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EUROPE AND THE BALKANS – Occasional Paper No. 4

MEMORANDUM  
ON  
EAST-WEST AGRO-FOOD  
SYSTEMS TOWARDS  
THE THIRD MILLENNIUM

BY  
THE GROUP OF BERTINORO

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*Memorandum on East-West Agro-Food Systems Towards the Third Millennium*

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With the fall of the Berlin Wall and the beginning of the democratisation process in Central and Eastern European Countries and the former Soviet Union, the agro-food sector as well as the rest of economic and social system of this large area of the world has undergone a radical transformation – a major issue in the Third Millennium perspective.

The future of agriculture and food in the economies in transition from plan to market will have an impact on the whole international community, but especially on the European Union countries. The accession of some of the Central and Eastern European Countries into the EU will be an essential landmark from an economic, political and social point of view, and will have important implications for the Common Agricultural Policy. At the same time, for the countries that have applied for membership, or which will apply in the near future, and for those countries which will be able to set up free trade areas, there will be important reflections on the agro-foods systems development that will deeply affect specialisation and competition inside and outside Europe.

The Italian Ministry of Foreign Affairs, aware of these problems, promoted, in cooperation with the Faculty of Agriculture of the University of Bologna and the local and economic bodies of Romagna, that is one of the most developed and qualified agro-industrial district, an International Conference aimed at discussing the issues related to the transition of agro-food systems in former planned economies and their integration into the EU. In the framework of the Conference held at the *Alma Mater Studiorum* Residential Training Centre - Bologna University in Bertinoro near Forlì, a group of experts coming both from Eastern and Western countries and having different cultural experiences and political responsibilities, prepared a **Memorandum on East-West Agro-Food Systems Towards the Third Millennium** containing proposal which are particularly significant and relevant in order to face, in a coherent way, the urgent problems that will emerge over the next few years.

The Memorandum was presented for the first time on May 11, 1996, in Cesena at *Villa Almerici*, one of the sites of the Faculty of Agriculture, Bologna University.

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Abbreviations:

|       |   |
|-------|---|
| CEECs | Central and East European Countries                             |
| NIS   | Newly Independent States  |
| TEs   | Transitional Economies (all former centrally planned economies) |
| CPE   | Centrally Planned Economies                                     |
| EU    | European Union  |
| CAP   | Common Agricultural Policy                                      |
| CEFTA | Central European Free Trade Agreement                           |
| GATT  | General Agreement on Tariffs and Trade                          |
| WTO   | World Trade Organisation  |

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## SUMMARY

As the 20th century is coming to an end ...

### **The GROUP OF BERTINORO considers**

the current dramatic changes in Europe's former centrally planned economies which are reshaping their economic, social and political structures as an historic opportunity for increasing economic welfare and political stabilisation throughout Europe. As many obstacles remain to be conquered, the objective of this memorandum is to assist in capturing this opportunity by listing strategy priorities and recommendations for policy-makers and international institutions on the agro-food system.

### **The GROUP OF BERTINORO recognises that**

- the transition in agriculture, as in the rest of the economy, involves not a withering away of the state, but a fundamental redefinition of its role, which requires reforming the legal and institutional framework. The government should focus on developing market infrastructure and competition instead of on interventions in setting levels and prices of outputs and inputs;
- differences in economic structure, political institutions and social customs require country-specific versions of the transformation and adjustment process;
- the transition process is taking place in an environment of increasing globalisation; and that integration in the world economy is of major importance to accelerate economic growth and welfare;
- an increasing role of Central and East European Countries (CEECs) and Newly Independent States (NIS) in world food markets is conditional on their institutional and structural reforms and on their accession to multilateral agreements; a far reaching example being the future integration of CEECs in the European Union (EU);
- because of its multifunctional role in society and because of its political and economic importance, agriculture plays a key role in international and European integration;
- East-West integration is taking place while EU Common Agricultural Policy (CAP) are being reformed towards more market orientation;
- agricultural reform is critical for the transformation of the general economy and for progress towards democracy;
- an efficient agro-food system is based (i) on dominance of private property rights and entrepreneurship, (ii) on clear and transparent property rights, (iii) on institutions for exchanging assets and information, and (iv) on a comprehensive macro-economic and legal

framework;

