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U.S. AGRICULTURAL TRADE AND DEVELOPMENT MISSIONS PROGRAM

PROCEEDINGS

of the
Country Strategy and Program Development Workshop,
Trade and Development Mission to Eastern Europe

11 July 1990
Department of Agriculture
Washington, D.C.

The United States Department of Agriculture
The United States Department of State
The United States Agency for International Development

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PREFACE

<u>Wayne W. Sharp, U.S. Coordinator</u>

This is the seventh in a series of country strategy and program development workshops designed to provide opportunities for greater involvement by the U.S. private sector in planning programs and participating in mission visits.

From the results of this workshop, we have begun the process of developing an "Action Package" (Model at page) for Eastern Europe. These are specially tailored combinations of U.S. agricultural trade and development activities and private sector initiatives designed to complement the recipient country's development objectives and to enhance U.S. agricultural trade interests.

These proceedings are being distributed with the objective of informing other interested parties of progress in planning for the Mission to Eastern Europe which is scheduled for September 1990. Your comments on the proposed activities and other suggestions are welcome.

I want to thank all of the speakers, panel members, and moderators for their excellent presentations. Above all, we would like to thank the rapporteurs who have prepared their submissions in a timely fashion and thus permitted prompt preparation of these proceedings.

The Agricultural Trade and Development Missions Program

The Agricultural Trade and Development Missions Program was authorized by Congress in December 1987 by the Agricultural Aid and Trade Missions Act to encourage greater U.S. private sector and foreign country participation in U.S. agricultural trade and development programs. The act requires missions to 16 eligible Third World countries.

By offering specially designed combinations of U.S. trade and food assistance activities, called "action packages," the goal of the program is to develop countries and customers for U.S. agricultural exports. The program provides the opportunity to integrate mutually beneficial trade issues and development programs. Countries at various stages of development may participate in the program. Countries must be eligible to participate in established U.S. agricultural aid and trade programs.

The program is chaired by the Secretary of Agriculture, with active participation by both the Department of State and the Agency for International Development (AID).

The mission program gives priority to U.S. industry. Mission members will include representatives of market development cooperators, tax-exempt nonprofit agribusiness organizations, private voluntary organizations, and cooperatives. They must be knowledgeable about food aid and agricultural export programs and of the food needs, trade potential, and economy of the eligible country. Participants serve without compensation but are reimbursed for travel and per diem expenses.

The law requires each mission to provide a written report of its findings and recommendations to the President and to the Congress 60 days after completion of a mission visit. The findings are reached independently and do not necessarily relect the views or policies of the U.S. Government. Additionally, the Secretary of Agriculture and the Administrator of AID must submit quarterly progress reports to the Congress, at least through 1991. These reports are to include the volume and value of commodities shipped to the various countries and specific development programs undertaken.

U.S. AGRICULTURAL TRADE AND DEVELOPMENT MISSIONS PROGRAM

Country Strategy and Program Development Workshop on Eastern Europe

July 11, 1990
Room 107-A Administration Building
U.S. Department of Agriculture

Moderator: Wayne W. Sharp, U.S. Coordinator
Eastern European Mission Coordinator: Douglas R. Freeman

8:30 - 8:45	Welcome; Workshop Objectives	
8:45 - 9:30	U.S./East European Political Relations	James Hooper, Deputy Director, Office of Eastern European and Yugoslavian Affairs, Department of State
	Rapporteur:	Kathy Hadda, Office of Food Policy, Bureau for Economic and Business Affairs, Department of State
9:30 -10:00	New Trade Patterns and Market Potential in Eastern Europe	Robert Koopman, Agricultural Economist, Economic Research Service, Department of Agriculture
		Nancy Cochrane, Agricultural Economist, Economic Research Service, Department of Agriculture
	Rapporteur:	Miles Lambert, Agricultural Economist, Foreign Agricultural Service, Department of Agriculture
10:00 -10:15	Discussion	
10:15 -10:30	Break	

10:30 -11:00	Panel on U.S. Opportunities and Constraints	Guy Haviland, Coordinator, Eastern European and Soviet Secretariat, Foreign Agricultural Service, Department of Agriculture
		Gerald West, Vice President for Development, Overseas Private Investment Corporation
	Rapporteur:	Kimberly Kirkman, Bureau for Asia, Near East & Europe, Agency for International Development
11:00 -11:45	New Challenges to Doing Business in Eastern Europe	Private Sector Panel:
		Jill Dodds, Assistant Area Manager for Europe, Middle East and Africa, CoBank/National Bank of Cooperatives
		Mark C. McDermit, International Trade Consultant Elwood, Indiana
		Thomas Sleight, International Market Development Director, Eastern Europe, USSR, Middle East
	Rapporteur:	Scott Bleggi, Leader, Africa, Middle East & Eastern Europe Team, Foreign Agricultural Service, Department of Agriculture
11:45 -12:00	Discussion	
12:00 - 1:00	Lunch	

Afternoon	Country Roundtable Discussions: Possible Action Packages	
	1:00 - 1:45	Czechoslovakia - Robert Svec, Agricultural Counselor, U.S. Embassy/Austria (Discussion Leader) - David Pendlum, Agricultural Economist, Foreign Agricultural Service, Department of Agriculture
	Rapporteur:	Alex Gilchrist, Assistant Coordinator, Eastern European and Soviet Secretariat, Foreign Agricultural Service, Department of Agriculture
	1:45 - 2:30	Yugoslavia - John Strubel, Economist, European and Canadian Affairs Bureau, Department of State (Discussion Leader) - David Pendlum, Agricultural Economist, Foreign Agricultural Service, Department of Agriculture
	Rapporteur:	Martha Walls, Confidential Assistant to the Administrator, Foreign Agricultural Service, Department of Agriculture
	2:30 - 2:45	Break

2:45 - 3:30 Bulgaria

- James Snell, Agricultural Economist, Bureau for Asia, Near East & Europe, Agency for International Development (Discussion Leader)

- David Pendlum, Agricultural Economist, Foreign Agricultural Service, Department of Agriculture

Rapporteur: Mark Williams, Bureau for Asia, Near East & Europe, Agency for International Development

3:30 - 4:15 Romania

- Guy Haviland, Coordinator, Eastern European and Soviet Secretariat, Foreign Agricultural Service, Department of Agriculture (Discussion Leader)

- David Pendlum, Agricultural Economist, Foreign Agricultural Service, Department of Agriculture

Rapporteur: Charles Pickering, Assistant Coordinator, Eastern European and Soviet Secretariat, Foreign Agricultural Service, Department of Agriculture

4:15 - 4:30 Conclusions

AGRICULTURAL TRADE AND DEVELOPMENT MISSION
TO EASTERN EUROPE

U.S./East European Political Relations

Speaker:

James Hooper, Deputy Director, Office of Eastern European and Yugoslav Affairs, Department of State

Rapporteur

Katherine Hadda, Office of Food Policy and Programs, Bureau of Economic and Business Affairs, Department of State

Notes:

Gorbachev, with his policies of reform, opened the door for change in Eastern Europe. After the accession of a noncommunist government in Poland, events in the region began to unfold at a rapid pace: the governments of East Germany, Hungary, Czechoslovakia, and Bulgaria all moved towards democracy. In mid-December, Romania's government was toppled following a bloody revolution.

