There are definitely a lot of options.

Export Prospects

There is a need, especially in the former USSR area, for imports of food products or agricultural products. Import needs are much more or less the same in all of the countries and regions or sub-regions concerned. The countries want to develop market-based, private-based agricultural systems. However, quite different approaches to implementing the changes are being used in the regions. These differences are partially attributed to different historical heritages and backgrounds. Therefore, I stress the heterogeneity of the region.

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Attractively need, even more than money. While some investment is desirable, a small amount of money goes a long way in these countries when combined with our business know-how.

For this reason, I say there’s tremendous opportunity for Americans in all parts of Central and Eastern Europe. But the conditions there are so different, from what most Americans understand, that Americans have to go there. The conditions there are not just food and agricultural production. They have to invest their time, talent, and perhaps money in the country, plan to stay for a while, work to overcome strange obstacles, and figure out how to make “it” work there. New pioneers who can apply their experience and skills in unfamiliar situations are going to be successful. They are going to control markets where, right now, markets don’t exist. If no one in a country knows how to run a business, an American who has successfully run a farm or small business and is able to adapt to new situations will be miles ahead of the competition.

Bilorus Continued from page 4

The potential productivity of Ukrainian agriculture is very high. However, we need two things to realize this potential—a hard currency system that people can trust and a system whereby the land belongs to those who work it. Farmers need to feel themselves the real owners. Otherwise, why should they invest their efforts working day and night and mobilizing all of their financial and spiritual resources? My government understands that we need radical reform in this area. A new law makes it possible to buy land, but the problem is how to implement the law. Our farmers have no money and no credit.

That law also has some limitations. For example, it is forbidden to sell land to foreigners or to foreign companies. This law is somewhat restrictive from the point of view of a really open economic system. But we must understand that it is impossible to jump from the old economic and political system to the new one overnight. It requires evolution.

In five years, we will be dealing with different problems. Problems of competitiveness, problems of agricultural exports, not imports. I am absolutely certain that in five to seven years, it will be a reality. This means that there will be opportunities for American business, including agribusiness. They are unlimited. At the same time there will be very strong international competition for the Ukrainian market. You know the rule: first come, first served. I wish Americans to be the first.

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less in the other countries. However, the opportunities in the Russian area may be only just a short-term opportunity. Remember the central importance to economic recovery and sustained growth in Eastern Europe but our capital assistance must be consistent with the dual objective of furthering the privatization process and expanding U.S. agricultural trade. Two examples follow:

In late 1991, Albania’s domestic fertilizer industry collapsed. A.I.D., working with the International Fertilizer Development Center (IFDC) in Muscle Shoals, Alabama, provided 20,000 metric tons of urea to be sold directly by auction to a system of 180 new private dealers. This program was fully successful and has established a free and open market system for imported fertilizers where the U.S. industry can compete. In Romania, with the support of A.I.D., the IFDC, in conjunction with the American Soybean Association, is organizing an auction of soy protein concentrates for the newly established private poultry and hog sector. By excluding the larger state farms, which have an advantage in accessing the limited domestic protein supplies through the state controlled feed industry, the program will enhance the competitive position of new private enterprises and small scale producers. While the program is small, we expect it will not only enhance the privatization process in Romania but also open up a new market for U.S. high value-added soy protein concentrate exports as compared to traditional soybean imports.

An Important Choice

In summary, economic restructuring in Eastern Europe must and will go forward. The choice for the U.S. is how to participate in the process. Thus far we have helped to privatize the food systems and to reorganize the role of government to support them. As this initial stage is being completed, we have begun to focus our assistance on industrial level reorganization and market integration of key food system industries. Because we work closely with public and private representatives throughout the U.S. food systems sector in the design and implementation of our programs, we are confident that we are having both a significant impact on the economic recovery in Eastern Europe and expanding opportunities for U.S. trade and investment.