- privatisation is a necessary precondition, but might not improve efficiency unless it is accompanied by measures to enforce competition and restructuring;
- agricultural privatisation is taking place through various methods; and its choice was often based on non-economic considerations;
- agricultural production co-operatives do not play a major role in market economies, but a variety of farm structures will co-exist in CEECs and NIS at least in the medium run;
- an efficient rural financial system is a crucial condition for a well-functioning agricultural economy;
- privatisation, restructuring and demonopolisation of up- and downstream industries are critical for CEECs and NIS agriculture to become competitive;
- the debate on EU-CEECs integration is often distorted by focusing solely on the costs of integration;
- agricultural integration will be easier and the costs reduced if the CAP is further reformed before accession;
- the most efficient way of EU assistance to CEECs and NIS agriculture is by opening markets and eliminating trade and non-trade barriers.

#### **The GROUP OF BERTINORO urges**

##### \* the Governments of all European Countries

- to design agricultural policies consistent with sustainable development, which includes both economic sustainability – taking into account productivity, quality and technological change – and environmental sustainability; and, more general, to promote an equilibrium between production growth and environmental quality;
- to integrate agricultural policies as a consistent part of a more general rural and regional development strategy;
- to design agricultural policy based on the potential advantage of specialisation and economic efficiency, which will increase competitiveness and agricultural incomes;
- to support the development of regional, multinational food security systems rather than trying to achieve food self-sufficiency in each individual commodity and country;
- to reduce agricultural protection and subsidies and to limit their application in time and to (sub)sectors which, after structural adjustment and restructuring, have a comparative advantage in the long-run;

##### \* the Governments of the European Union Countries

- to start the negotiations on CEECs' accession immediately after the conclusion of the intergovernmental Conference (IGC);
- to continue the reform of the EU's Common Agricultural Policy from market and price support policies towards structural and regional development policies;
- to emphasise the huge political and economic benefits of CEEC-EU integration in the debate which is distorted by the focus on the costs of integration for EU taxpayers and farmers;
- to propose clear policy guidelines for CEECs' accession;
- to focus on trade liberalisation as the main instrument of CEECs and NIS assistance;

##### \* the Governments of the Central and East European Countries and the Newly Independent States

- to formulate a rural development programme with clear priorities and strategies;

- to stimulate the completion of the privatisation of existing enterprises; and at the same time stimulate the development of new private operations;
- to create the legal and economic system in which various farm organisations can compete and not discriminate between them;
- to stimulate the development of service, supply and marketing co-operatives;
- to stimulate and reorganise agricultural research, training and extension services to address the needs of the new emerging farm structures in the new market environment;
- to focus on macro-economic stabilisation and a cautious design of partial loan guarantee funds as a solution to the agricultural credit problems;
- to stimulate the completion of privatisation and demonopolisation of agribusiness, and the development of new marketing channels to improve the economic environment for farms;
- to accelerate and efficiently implement the harmonisation policies following the White Paper recommendations;

\* the International Organisations

- to reconsider technical assistance principles to increase the programme benefits to the recipient country;
- to improve co-ordination between various international funding and donor organisations (e.g. IMF, World Bank, EBRD, EU, FAO) and also bilateral assistance programmes.



#### **BACKGROUND AND OBJECTIVES**

- i. A group of young and prominent experts coming both from Eastern and Western countries and having different educational backgrounds and experiences (academia, government, international organisations, business, etc.) met twice (in December 1995 and May 1996) at the *Alma Mater Studiorum – Residential Training Centre – Bologna University* of Bertinoro (Italy) in the framework of the International Conference: «East-West Agro-Food Systems Toward the Third Millennium».
- ii. The International Conference was organised with the aim to deal with the problems and prospects of the transition of former planned agro-food systems to the market and to their potential integration into the European Union.
- iii. In spite of the existence of very detailed and informative studies on Western and Eastern agriculture and food systems, participants recognised the need for clear directions and possible solutions on these issues. Thus, the objective of their work was not to prepare another study but to spread out some consensus proposals on how agricultural, food and rural development policies should look like in the framework of both transition from a planned to a market oriented economy and East-West integration.
- iv. Participants worked in close co-operation with an international Scientific Committee also established in Bertinoro and composed by senior experts.
- v. The issues addressed in the following paragraphs, aim at setting the guidelines to develop the future agro-food relations between East and West in a perspective of closer integration. This Memorandum was designed to advice policy makers as well as to raise the awareness of general public.