No one could have predicted Eastern Europe would change so dramatically within such a short space of time. But, ironic as it seems, the changes experienced were relatively easy to accomplish. The goals to be reached by those seeking change were evident to all. Now the future seems unclear, as the real problems associated with massive political and economic restructuring begin.

There will be three main problems for Eastern Europe in the future:

1. The democratic process may lead to a rise in authoritarianism, a system not limited to communist regimes. In Poland, for example, Lech Walesa has recently confronted the government about it's "shock therapy" approacn to economic restructuring. Walesa's concerns may be justified, but his approach is authoritarian.

2. Governments may backslide on democratization. This is already a clear danger in Romania, where recent political unrest seems to have been provoked by members of the deposed secret police. The United States has made it clear to the Romanian and other Eastern European governments that the U.S. will offer no economic aid to any country which reverses democratic changes.

3. There may be a rise in ethnic nationalism within the various Eastern European countries. This may well be the greatest source of instability in the future, as many ethnic groups throughout Europe are divided by national boundaries. The problem is particularly ominous in Yugoslavia, where ethnic tensions threaten to undermine the central government's impressive economic reforms. Serious violence could break out in the province of Kosovo between Serbians and Albanians there. If so, the situation could well disintegrate into a civil war as dire as Lebanon's.

The United States government wants to remain engaged in Eastern Europe, and wants Western Europe to do the same. Eastern European countries, for their part, want an American presence and American investment in the region. These countries want out of the Warsaw pact. Since World War II, the United States has stood for human rights in Eastern Europe, and has kept communication open with the region. The presence of United States business in Eastern Europe will be extremely important in the coming years, to point out the possibilities available to those seeking change there.

The future of Eastern Europe offers a lot of hope and progress, but a lot of serious problems as well. Factors such as increased American investment in the area will offer incentives for these countries to stay the course towards democracy and free market economies.

AGRICULTURAL TRADE AND DEVELOPMENT MISSION TO EASTERN EUROPE

Panel: New Trade Patterns and Market Potential

Panel Members:

Robert Koopman, Agricultural Economist, Economic Research Service, Department of Agriculture.

Nancy Cochrane, Agricultural Economist, Economic Research Service, Department of Agriculture.

Rapporteur:

Miles Lambert, Agricultural Economist, Foreign Agricultural Service, Department of Agriculture.

Notes:

The economies of Eastern Europe have been badly distorted by central planning, under which prices were not freely formed and, therefore, did not determine resource allocation. The pervasive imbalances existing in the region today make it difficult to predict either the productive potential of agriculture there, or future patterns of East European consumption and trade.

Agriculture in the region was negatively affected by the low priority it had in economic planning. Subsidized food for industrial workers took precedence over farm profitability, and necessitated relatively low, unencouraging farm producer prices. Farm wages had little incentive power because of a lack of non-food consumer goods on which to spend extra earnings. Farm input prices rose much faster than prices paid to farmers, and producers of inputs had no reason to innovate, since they had a guaranteed market for their output.

Food consumption in the region was shaped by policies which in effect offered consumers basic goods at subsidized prices, in return for tolerating poor assortment and deficient quality. The food shortages that characterized Eastern Europe were owing mostly to the general stability of food prices, since there was an insufficiency of other consumer goods to absorb wage and salary increases. Also, however, lack of innovation in processing and distribution caused a great deal of waste between farm gate and retail shelf.

Alignment of producer prices with world prices over the next several years likely will boost farm productivity and self-sufficiency in farm goods. Before the Second World War, Eastern Europe was a major exporter of agricultural goods, especially grain. Grain yields then tended to be closer to those in Western Europe than they generally are today. Given relatively cheaper and better inputs, Eastern Europe as a whole could once again be a net exporter of grain, in addition to livestock products. This tendency would be accelerated by adoption of a CAP-like system, but it is unlikely that any of the East European countries will actually become members of the European Community (EC) in this decade.

Consumer demand for food in Eastern Europe may decline somewhat because of either higher food prices or lower real incomes. Subsidies to consumers are likely to be minimal, while nominal income growth is not likely to surpass 2 percent annually. Since per capita meat consumption in the region already tends to be high relative to per capita GNP, future increases in income might not result in much additional meat consumption, especially if off-farm losses are reduced. Significant imports of meat thus are improbable, but increased imports of oilseed meal to improve livestock productivity are expected.

Farm trade developments in individual countries of the region will be divergent. Czechoslovakia is likely to develop competitive light industries and continue as a significant net importer of farm commodities. Yugoslavia could increase self-sufficiency through greater exports of high-value products, but will probably remain a net importer owing to ongoing needs for most bulk commodities. Bulgaria could increase exports of high-value products and reverse its recently declining farm trade surplus, but is likely to continue importing feed grains and protein meal. Romania probably will find it politically impossible to restructure its industry in the near-term, and therefore may once again resort to agricultural exports as a means of earning hard currency.

AGRICULTURAL TRADE AND DEVELOPMENT MISSION TO EASTERN EUROPE

Panel: Agricultural Trade and Investment Objectives: Opportunities and Constraints

Panel Members:

Guy Haviland, Coordinator, Eastern European and Soviet Secretariat, Foreign Agricultural Service, Department of Agriculture.

Gerald West, Vice President for Development, Overseas Private Investment Corporation.

Rapporteur:

Kimberly Kirkman, Program Officer, Bureau for Asia, Near East and Europe, Office of Europe, Agency for International Development.

Notes:

Haviland characterized the general atmosphere in Eastern European countries as being diverse, stating that "no two countries are alike" and that one must "look at each separately". He stated that they are all agriculturally oriented, but that agriculture is not their main thrust. Thus they are not self-sufficient in food and there is a great need for food items. Bulk grains are their major import and protein meals will continue to be an essential food for livestock. They are also looking for red meat and poultry. There is a growing market for high value products. He stressed that [given the reforming environment] the peoples of Eastern Europe will increasingly be demanding availability of foods equal to that in Western countries. There is a need for joint ventures in food processing; wheat production and wheat processing has fallen behind. He also stated that the distribution system needs work.

