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## The Role of the Private Sector

by Edward Thor

**T**remendous changes are taking place right now in all of Central and Eastern Europe especially in the former Soviet Union. A lot of these countries need our help, and they need it now. I have never talked to anyone in the various republics who believes that the former Soviet Union will get back together, in any form, nor who think that they could go back to the old communist system. The disruption of old systems has brought uncertainty and economic decline. The building of new systems has just started. Dictatorships, military governments and ethnic fighting are not out of the question; but neither are stable, democratic, market economies. Which we will see will be determined in the next couple of years.

There are great opportunities for the United States, both to influence the outcome and for private business success. But, these opportunities require modern pioneers—that means people who are willing to go to those countries and work there long enough to make the changes successful, rather than people who want to go for a visit, leave their wisdom or their money behind, and then come home and wait for results. Long distance investment is not going to work.

### Conditions Vary

From a businessman's viewpoint, each Central and Eastern European country represents a different situation. It's different as you go across each border, or *de facto* border, and there are many. There are different histories, cultures, and religions. Each country is taking a different approach to law and business. In Hungary or Poland, there are western businesses. American business practices fit right in. In Russia people have been taught their whole lives that profits are evil, and the only private business role model they saw was the black marketer or the bribe taker. In Poland, large amounts of farmland remained in private ownership. Young, educated people moved to the farms for the freedom it brought. Contrast that to Bulgaria, where the Communists established central towns from which farmers were transported to work the fields. Young people fled the farms for the cities.

### Disruption Causes Problems

In a very short time, these countries changed their governments, their economic and trade systems, currencies, laws of all types, borders, and fundamental definition of ownership and personal rights. In countries that were strongly communist and blocked

reform, there's almost total chaos as changes disrupt the formerly state-controlled systems.

Imagine, the United States making the comparatively minor change of a law establishing a new border at the Mississippi River, with trade permits required from both San Francisco and Washington, DC for everything crossing the border. Add to this a law that all current contracts will be reviewed by a government agency, and if not approved, retroactively adjusted. Think of the disruption this would cause to our economic system, our jobs, businesses, and availability of food and products. But, these hypothetical changes are minor compared to some of the changes in Eastern European countries.

The disruption and associated problems cause business risk, which has discouraged many American businesses. Many Americans expect an American style investment-type climate, and when they don't find it, say: "We can't invest in this; it's too risky, or too unusual." It is true that with disruption and chaos come risk, but with that risk, come opportunities.

### Opportunities

There are tremendous business opportunities for Americans, even for small businesses and individuals. Americans, universally, are admired and welcomed. America does not have a history of invading or occupying these areas. We have a system which people admire. We have a history of being fair-minded, open and generous; maybe a little naive, but a history which people respect. There is a great deal of desire for American participation and frustration that Americans aren't participating more.

Not only are Americans welcome, but Americans know a lot of what is needed. In many cases, the basic science in those countries was excellent and the education systems were as good or better than ours in the subjects they taught. But, there is no concept of what it means to do business. The system was command-oriented, and you were rewarded on the basis of filling quotas, not for producing goods consumers wanted. How do you manage a store or business for profit? If you're a farmer, how do you arrange financing, buy seed, and sell crops? How do you ship to market? How do you make a living from any small business? Americans know these things, people in many parts of Central and Eastern Europe do not. In the past, Central Planning Committee said: "Grow five tons an acre from the seeds we gave you, and a truck will pick it up on this date." No one was expected to know or ask why. They are trying now to switch over to a system where people make their own decisions. But, they don't understand how it's supposed to work. They study, can list what needs to be done, but have no concept of *how* to do it. What is basic to us is totally unknown to them.

For example, I was in Poland a couple of years ago and suggested that when a customer orders half a truck load, they could ask the customer to buy something else to fill the truck, thereby saving the customer transportation costs. Everyone said: "That's a wonderful idea! We'll sell a lot more if we do that." It had never occurred to them that when somebody places an order, you can use it as a sales opportunity. An obvious idea for us was a valuable lesson for them. Americans who have operated a farm, a processing plant, or a wholesaling distribution or retailing business have important know-how that people in these countries desper-

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ately 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 are going to have to go to these countries with a pio-

neering spirit. They will 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. 