#### **I. TRANSITION OF ECONOMIC SYSTEMS: THE LONG ROAD FROM PLAN TO MARKET**

1. As the 20th century is coming to an end, most of the former Centrally Planned Economies (CPEs) are undergoing major systemic changes. In particular, Central and East European Countries (CEECs) and the Newly Independent States (NIS) are struggling through a substantial transformation which is reshaping their economic, social and political structures – the process which has no precedence in history.
2. The transition to a market economy in agriculture, as in the rest of the economy, involves not a withering away of the state, but a fundamental redefinition of its role as well as building of a new legal and institutional framework. This will be difficult since old-type institutions as well as economic and social behaviour typical of the command economy are still very much alive.
3. Not only will this transition take more time than was expected at the beginning of the process, but it will also develop along country-specific paths with much dependence on the political and social traditions of each country.

#### **II. GLOBALISATION OF THE WORLD AGRO-FOOD DEVELOPMENT: THE IMPORTANT POTENTIAL OF TRANSITIONAL ECONOMIES**

4. The process of transition is taking place in an environment of increasing globalisation. Integration into the world economy becomes ever more important for transitional economies (TEs) in order to accelerate their economic growth and welfare. CEECs and NIS will play an increasingly significant role in the future world food market, since these countries have an important production and consumption potential. To what extent these countries can realise this potential will very much depend on the scope and pace of their institutional and structural reforms, as well as on the degree of their integration into the world economy (especially considering the next post-GATT Round). At the same time, international organisations and transnational corporations as frame conditions for integration have a significant impact on

national policies.

### III. ENLARGEMENT OF THE EUROPEAN UNION AS A SIGN OF NEW EAST-WEST RELATIONS

5. The most far reaching example of such agreement is the future integration within the European Union. The question is no more *if* CEECs join the EU but *when and under what conditions* will they join, which was initially stated at the European Council's meeting in Copenhagen (June 1993). Other TEs could also benefit from closer economic integration with the EU.

6. The CEECs' integration into the EU is extremely important both from economic and political perspectives. It will mark a new era in the development of Europe. The negotiations over the accession of CEECs into the EU should start as soon as the intergovernmental Conference is concluded.

### IV. THE IMPORTANCE OF AGRICULTURE IN INTEGRATION PROCESSES

7. In the context of world globalisation, East-West systemic convergence and European integration, agriculture plays a key role not only due to the economic, political and social importance of the sector, but also due to the specific features of the domestic agricultural policies as well as of the Common Agricultural Policy (CAP). Thus, agriculture and agricultural policies will strongly influence European integration and vice-versa European integration will have a significant impact on East and West agriculture and agricultural policies.

8. Both the transition of CEECs and NIS agriculture to a market oriented system and the integration of some of these countries into the EU have to be considered in a wider context, i.e. in the framework of agricultural development and the linkages with up- and downstream industries and the rest of the economy. Diversity of regional situations and problems should be considered.

### V. KEY ROLE OF AGRICULTURE IN OVERALL SOCIO-ECONOMIC DEVELOPMENT

9. In addition to production of raw materials for food and non-food industries, agriculture, and more generally the farming community, contribute to the improvement of the rural standard of living, to preservation of an environmental sustainability, and to maintaining the cultural tradition and the landscape.

10. Agriculture has also important political implications at the national and international levels – the reform of the sector is a critical element in the transformation of economy and consequently in the progress toward democracy.

11. The multifunctional role of agriculture both in Western and Eastern countries (despite different departure points) has to be taken into account when formulating consistent policies during the transition period and thereafter in a perspective of integration.