Haviland also spoke of the constraints associated with agricultural trade and investment. Foreign exchange is in short supply and convertability continues to be a problem. He stressed that firms interested in joint ventures in Eastern

Europe need "a good letter of credit". Accounting procedures are non-existent and thus firms are not able to determine their financial status; as an example, plants and equipment have never been systematically depreciated and most are overvalued. Regarding USDA programs, most countries do not qualify. PL480 Title I is being used in Poland and Romania in FY 1990 and GSM 102 credits have been given to Poland and Hungary. Food assistance under the "Food for Progress" (Section 416) has been given to Poland and Romania in FY 1990.

West described the Overseas Private Investment Corporation (OPIC) as being like a small, independent, public corporation; it is a self-sustaining government agency whose purpose is "to facilitate U.S. private investment in friendly developing countries". OPIC operates in 120 countries globally; this includes some Eastern European countries. People say that investment overseas and especially in Eastern Europe is very risky. OPIC deals with this risk. Shortage of capital is also a problem for many businesses desiring to invest overseas. To address these concerns, OPIC provides credit to small businesses, loan guarantees to large businesses ($6 million or more), and an insurance program which insures against political risk. Insurance is also provided against nationalization, expropriation, and inconvertibility. OPIC provides an information dissemination service to aid investors in overcoming the "fear of the unknown". A computer matching service is also run by OPIC.

OPIC deals exclusively with U.S. firms and would like to do more with small businesses, particularly in agri-business. In order to operate, OPIC needs a bilateral agreement. Presently such an agreement exists with Poland, Hungary, and Yugoslavia. OPIC has conducted investment Missions in Poland and Hungary and is looking to run one to Czechoslovakia soon. In general, OPIC is disappointed that more U.S. firms are not looking to invest in Eastern Europe. On equity capital, West cited a recent article describing the Solomon Brothers' Eastern European Growth Fund, with a capitalization of 200 million. OPIC helped to create this fund, which is designed to "fill the need for equity and quasi equity capital for U.S. and Eastern European entrepreneurs".

<u>Questions</u>:

1) A representative from the Eastern European Business Information Center spoke about the Polish-American and Hungarian-American Enterprise Funds and their mandate to help fund private sector initiatives.

2) Gerald Martins asked about the need for meat proteins and where the Eastern Europeans are going on this. Haviland answered that the Eastern Europeans are looking to the U.S. first for this, but that there will be competition from Western Europe. He added that there are no programs at present to help

exporters [see Eximbank].

3) A representative from South East Lumber Manufacturers asked to what extent the U.S. will participate in the European Bank for Reconstruction and Development. There was no answer.

4) A representative from Land-O-Lakes asked why, given the enormous increase in activity in eastern Europe, there is no commodity import program. A representative from the Agency for International Development suggested that she talk to Congress.

AGRICULTURAL TRADE AND DEVELOPMENT MISSION TO EASTERN EUROPE

Panel: New Challenges to Doing Business in Eastern Europe

Panel Members:

Jill Dodds, Assistant Area Manager for Europe, Middle East and Africa, CoBank/National Bank of Cooperatives.

Tom Sleight, Manager for Eastern Europe and the Middle East, U.S. Feed Grains Council.

Tom McDermott, Agribusiness International Trade Consultant.

Rapporteur:

Scott Bleggi, Team Leader for Africa, Eastern Europe/USSR, the Middle East and Oceania, International Trade Policy, Foreign Agricultural Service, Department of Agriculture.

Notes:

Ms. Dodds stated that CoBank currently has a loan portfolio of $3.5 billion, 80% of which is under the various GSM export credit guarantee programs. Doing business in Eastern Europe was easier prior to the 1989 revolutions, as they dealt bank-to-bank with sovereign risk only. The rules of the game and business practices are much different now. She characterized Eastern Europe economic reforms (with the exception of Yugoslavia) generally as follows:

Decentralization--read organizational confusion, a decision vacuum, and lack of more experienced international players;

Privatization--which greatly changes a bank's (or exporter's) risk calculation and adds a new dimension;

Competition--in both private and government offices, a new era of technocrats vis. old school bureaucrats, a willingness to look more at available options and risk;

Short-term Destabilization--bankruptcies will be occurring now, generally weakening an already fragile economic systems;

Better Communication--both in terms of technical and personal information;

COMECON Break-up--no longer will there be established, tied East Bloc trading patterns, transactions will become more hard currency-based;

Better Decision Making--based on sound economic reasoning and less on political reasoning. Yugoslavia is a special case because it has been making de-centralized decisions for a long time at the republic (rather than federal) level. On a scale of "doing business," Dodds places Hungary at the positive end, Poland and Romania at the negative end, and Czechoslovakia and Bulgaria somewhere in the middle.

Mr. McDermott explained that, based on his experiences, Eastern Europe desires an upgrading of its feed sources. Using the example of seed, he said Bulgaria is satisfied with developing 15-20-year-old U.S. gene technology for its domestic use. A problem is general non-recognition of FAO hybrid registration numbers through Eastern Europe. Communications are archaic at best. Many companies insist they be given adequate Intellectual Property Right protection before they enter on a large scale--a problem with government personnel turnover in many countries. In financing transactions, convertibility of currencies is key. Irrevocable, confirmed letters of credit are hard to come by, but essential to success. Contracts should be short-term in nature, because of the danger of currency devaluations. Genetic imports are being permitted as alternatives to higher-prices processed products. Improving the base, he feels, is the key to long-term profit and increasing levels of trade.

Mr. Sleight stated that changes in the Eastern European market are subtle, and not always evident to the casual observer. But the recent changes are both positive and irreversible. Gaining reliable information and presence in the market has been and will continue to be a key to success. A lack of accurate farm-based data has far-reaching implications when one tries to develop a statistical base. His country summaries were:

Bulgaria--an increase in Economic Organizations (EO's), taking many decisions away from the Ministries;

Romania--not a good history as exports took precedence over developing consumer demand. Political clouds remain, as little support for economic reforms is evident. Long-term outlook could be better, as most foreign debt has been eliminated.

Czechoslovakia--an optimistic future because political and economic reforms are going hand in hand. There is a highly developed livestock sector; old clearing house arrangements based on feed grains are not being renewed; and there are a strong industrial base and a entrepreneurial spirit.

