

The Role of U.S. A.I.D.

by John Becker

A major objective of U.S. foreign assistance in Eastern Europe is economic restructuring. This involves helping countries to privatize their domestic industries and open them to competitive trade. Success in this effort is critical to expanded U.S. trade and investment in the region.

Reorganization of the food system industries in production agriculture, agricultural marketing and agro-industrial manufacturing are central to the process of economic restructuring in several Eastern European countries. Hence, U.S. technical and capital assistance programming in support of industrial reorganization of food systems is an important element of A.I.D.'s programming in Eastern Europe. Given the magnitude and the urgency of the task, A.I.D. relies on all members of the U.S. food system to assist it in the implementation of its program in Eastern Europe. This includes other government agencies, cooperatives, universities, specialized consulting firms, and the agribusiness community.

Privatization of domestic industries is the first step in economic restructuring and involves reducing the role of the public sector and expanding the role of the private sector.

Initial Steps

The first step in the restructuring of economies from communism to capitalism is to modify government's role from one of operating businesses to supporting businesses. This involves the provision of traditional public services including research, education, extension, environmental regulation, food safety, marketing information services and conservation. In implementing program support in these areas, especially for those programs carried out by ministries of agriculture, A.I.D. has relied heavily upon the expertise in the U.S. Department of Agriculture. Noteworthy here are USDA's efforts to expand Poland's agricultural ministry services in agribusiness extension and market situation and outlook reporting. However, recognizing that many of the Eastern European countries can ill afford to provide such services, A.I.D. is also examining private sector alternatives to working through the ministries of agriculture in the provision of traditional public services.

As the pervasive government systems of state and collective farms and enterprises collapse, private competitive structures must be immediately introduced. In this context, A.I.D. has relied heavily upon U.S. cooperatives. Drawing on strong U.S. traditions of cooperation amongst farmers, particularly as they deal with input and product marketing, A.I.D. has made a series of grants to

U.S. cooperatives to help the agricultural economies in Eastern Europe to maintain production levels as they decollectivize and organize into private farms and enterprises. In Albania, for example, support by U.S. cooperatives have been instrumental in putting together associations among the newly enfranchised small farmers to acquire tractor services and other inputs necessary to continue crop production at minimum levels as they pass through the difficult transition period. As A.I.D.'s budget continues to tighten and our ability to support activities is reduced, support for U.S. cooperatives to help with transitional programs in Eastern Europe will remain an important activity.

In addition to the cooperative model of private sector organization, A.I.D. is also supporting activities designed to expand the role of other private sector organizations in food systems industries; including individual entrepreneurs, partnerships, and corporate models. A.I.D. support to expand these types of enterprise is just beginning and is implemented through a series of technical assistance contracts to consortia comprised of universities, consulting firms and agribusinesses. These groups are providing advisory services and training on how to organize and operate competitive businesses under open market conditions. These activities are also structured to identify and support U.S. investment opportunities.

Competitive Markets

As the privatization process runs its course throughout Eastern Europe, A.I.D. food systems programming is increasingly targeted towards developing competitive open markets in key industries. Key industries are those which are central to a country's economic recovery and stable growth, and are also of commercial trade interest to the United States.

One such key industry and related market that is critical in all countries is private production agriculture and its attendant land market. Throughout Eastern Europe the breakup of collectives and state farms is resulting in land fragmentation on an almost unimaginable scale. In Romania, for example, the decollectivization process alone has distributed about fifty million land parcels to over sixteen million people. However, prior to being able to sell this land or mortgage it to make improvements in infrastructure, the new owners need clear title. To this end, A.I.D. has designed a technical assistance program with the U.S. National Geodetic Survey to introduce Global Positioning System (GPS) technology which was used effectively in Operation Desert Storm. GPS technology is based on a system of satellites that can provide coordinates at any point on the earth and is currently revolutionizing the surveying and mapping industry throughout the world. Introducing GPS technology is only the first step and is to be followed by expanded surveying and mapping services. In this context, U.S. survey and mapping service providers are following our program closely to participate in the rapidly expanding market. Once the land has been titled, computer based listing services can be introduced to support a fully functioning land market again after more than 50 years.

Other Key Industries

As we look past private production agriculture and the land market, difficult choices are required in the selection of other key

John Becker is an Agricultural Development Officer in the U.S. Agency for International Development.

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industries to support. Not only must the targeted industries be of 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 food system industries 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 system 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. 