### VI. OBJECTIVES OF AGRICULTURAL AND FOOD POLICIES

#### A. *Broadening the Traditional Approach*

12. General economic policy is not sufficient to address the complex transition processes in agro-food sector. Therefore, special policy strategies focusing on the sustainable development of agriculture within the context of environment, rural economy and society have to be developed.

13. Given the multifunctional development of agriculture, price and production support policies are not sufficient to address the problems of agro-food sector. A clear distinction between agricultural production policy and other policies in agriculture has to be made. Yet, an overall policy should be integrated and should address both the issues of agricultural production and other issues of agro-food sectors and rural areas.

*B. From Self-sufficiency to Specialisation*

14. Food security, understood as availability of food at affordable prices, is becoming of increasing importance as a goal of agricultural policy from West to East. Food security, however, should not be limited to the issue of food self-sufficiency.

15. The design of agricultural policy must take into account the potential advantages of specialisation. It is important to facilitate the development of regional, multinational food security systems rather than to try to achieve food self-sufficiency in each individual commodity and country.

*C. Agricultural Efficiency and Competitiveness in the Framework of a Rural Development Strategy*

16. Agricultural policies should be oriented on improving efficiency and competitiveness of agriculture on a national and international levels. Such policy orientation implies a continuous structural adjustment in the sector. This will have a strong social impact, as the structure of agricultural sectors in CEECs and NIS will be affected in such a way that a decreasing scale of farming with lower farm employment may occur. Employment opportunities outside agriculture are of major importance in order to ease the social consequences of structural change in agriculture for the rural areas.

17. Agricultural policies must act in the framework of social and employment policies without replacing them. In this respect, agricultural policy has to be an integral part of the more general framework of a rural and regional development strategies. Within the EU, a significant shift from agricultural market and price support policies toward structural and regional development policies is expected. Part-time farming, production of new products and services, agritourism, handicraft, environmental preservation, niche products (i.e. typical and biological production) should be encouraged.

18. Successful rural policy will to a great extent determine the feasibility of agricultural policy itself. In order to ease the process of future integration within the EU, where the attention to "the future of the rural world" is on the top of the agenda, CEECs should start by formulating a rural development programmes with clear priorities and strategies to be implemented on a decentralised basis.

*D. Towards a Sustainable Agriculture*

19. Agricultural policy must incorporate the internationally recognised principle of sustainable development. This leads to the necessity of an international co-ordination of national agricultural policies in the context of preserving the environment and the resource base for future generations. Co-ordination should ensure that in addition to measures designed to influence economic decision making in agriculture, environmental aspects of agricultural activities should be taken into account in order to promote environmentally-friendly farming practices as wide as possible.

20. Sustainability should be viewed from two major standpoints: economic and environmental. The economic side should take into account productivity, quality, technological change, investment opportunities and services for agriculture. The environmental approach, which is essential for the protection of the existence basis for the future generations, but so far has been practically neglected, should concentrate on all aspects of environmental resources and agricultural inputs.

21. Preservation of the environment should become an integral part of development. This is a multidimensional concept with specific aims directly connected with the human well-being and which concerns all countries, including their agriculture as well as other sectors of their economy. In order to integrate successfully environmental and agricultural policy goals, decision makers in Eastern and Western countries require the necessary tools. Voluntary labelling, for example, has recently demonstrated to be a useful market mechanism to satisfy

the consumer demand and to improve producer quality standards, while promoting market innovation.

## VII. BASIC PRINCIPLES OF AGRO-FOOD DEVELOPMENT

### A. *Private Property, Transparency, Information*

22. Increasing economic efficiency is a precondition for improving the economic situation in farming in CEECs and NIS. This would lead to an increase of competitiveness and to an improvement of income levels in agriculture. However, in the medium- and long-run, an equilibrium between the production growth and efficiency, on the one hand, and between environment and the quality of life, on the other, has to be achieved.