AGRICULTURAL TRADE AND DEVELOPMENT MISSION TO EASTERN EUROPE

Country Discussion: Czechoslovakia

Panel Members:

Robert Svec, Agricultural Counselor, U.S. Embassy, Vienna, Austria with concurrent responsibility for Czechoslovakia.

David Pendlum, Agricultural Economist, Foreign Agricultural Service, Department of Agriculture.

Rapporteur:

Alexander Gilchrist, Confidential Assistant, Foreign Agricultural Service, Department of Agriculture.

Notes:

Mr. Svec noted that the events which have transpired over the last year have made things less clear in terms of what one might expect in the way of agricultural and economic developments in the near term. He then addressed four topics: (1) the state of Czech agriculture; (2) the changes that are taking place; (3) popular myths in the realm of agriculture and finally; (4) export opportunities. His comments were based not on various data and statistics but on his own observations over the last 23 months, during which time he visited Czechoslovakia fifteen times.

Czech Agriculture:

Farms - The agricultural sector in Czechoslovakia has, for the past forty-plus years, been centered around large state farms and cooperatives, with some as big as 150,000 acres. These farms are weak; they are poorly managed, they are under capitalized, they are over staffed and the people involved lack any type of incentive.

Food Processing - Compared to the food processing industry, the farms look good. The industry has the same general problems as the farms and in addition, suffers huge losses due to waste and inefficiency. These "companies" have traditionally had no dealings with or exposure to Western people or practices, as most of their trade has been with the CMEA countries. This is now beginning to change, albeit slowly. Product development is something about which they know and care little. There has been a great deal of government interference in the past; even when managers were aware of and tried to work on certain problems they were prohibited from acting by the Party. The areas of packaging, labeling and marketing are all extremely weak, and represent areas where they will be looking for help. The lack of incentive which is at the root of these problems is rapidly disappearing. The privatization of government monopolies is going to occur fairly quickly as the "government corporations" are valued and shares are transferred into private hands.

Distribution and Retailing - After processing comes distribution and retailing, both of which are also disaster zones. A good example is the dairy industry. Historically, milk cost the state roughly four crowns per liter to buy from the producer. It is then processed, packaged, retailed and sold for two crowns per liter. It has a shelf life of one day, and consequently, stores stocked only the bare minimum that they were sure would be sold that day. This obviously resulted in shortages, not because not enough was being produced, but because it wasn't marketed and stored properly. The old retail network is now being broken up, and officials say that by the end of the year thousands of new, private retail stores will exist. This is confirmed by the fact that there are already a number of German supermarkets beginning to pop up. Huge opportunities, then, exist for anyone who wants to get involved in distribution and retailing.

Academia - The agricultural academics in Czechoslovakia are extremely "ivory towered." They generally have had little or no contact with the West; one group, for example, has around 150 members, not one of whom was trained in the West. They therefore have little practical understanding of basic problems and issues.

Government - Historically, there has been too much government involvement in the entire economy, not just the agricultural sector. This is changing, and the new government wants to have substantially less involvement. This is causing immense confusion in the country. In early July, they announced the abolishment of the Ministry of Agriculture. Some of its former responsibilities will theoretically be handled by the new Ministry of Economics and some will be handled by the two regional (Czech and Slovak) Ministries. In effect, people will have to deal with two countries, which will be more complicated.

Prices - In the past, prices have had absolutely no meaning, and this is demonstrated by the milk production and sale example used above. The new government is presently revising its pricing system.

Agricultural Trade Policy - The philosophy of both governments, old and new, is that self-sufficiency is the number one priority. They do not want to import any food unless they have to. Any imports which did take place were done primarily through barter arrangements with other CMEA countries, if that was not possible they then looked to the developing countries. As a last resort, they would acknowledge the need to spend precious hard currency and come to the West. This is changing and changing rapidly. Now people want to work with the U.S. and this presents tremendous opportunities.

Pace of Change - Frustration is beginning to build over the perceived "slow pace of economic change." This perception is inaccurate. The changes have actually been pretty rapid, considering that about seven months ago there was an entirely different form of government and economy in place. What has happened is that expectations in the West have raised to the point where many people think that going into Czechoslovakia to do business should be like going into Germany or Belgium. There will be a viable economy in time, and there are real opportunities for people who are willing to work and who are willing to take some risks.

One needs to keep in mind the scope of changes that have taken place. The country has held its first free elections in 47 years, revised an entire banking system and are changing the laws on ownership of both land and other factors of production. They are instituting a new pricing system and are changing their laws on taxes, foreign investment and joint ventures. To put it in perspective, one should consider how long it takes to get even the most insignificant law or regulation changed in the U.S. These changes in Czechoslovakia are happening all at once, and while it may be frustrating for some at the moment, there will certainly be a big pay-off for those with patience.

Myths:

New Farm Structure - Although the Czech and Slovak farms will be privatized, they will probably not resemble those in the American Midwest. There are already very large fields in Czechoslovakia and heavy equipment is available. There is not enough money to buy the smaller equipment necessary to work smaller farms. Nevertheless, a mixture of smaller and larger farms will probably develop over time. The smaller ones will likely concentrate on producing fruits, vegetables and livestock products and the larger ones (likely to be cooperatives or corporate farms) will focus on field crops. There is no rush to return to the farm in Czechoslovakia. Two generations have grown up off the farm and there wasn't a great agrarian tradition to begin with. They have been industrially oriented for quite some time, and were an industrial power prior to World War II.

Production Will Increase Dramatically - Even after privatization, there will be no great surge in agricultural production. If one looks at basic inputs, science and price changes, it will become clear that this increase in production is a long way off. The availability of hard currency will remain a constraint in increasing production. For example, historically, the Czechs have had excellent supplies of sugar beets, but within the last decade they have had a terrible time with sugar production. Production in Austria is 30-40% higher. They know they need different varieties and they know they need pesticides. They feel that within a few years they can get it straightened out, but it won't happen overnight.

Domestic Demand Will Increase Dramatically - For certain commodities that may be true. However, the Czech and Slovak diets are already high in meat, the weaknesses are generally in the vegetable and horticultural area, but even here they are already large importers. Opportunities will be on the quality side, and in changing the source of the demand (for example, most citrus fruits are now imported from Cuba).

A General Point: The Green movement in Czechoslovakia is very strong. Even though the Green Party did not fare well in the recent elections, every party is Green, everybody is Green. There will be more emphasis on research and testing of products, and this is an area where we have something to offer. It's better to have them adopt our standards and methods than those of the European Community (EC).