23. An efficient agro-food system is based on at least three principles: dominance of private ownership; clear and transparent property rights; institutions and mechanisms for transfer of assets, including the distribution of information. These conditions are necessary but not sufficient. Critical condition for the development of an efficient agro-food system in TEs is the establishment of a comprehensive macro-economic environment and legal framework. Inconsistent and incomplete legal framework has been one of the principal impediments to efficient privatisation in CEECs and NIS.

### B. *Privatisation as a Necessary Condition for the Success of the Transition Process*

24. Privatisation is a major prerequisite for the increase of efficiency, but should not become the goal of transformation in itself. It is a necessary precondition, but not a sufficient one. Privatisation has to be accompanied by the establishment of functioning markets, the development of supportive infrastructure and reliable economic and juridical-institutional frame conditions. The establishment of a social safety net is also of importance in this context.

25. In some of the CEECs and NIS, privatisation was imposed as an administratively driven action that affected only formal set up of an enterprise and was not followed by real restructuring and real competition. These were the main reasons why privatisation has not led to increased efficiency and flexibility. Moreover, in the attempt to satisfy large groups of population, mass privatisation schemes were applied, which however did not create capital needed for the efficient functioning of privatised enterprises.

### C. *Different Privatisation Patterns*

26. Privatisation of agricultural assets (including land) is taking place in different ways across the countries. The choice of the process was often based on non-economic criteria and objectives. Experience showed that it was not possible to choose a uniform path of privatisation acceptable to all countries. Once the process has been decided upon, it is important to complete the privatisation without delaying the process.

27. However, the task of achieving complete privatisation should not contradict the prudent approach to the pace and scale of the process. Forced privatisation, as well as the delayed one, resulted in spontaneous and in many cases hidden appropriation of productive assets ("wild privatisation"). That created social tensions and opposition to the process *per se*.

28. Two dimensions of the privatisation process have to be taken into account: privatisation of existing assets and the emergence of new private operations. The first issue was given too much attention in the CEECs and NIS due to common expectation that it would promptly lead to increased efficiency. That was one of the reasons for the high degree of formal privatisation of existing property. In order to be successful, it should be accompanied by the development of comprehensive private sector through the emergence of new private operations.

## VIII. REORGANISING THE FARM STRUCTURE

### A. *Non-Discriminative Approach*

29. There is no reason to expect that the emerging farm structure in the CEECs and NIS will be similar to that of Western Europe. Most likely, West European agriculture will continue to be dominated by commercial family farms, which are decreasing in number but increasing in size, while in Eastern agriculture a variety of organisational structures will co-exist.

30. CEECs and NIS government policies should be non-discriminative towards specific organisational forms of farm structures and should not determine which production units will dominate. Rather, policies should focus on creating the legal and economic environment in which various forms can compete and on allowing a gradual development towards a sector dominated by the most efficient farm structures.

31. Reorganisation of agriculture resulted in most CEECs and NIS in the predominant transformation of collective (state) farms into production-cooperative type structures. Experience of Western countries shows that co-operatives do not play a major role in agricultural production, but are very important in services, i.e. input supply, output marketing, credit, etc. In this perspective, the newly emerged co-operatives in TEs could play a role as a transitory institution.

### B. *Adapting Support Services and Professional Training to the new Market Environment*

32. Support services for reorganised production units and for private farmers should be progressively adapted to the new market driven environment in order to increase farm productivity. Advisory services for crop and animal production, including extension and business advice, will need to be developed to provide necessary information to farmers. Some of these services could be partly provided by the private sector.

33. The restructuring of support services related to food safety will need to be adjusted to the newly emerged farm structures. This will ensure satisfactory supervision and control for which administrative, training and technical support will be needed as well as the harmonisation to the highest international standards.

34. Agricultural research, training and extension in all fields of the agro-food sector have to be responsive to the needs of farmers and consumers, and therefore the development of programmes compatible with the changes in technical and market conditions of the transition period is needed. The growing need for knowledge and information represents the basic condition for introducing new technologies, and therefore form the bases of agricultural development.