Opportunities for the U.S.:

There are many areas where we now have opportunities where we didn't one year ago. One such area is cotton; we have already made some in-roads and there is real interest. This is due, to some extent, to what is happening in the Soviet Union. For the first time in decades, Czechs can come over here freely and visit U.S. textile facilities and meet with U.S. industry officials.

Mr. Svec was approached by officials from OSEVA, the Czech seed industry people, and a few weeks later was called on by SLOVSEVA, the Slovak side of the same industry. There is a natural rivalry there which can be used, in a positive way, to advantage.

Their livestock industry has a tremendous need for soy protein, and this may eventually become their number one import.

There is a market for corn. It may be filled by Europeans with close proximity as their natural advantage, but contacts indicate that the Czechs will need at least a half million, maybe a full million more tons of corn. They can't increase their own production.

There is potential for peanuts and dried fruits. We're not getting much of the market at present, and we should be able to get more.

The traditional big items have been hides and skins and that should continue.

Some problems remain for semen embryos, breeder livestock, because there are still regulations to overcome.

The Czechoslovaks are dying for help in the areas of marketing and management. Anything that can be done in the country which ties in to technology and training will be mutually beneficial. Technology is extremely important to them and we have a lot of what they need.

Joint venture laws are changing. For a period right after the revolution, the new government passed a lot of laws very quickly to consolidate their position. They are now going back and improving those laws, and it will have a positive impact on Western ability to do business there. If we (the U.S.) don't get involved soon, we'd better start learning French and German because they'll be there.

Mr. Pendlum basically underscored the comments by Mr. Svec, noting the general confusion and frustration among the people about the new laws and institutions. But he also noted the potential for commercial relationships to develop as the country goes through the different phases of restructuring.

Areas of opportunities include:

- -- Food processing, bakeries, institutional food market. (Note: the Czechs are especially interested in attracting U.S. restaurant and fast food chains.)
- -- Western style supermarket chains.
- -- Private sector service-oriented marketing cooperatives involved in international trade.
- -- Animal and seed genetics.
- -- Flour and feed milling and compounding industries.
- -- Vertically integrated feed lots, poultry firms, pork production and slaughter facilities. (Note: the Czechs are especially interested in further development of their poultry industry.)
- -- Brewery industry.
- -- Processing facilities and technical expertise for production of Bohemian hams for export.
- -- Small-scale tractors farm equipment.
- -- Refrigeration and storage equipment.
- -- Development of tourism/hotel industry, which will directly affect demand for quality food products for institutions and hotels.

Questions and Answers:

Q. If you're a U.S. agribusiness company interested in investing in food processing facilities in Czechoslovakia, who would you first talk to and with whom would you keep in touch?

A. Agricultural Counselor, Economic officer, Foreign and Commercial Service, U.S. Embassy in Vienna, depending on what you're doing. It's good to get there. Start working with the old people even if they're leaving because you can find out who will be taking over. The people who are successful are the ones that go there often and know all segments of the industry, including the people on the fringes (equipment suppliers, research institutes, government organizations.) There is a list which was developed in May of 1990 of what types of projects they're interested in. Again, people that do well go there often.

Q. Is there some way in which U.S. businesses can get around the local lack of hard currency, are there products that they (the Czechoslovaks) have which may be of particular interest to the U.S. agricultural community, what do they export?

A. What they have to export is more in the non-agricultural area than in the agricultural area, which would make a perfect marriage. There are some products which they do have, for example: beer, hams, hops, malt. After that it drops off pretty fast. It's not a major agricultural producer. They will have convertibility and it may not take the three to five years now estimated. But, those who wait for convertibility will probably find that someone (i.e., the Europeans) has beaten them to the market.

Q. To what extent are German and other retailers moving in and is the overall effect going to be that they'll bring with them a lot of processed food products from Germany?

A. It's unclear exactly who is becoming involved and to what extent. We do know that some German companies are working on finalizing a few joint ventures. Don't expect a huge amount of processed products to be brought over that way. Some, yes. Things like dried fruits, nuts, and peanuts. They will want to process some of these things in Czechoslovakia, so some will come in bulk. At the same time, though, the retail sector is being privatized. They're saying that retail stores are going to be private by the end of the year, but they have a long way to go. There is really no wholesale network there at all. They need help now. One thing that would be extremely useful to the whole high value area would be to have our wholesalers in there, or to bring some of their people to the States to see how its done.

Q. What is the prospect for the survival of the State-run foreign agricultural trade organization, GOSPOL, what will happen to hard currency stores and other channels currently available once everything is done on a hard currency basis?

A. There is a lot of confusion over what will happen. In the opinion of the Agricultural Counselor, GOSPOL will not be the same type of organization six months from now. Certain sectors of the organization will split off by food items. Others will become more vertically integrated into the food processing industries. GOSPOL isn't very well loved, so it will not be the same at all, others will get involved. Some feed millers are asking why do we need GOSPOL? If we had a few people who knew what they were doing, we could do it directly.

Q. Would you expect quota systems in this country and if so, what types?

A. I don't think so. Maybe once they became a member of the EC, which they would like. I think they're serious about a market orientation.

Q. What do you see in the way of possible changes in eating habits as separate from income changes, and how would potential exporters go about introducing these changes?

A. They say the Czech consumer is a conservative consumer who is happy if he has his dumplings, sauerkraut, roast pork and beer. At the same time, you're seeing people traveling freely between Czechoslovakia and Austria, and doing so in huge numbers. They're learning about new products and they'll start trying new products. To introduce new products will be difficult at least until they get these private stores in operation and until profitability and advertising and things like this mean something. (And I do think that this will take place.) Changes in what's being consumed will also take place because of the price changes that are being implemented. This will have a tremendous impact on what types of meat are consumed. You'll see less beef consumed and more poultry. When price supports are removed completely on January 1, you'll see a real tightening of consumption as prices increase again.

Q. How should one approach the division between the Czech and Slovak sectors, and will they be internally competitive?

A. Yes, they will be internally competitive, and they can be played against each other. They should be treated as two different countries.

Q. Assuming that Czechoslovakia is chosen for an ATDM, could you prioritize the potential issues and commodities that you think would be most important?

A. I could but I think it would be more useful to have industry do it so that you can gauge their thoughts. They, after all, are the ones who will be doing the hustling.

AGRICULTURAL TRADE AND DEVELOPMENT MISSION TO EASTERN EUROPE

Country Discussion: Yugoslavia

Panel Members:

John Strubel, Economist, European and Canadian Affairs Bureau, Department of State.

David Pendlum, Agricultural Economist, Foreign Agricultural Service, Department of Agriculture.

Rapporteur:

Martha J. Walls, Confidential Assistant to the Administrator, Foreign Agricultural Service, Department of Agriculture.

Notes:

John Strubel: Since Yugoslavia broke from Stalinist-style central planning economy in the 1950s, it has pursued a unique economic path where the economy is theoretically managed by the work force under a Board of Directors (Worker Managerial Economy). In practice, the economy has been under the control of an interlocking directorate within the Communist Party, the government, and economic institutions. The economy is not balanced and hasn't developed with the principles of comparative advantage.

In the last ten years the foreign debt has grown, with hyper-inflation taking control. Potential areas of concern are growing unemployment and a possible depression in the near future. One of the major reasons for this is the transfer of resources from the more developed areas in the north to the more underdeveloped areas in the south.

Areas needing reform:

* Move from a worker-self management model towards a market economy;
* Centralize market through the government for long-term policies of economic growth;
* Close down a large portion of the industries which will reduce the work force;
* Concentrate economic growth in the North where the resources are more developed.

The Government has begun attempts at reform, both short term and long term, with varying degrees of success.

A. Macroeconomic model (short term, under way):

1. Achievements

--Has temporarily ended hyper-inflation
--Converted Dinars to the Deutsche Mark

2. Difficulties

--Caused fall in industrial output
--Possible growing unemployment
--Large number of enterprises going bankrupt and forced to restructure or close (loss of equity)

B. Microeconomic model (long term, planned or just beginning):

1. Privatization

2. Ownership of the enterprises: 1/3 of companies' stock to the work force, 1/3 to the public for pension fund, 1/3 kept by the state.

3. Change in the foreign investment law allowing 100% ownership.

In the field of agriculture, in general Yugoslavia is self-sufficient in food production and grains, and imports products such as dairy. The bulk of the population has moved from the countryside into urban areas to work in the industrial sector.

Yugoslavia wants U.S. technical assistance in such areas as management training, marketing, food processing and food processing equipment.

Dave Pendlum highlighted some of the strengths and weaknesses of Yugoslavia:

Strengths:

--More developed than the rest of Eastern Europe
--Institutions in place
--Inflation temporarily under control
--Convertible currency unit

Weaknesses:

--Political instability in the Republics
--Structuring of medium- and long-term debt that is subject to market interest rates and short maturation dates
--Possible economic depression in the near future
--Decline in overall net investments and GDP

Agricultural areas in which Yugoslavs want assistance:

* Western-style supermarkets;
* Institutionalized food-tourist industry;
* Food wholesaling;
* Private sector service-oriented marketing cooperatives involved in international trade;
* Vertically integrated feed lots, poultry firms, pork production and slaughter facilities;
* Retailing and distribution;
* Fast food restaurants;
* Livestock and feed genetics;
* Health food: export of spice and medicinal herbs;
* Small scale farming, irrigation, refrigeration, storage, processing and milling equipment.

Questions from the floor:

1) Is there a possibility that social pressures might cause the government to abandoned economic reforms?

No danger with the present government. The problem is in the implementation of programs. They have a very federalistic system where the central government doesn't have the authority over the resources, which lie with the Republics. The major control the central government has is in the control of the currency, and this could force the Republic governments to crack under pressure.

2) Will Yugoslavia export more or less wheat?

Yugoslavia is a major wheat exporter and currently wanting to develop their livestock industry. In order to have enough feed grains, they will probably use their crop to develop the livestock export market. Their wheat and corn production is highly dependent on climatic conditions. Presently, there is substantial lodging for wheat.

AGRICULTURAL TRADE AND DEVELOPMENT
MISSION TO EASTERN EUROPE

Panel: Country Roundtable Discussions: Possible Action Packages-Bulgaria

<u>Panel Members</u>:

James Snell
Agricultural Economist
Agency for International Development
Bureau for Asia, Near East & Europe

David Pendlum
Agricultural Economist
Department of Agriculture
Foreign Agricultural Service

<u>Rapporteur</u>:

Mark Williams
Agency for International Development
Bureau for Asia, Near East & Europe

<u>Notes</u>:

Bulgaria is in the midst of political and socio-economic democratic reforms similar to the wave of changes sweeping many Eastern European countries. Economic reform policies involve transformation from a command economy to a market economy. This transformation will shift enterprise operations from state control to private control. Political reform policies involve transformation from an oppressed communist system to a more open democratic system.

Bulgaria's agricultural industry needs restructuring. Recently, the agricultural sector has suffered from on-going drought, inadequate infrastructure, and the mass exodus of Bulgaria's Turkish minority. These factors have created labor shortage problems, inefficient production and processing market systems, food shortages, and a build up of agricultural imports that have contributed to current debt problems.

Restructuring will include developing management skills, improving the infrastructure, and generating increased production and processing through the use of new technological.

In early 1990, a governmental decree promoting a private sector farming industry was adopted. However, this decree remains mostly rhetoric as Bulgaria's economy remains largely centralized. The lack of progress may be a result of the Bulgarians not understanding how to implement market economic reforms. Two important factors that will determine reform are:

1. Market reform measures such as privatization of property, decentralization of the banking system, establishment of hard currency actions, liberalization of joint venture laws (allowing for 100% foreign ownership and profit repatriation), elimination of state monopoly on agricultural purchasing, and long-term land leasing.

2. Bulgaria's new trade agreement with the Soviet Union that will implement hard currency trade balance settlements by 1994. Bulgaria will not have to commit to future agricultural exports to the Soviet Union, allowing Bulgaria to service its own food needs and/or export to the world market for hard currency.

The Bulgarian government is very positive and open to establishing an agricultural trade-base relationship with U.S. business's.

Problems

Large trade deficit and currency. The hard currency debt is approximately USD $10 billion. Furthermore, the Bulgarian Bank of Foreign Trade cannot service the principle on that debt as foreign exchange reserves is very low. Private bank are not willing to service L/C or debt to Bulgaria. Trade financing will have to come from government organizations because the private banks are not confident in Bulgaria's ability to repay debt. Furthermore, Bulgaria's currency remains non-convertible, which presents problems of repatriation.

Political Situation. Legal and regulatory systems are rapidly changing with many of the reform policies in their infancy. This presents a risky and unstable investment environment. Government positions and employees remain unstable. Policy restructuring has resulted in undefined needs and department responsibility confusion. Furthermore, there is some evidence that the current government has an unstable support base, winning the recent election on only a 55% majority margin.

Market Infrastructure.

Inadequate marketing systems have left store shelves empty. Deteriorated irrigation systems has contributed to production problems. Lack of grain storage facilities, processes technology, and marketing innovation has contributed directly to 30-40% production waste. Labor shortages have contributed to poor yields and increased imports.