### C. *Support Farmers Access to Credit*

35. Access to credit resources is a major precondition for sustainable agricultural development. The lack of an adequate credit system is one of the main problems for agricultural enterprises in transition. The main reasons in most CEECs and NIS are the difficult economic environment for farming, persistent high inflation which contributes to high interest rates, the absence of long term use rights for land and the lack of knowledge on the banking sector in lending to private agriculture. All factors are interlinked and must be addressed simultaneously.

36. The government can intervene in three ways: (i) providing credit subsidies, (ii) designing a loan guarantee fund for farmers, (iii) setting up specialised credit institutions. If well (and cautiously) designed, the loan guarantee fund can be the most effective and the least distortive in solving the agricultural credit problem.

## **IX. SUPPORTING THE AGRO-FOOD SECTOR**

37. The role of state should concentrate on facilitating the businesses' self-adjustment and self-supporting ability, development of market infrastructure and competition, rather than on direct pricing, purchasing, supplying or crediting.

38. Deteriorating terms of trade for agriculture may result in the need for temporary support to agriculture. These support should be limited in time (to complete structural adjustment) and should be targeted towards those producers who have comparative advantage in the long run.

39. This support should be provided in a way that least distorts economic incentives (e.g. decoupled from production) and should be made conditional upon efficiency considerations and environmental objectives.

## **X. PRIVATISATION AND DEMONOPOLISATION OF UPSTREAM AND DOWNSTREAM INDUSTRIES**

### *A. Assessing, Synchronising, Co-ordinating*

40. Eastern agriculture can become more competitive only when efficient up- and downstream sectors develop. Investment in these sectors will have the highest leverage, i.e. the highest impact in terms of improvement in agro-food sector. However, a real competition can be introduced only through the privatisation and demonopolisation of these sectors.

41. Privatisation and demonopolisation can be approached in different ways. However the attempts to prevent monopolisation of up- and downstream industries by distributing shares of these enterprises predominantly among agricultural producers can prove to be a wrong approach.

### *B. Developing Dealer Network, Services, and Information*

42. Although being important, privatisation and demonopolisation of up- and downstream sectors are not sufficient for transforming the old system into a new market oriented one. Instability of agricultural markets need to be addressed by government policies. The government policies leading to the development of market institutions (market information systems, commodity exchanges, wholesale markets) will increase market transparency, reduce market instability and eliminate the need for direct state intervention.

43. Transition has been hampered by the failure of the old-type institutions to provide updated and reliable information on the supply, demand, and prices for commodities. This information is essential for the proper functioning of markets. The lack of information affects not only domestic policy-makers and businesses, but also foreign exporters and investors. Therefore, commodity analysis reporting programmes should be developed.

## **XI. THE EUROPEAN UNION ENLARGEMENT**

### *A. Beyond the "Cost-Benefit" Considerations*

44. Integration of CEECs agro-food sectors into the EU should be viewed in the light of potential mutual benefits – the overall economic, political and social benefits will outweigh the costs to farmers and taxpayers. Due to several factors, such as further liberalisation of international agro-food trade and the continuation of 1992 CAP reform, EU's agricultural policy will further the orientation on reforming the costly mechanism of market and price policy. Enlargement should be treated as a challenge for both the EU and CEECs farmers.

### *B. The Need to Define the Future of the CAP*

45. To bring the costs of integration down and/or to avoid high unnecessary costs, it will be advantageous for CEECs to know what to expect in terms of future policies and development of the CAP and the agricultural part of the (pre)accession policies. Although the EU has set out some broad principles for adapting the CAP for further enlargement, many fundamental

questions still remain unanswered, i.e. to what extent will EU market support policies be reformed; will the EU's system of direct income support be made available in full to the CEECs: will budgetary constraints and the Uruguay Round commitments force a more restrictive approach to subsidy policies.

46. The proposal included in the "Study on Alternative Strategies" prepared by the European Commission should be further developed and discussed with the CEECs governments. This should be discussed in the framework of a "structural dialogue".

#### *C. Financial Solidarity*

47. Financial solidarity within the to-be enlarged EU must be preserved following the main principles of the CAP. It will benefit socially, economically and politically both sides. Successful integration will create more opportunities, which would lead to increased competitiveness, which in turn would lead to smoother integration. Financial assistance under the "pre-accession modernisation programme" as proposed by the EU Commission must be encouraged and supported.