Strengths

Education Level--Bulgaria has a well education population. Eduction levels and standards are far above many less developed countries and are comparable to that of Western European countries. Bulgaria also has a skill labor force that is technically capable and competent. This labor pool has contributed to its comparably modern industrial sector.

Industrial Development. Bulgaria has a significant and well developed industrial base compared to other Eastern European countries. Bulgaria does have a foundation for large industrial capacity, which has contributed to the development of a technically competent work-force. This industrial capacity can provide a foundation which will meet agricultural infrastructure needs.

Equality. Bulgarian society has historical treated woman fairly. There social contribution to society is equivalent to the male contribution. In Bulgaria, female's have enjoy the social right as that of male's. However, a serious problem remains with the ethnic Turkish population.

Needs/Opportunities

Bulgaria's general needs presents opportunities to U.S. agribusiness that are similar to other Eastern European countries. These markets are food processing, raw materials processing, farm inputs, feed supplements, marketing, and financing. Cultural specific adaptations of products and/or services to fulfill these needs will require more research and business application development.

Management training and expertise. Bulgaria lacks general marketing management and general management skills for operating an open market system. For example, 30-40% of annual grain production is wasted because they lack proper storage facilities, technology for processing and packaging, and do not know how market (find out where, who, how and in what form) their production.

Establishing Business Relationships. Bulgaria is interested in attracting U.S. firms to establish small U.S., strategically placed, "model farms" in Bulgaria. Bulgarian officials have even gone so far as to commit to donating land and organizing labor for these ventures. Furthermore, extreme interest has expanded into marketing co-op arrangements.

Farm Inputs--Recent drought and labor shortage conditions have created a condition for agricultural production without valuable resources--labor and water. Agricultural production methods for resource scarce environment is an area in which U.S. agribusiness is a world leader . Inputs such as efficient farm and agricultural processing equipment, storage facilities, chemical pesticide and biological control methods, dry land water irrigation equipment and technology, and plant genetic technology provide an excellent opportunity for U.S. agribusiness involvement.

<u>Identity Crisis</u>--Bulgaria believes it suffer from an identity problem; potential trade and investment partners have ignored Bulgaria. Other Eastern European countries that have made similar political and economic transformations are receiving more foreign trade and investment attention. By just contacting Bulgarian business officials and expressing trade interest, U.S. agribusiness may create and establish relationships before representatives from other countries. This can provide immense opportunities and investment for establishment of a trade and/or investment relationships. The problem is that Americans lack any type of knowledge about Bulgarian society, history, culture. U.S. academic institutions, government programs, and media coverage has tended to ignore Bulgaria.

U.S. Development Assistance

Currently the Overseas Private Investment Corporation (OPIC) does not have an investment program for Bulgaria. New legislation is before Congress that will authorize an OPIC program in Bulgaria, as well as other Eastern European countries, which the President might designate. For further information and to keep abreast of a potential OPIC investment program for Bulgaria, contact Ms. Christie-Anne Carney, Eastern Europe Affairs.

Currently the Agency for International Development (A.I.D) does not have a development program for Bulgaria; however, legislation that will permit A.I.D. to operate in Bulgaria is now before Congress. All agricultural development and support opportunities presented by Bulgaria's socio-economic transformation are not being meet.

Conclusion.

At this point in time, Bulgaria's transition into a market economy is projected to be more gradual than other Eastern European countries. Although economic development and growth is projected to be gradual, there is confidence that Bulgaria is moving ahead towards open market reform and provide an excellent opportunity for U.S. agribusiness.

AGRICULTURAL TRADE AND DEVELOPMENT MISSION TO EASTERN EUROPE

Country Discussion: Romania

Panel Members:

Guy Haviland, Coordinator, Eastern Europe and Soviet Secretariat, Foreign Agricultural Service, Department of Agriculture.

David Pendlum, Agricultural Economist, Foreign Agricultural Service, Department of Agriculture.

Rapporteur:

Charles Pickering, Assistant Coordinator, Eastern Europe and Soviet Secretariat, Foreign Agricultural Service, Department of Agriculture.

Notes:

Guy Haviland began the discussion by stating that Romania may contain the greatest possibilities in Eastern Europe. He described Romania's agricultural sector as mixed, consisting of large and medium sized farms with only 5% of agricultural land privatized. Romania is the least developed country, far behind any other country in Europe. This condition is attributed to their past leadership and present political instability. However, Romania is debt free and during 1990 imports have been substantial.

Haviland, based upon his recent visit to Romania, outlined the current condition and needs of the country. Large soybean crushing mills were constructed but their capacity is far beyond their actual need. Although he was not able to examine closely the agricultural equipment, all reports point to outdated equipment and technology.

Romania's agriculture was collectivized in the late 1940s and since that time has been largely ignored. To illustrate this point, Haviland recalled his visit to a Romanian dairy farm. He stated that the cows' appearance and genetic quality were at the level of his family's herd of 40 to 50 years ago. Currently, Romanians do not have the genetic material to upgrade their livestock. Haviland emphasized that this represents great development opportunity. Semen imports and genetic material are needed.

Haviland then listed areas of possible competition and opportunity. Romania could compete with the United States in feed grains - wheat, corn, soybeans. If their economy improves, then the demand for high value products will increase. Romania will never produce soybean meal to meet domestic demand. Tourism is an area of great opportunity. The Romanian coast on the Black Sea could be the Miami of Eastern Europe. The infrastructure for a viable tourist industry will need to be developed. Food supply and quality will be needed to sustain the restaurants in the hotel industry (Haviland backed this assessment with his personal experience with Romanian restaurants). But not only the quality of food is substandard, the quality of Romanian products as a whole is very poor.

Concerning the privatization of agricultural land, the allotment of 6/10 of a hectare to individual farmers is often mentioned. Their model for this effort seems to date to pre-World War II. Also, resistance to the break-up of the large state farms is strong. Because of Romania's past isolation and current outdated models, questions exist as to how effective the agricultural reforms will be. It is also safe to assume that Romania will not undergo Polish style shock therapy when it comes to transforming their economy.

Haviland pointed out that the Romanians are very interested in joint venture opportunities. However, the following problems will have to be overcome:

(1) They possess no marketing skills
(2) Joint Venture laws do not allow majority share ownership?
(3) Currency convertibility
(4) Quality of products

On the positive side, agricultural trade between the United States and Romania has been large and should continue. Specific trade items he mentioned were corn, soybeans -- also Pepsi Cola.

The political situation, although Romania currently seems to be backsliding, will hopefully stabilize.

Haviland listed the following needs/opportunities for U.S. investment: 1) flour milling, 2) feed mills, 3) genetic materials (plants and animals), 4) food processing and marketing systems.

David Pendlum noted that Romania is situated in the heart of Eastern Europe, sharing boundaries with Bulgaria, Hungary, Yugoslavia, and the Soviet Union. The country is slightly smaller than Oregon in size (230,340 sq. km.) and currently has a population of approximately 23 million. The terrain is mostly flat to undulating plains, with some hills and mountains. About 43 percent of the land is arable.

The country's major industries include mining, timber, construction materials, metallurgy, chemicals, machine building, food processing, and petroleum. In 1987, Romania had a work force of 11 million with approximately 34 percent in industry, 28 percent in agriculture, and 38 percent in other sectors. The percentage of the population working in agriculture has shown some decline over the past decade.

Romania has some of the richest agricultural farmland in Eastern Europe and is a net exporter of several agricultural commodities including corn, wheat, oilseeds, and livestock products. However, consumer and food supplies are in short supply.

Natural resources include crude oil, timber, natural gas, coal, iron ore, and salt.

General Impressions:

Pendlum's planned visit to Romania was canceled due to recent political turmoil in Bucharest. Therefore, his impressions are limited to information that he received from the Assistant Agricultural Attache (Gregg Young) in Belgrade, Yugoslavia, who is responsible for covering Romania.

Mr. Young indicated toothat he thought the opportunities were great in Romania pending a successful resolution of the current political unrest in the country. He pointed out that the country has a rich natural resource base and some of the most fertile farmland in Eastern Europe. He also stressed the level of under development, which points to the need for greater investment than in some of the other countries in Eastern Europe. Pendlum also gathered the impression that the skills level of the labor force is relatively limited.

Needs Assessment:

From information gathered via consultation with Mr. Young, Pendlum's conclusion is that the needs in Romania are very similar to those in other East European countries. Movement toward a more market- oriented economy will require development of basic infrastructure and market institutions to provide a foundation for further development.

Mr. Young identified the same basic areas for development within the agricultural sector in Romania as Pendlum identified in other countries under consideration for an ATDM. These included food processing, wholesaling, retailing, packaging, and distribution; feed milling industry; providing quality food for institutional/hotel market; quality feed compounds; animal nutrition; development of the dairy, livestock, and poultry industries; and the whole gamut of agricultural inputs (e.g., irrigation, farm equipment, pesticides, herbicides, genetics, bio-technology).

Areas of Opportunity for U.S. Investment:

Mr. Young provided the following list as areas that he considered ripe for investment:

(1) Food processing/bakeries/institutional food market.

(2) All phases of wholesaling, retailing, packaging, distribution.
NOTE: The Romanians are currently interested in a joint venture with a Western supermarket chain for establishment of a large Western style supermarket in the center of Bucharest with the possibility of more supermarkets in the future.

(3) Development of restaurant/hotel chains, tourism trade.

(4) Development of dairy, livestock, and poultry industries.

(5) Feed compounding, feed and flour milling.

(6) Development of wineries and vineyards.

(7) Both large and small scale farm equipment.

(8) Livestock and seed genetics, bio-technology.

Questions and Answers:

Q: What are the "Pros" for doing business in Romania?

A: In many of the Eastern/Central European countries their strength is a well educated and trained work force, that is not the case in Romania. The populace is not highly educated. However, the under development of Romania may actually present a great opportunity for rapid improvement. The following factors may create a favorable investment climate in certain geographic regions and economic sectors of Romania: (1) the desire of Romanians to join the rest of Europe, (2) pent up consumer demand, (3) they are debt free, and (4) they have hard currency reserves.

Q: Are the statistics from Romania reliable?

A: No, not at all.

Q: How does one provide managerial and marketing skills? Also, how does one overcome the aversion to profits often found in the Romanian culture?

A: The regulations and laws governing profits, as well as attitudes toward the market, are changing or at least under review. Moreover, the needs of the country should drive the reform of the current system. A viable distribution system is badly needed. This should bring middlemen into the picture since the farmers do not have the marketing background to do this.

Q: How will cooperatives be viable if a system to support them does not exist?

A: Guy Haviland referred back to the proposals for the allotment of 6/10 hectare for the Romanian farmer. He expressed skepticism as to whether such a distribution of land could be efficient. In regards to cooperatives, unless they can operate as an autonomous farm with enough land to make the operation profitable than there is no need for them.

A: Nancy Cochrane, an agricultural economist for the Economic Research Service of USDA, countered that these 6/10 hectare farms under extremely repressive conditions provided 40% of Romania's agricultural production. She stated that we should not underestimate the ability of these small plots to produce effectively.

A: Haviland responded that these plots may produce for the local needs, however, farming at that scale does not generate the increased incomes necessary to stimulate the overall development of the country.

Q: Even though Romania may have many attractive qualities, does not the political instability increase the risk of investing?

A: Haviland agreed that the current instability increases the risk, but he also stated that the situation should stabilize over time and that with Romania's tremendous development opportunities the risk may be worth it.

Statement: Jill Dodds of the CoBank/National Bank of Cooperative encouraged the participants to not neglect Romania and Bulgaria. She added that this may be easy to do when one looks at Eastern Europe as a whole, but the needs/opportunities of these two countries warrant our consideration.

MODEL ACTION PACKAGE

A specially tailored package of U.S. agricultural trade and development activities and private sector initiatives designed to complement the recipient country's development objectives and to enhance U.S. agricultural trade interests. Key components might include:

I. Market Access and Trade Expansion

A. Bilateral trade issues.

B. Coordination of multilateral positions (i.e., MTN).

C. Trade financing facilities.

D. Special trading arrangements.

II. Cooperative Trade, Development, and Investment Projects

A. Expansion of port capacity.

B. Improvement of marketing infrastructure.

C. Development of food processing industry.

D. Establishment of "re-export" industries.

E. Development of aquaculture and animal industries.

F. Technical and marketing assistance to expand "complementary" exports.

III. Food and Economic Assistance

A. Joint review of current programs and requirements.

B. Assessment of long-term economic outlook and future food requirements.

C. Review of U.S. programs and funding.

D. Development of long-term strategy.

E. Role of PVO's and Cooperatives in food distribution and self-help projects.

IV. Establishment of Follow-up Mechanism

A. U.S. Embassy-sponsored "Agricultural Trade and Development Council."

B. Periodic bilateral meetings (alternately in host country and in U.S.).