### **XII. FURTHER TRADE LIBERALISATION**

48. Expansion of markets is desirable. Therefore, for the time being, regional trade blocks and intra-block integration is a positive phenomena. However, in the longer run integration of individual countries and regional free trade blocks in world trading system is of equal importance. The next World Trade Organisation (WTO) round leading to a further liberalisation of world food markets will limit the scope for individual states or trading blocks in setting protectionist measures.

49. The enlargement of WTO must be encouraged by accepting current observer countries to become full members. Those candidate countries must meet certain criteria, and this requires the adjustment in domestic policies. This process will also imply further trade liberalisation.

### **XIII. REVERSING THE APPROACH IN THE TECHNICAL ASSISTANCE AND INTERNATIONAL CO-OPERATION**

50. Technical assistance principles must be reconsidered. The assistance should become beneficial primarily to the recipient country, not to the donor country.

51. Lessons learned from the previous experiences of technical assistance in developing countries should be carefully examined and should not be directly applied to CEECs and NIS. Loans tied to national policy requirements must be carefully used in each individual case, taking into account all possible impacts.

52. In the international co-operation framework it is essential to apply to the TEs the concept of sustainable growth - promoting interventions coherent with the capacity of the recipient country to achieve the results. TEs should be able to use autonomously the results of international co-operation as a base for a further growth and development.

53. Comprehensive national policies are necessary to create a favourable environment for both domestic and foreign direct investment. Emphasis must be put on the development of national financial markets and on the encouragement of domestic investment into the agro-food system. Foreign direct investment must also be promoted, but not at the expense of domestic investment.

54. There is an urgent need for co-ordination of technical assistance among international funding organisations, such as the World Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, and others.

55. Technical assistance must be accompanied by real opening of markets and by eliminating non-trade barriers. Aid is needed, but in the longer run "fair" trade is more important. An *aid-by-trade* approach will benefit both the East and the West.

The International conference EAST-WEST AGRO-FOOD SYSTEMS TOWARDS THE THIRD MILLENNIUM, promoted by the Italian Ministry of Foreign Affairs under the aegis of the Italian Presidency to the European Union and in cooperation with the Faculty of Agricultural Sciences of the University of Bologna, the Municipality of Cesena, AgriCesena Ltd and Ser.In.Ar. Ltd of Forlì-Cesena, was held at the *Alma Mater Studiorum* – University of Bologna Residential Training Centre in Bertinoro (Italy) in two phases: December 1-3, 1995 and May 9-12, 1996.

#### **EAST-WEST AGRO-FOOD SYSTEMS**

*Albania - Armenia - Austria - Azerbaijan - Belarus - Belgium  
Bulgaria - Czech Republic - Denmark - Estonia - Finland - France - Georgia  
Germany - Greece - Hungary - Ireland - Italy - Kazakhstan - Kyrgyz Republic - Latvia  
Liechtenstein - Lithuania - Luxembourg - Moldova - Netherlands - Poland - Portugal  
Romania - Russian Federation - Slovak Republic - Slovenia - Spain - Sweden -  
Tajikistan - Turkmenistan - Ukraine - United Kingdom - Uzbekistan*

Participants decided to adopt the name of Group of Bertinoro because of the cultural and symbolic meaning of the town where the first meeting was held. The name *Castrum Brittoni* dates back to before the 11th Century and derives from the special sense of hospitality shown by villagers towards pilgrims. The Group began its activities when Bertinoro was celebrating 1000 years of the hospitality festival. Such an historical heritage was considered to be significant in the Third Millennium perspective.

#### **THE GROUP OF BERTINORO**

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The **Group of Bertinoro** have set up a free international association under the name of **International Forum on Agro-Food Systems**, open to the enrolment and participation of operators and scholars from all European and non-European Countries.

Copies of this document, comments on the Memorandum as well as further information on the International Forum can be obtained from the Scientific Coordinator:

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