

OUTLOOK FOR AGRICULTURE IN EUROPE AND AROUND EUROPE

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An international conference on «New Horizons for Agriculture in European Countries» was held at Padua University in May. The conference, organized jointly by the University and the «Consulta per l'Agricoltura e Foresta delle Venezie» was greatly successful both for the high standard of the reports and communications presented and the large participation of researchers and economic agents from all European countries.

Works were opened on May 2 by Prof. A. Simantov who presented a brilliant and exhaustive report on «Outlook for Agriculture in and around Europe».

The following day was fully spent on discussing the problems and outlook of recent transformations in Eastern Europe as well as the international economic impacts of German reunification.

This session called «Reforms and Perspectives for Agriculture in Central and Eastern Europe» had among its reporters Prof. C. Csaki, Dean of The Faculty of Economic Sciences, Budapest, Prof. L. Kabat, Dean of the Agricultural University of Nitra, Prof. M. Adamowicz from Warsaw University, Prof. Bidillean and Sabadeanu from the Agricultural Academy of Bucarest, Prof. C.H. Hanf from Kiel University, Dr. V.M. Yefimov from the National Academy of Economics, Moscow.

The 4th May session about «Competitiveness and European integration» was completed by a lively round table in which many experts took part, including Mr. G. Viatta, Director of the OECD Agriculture, Fish and Food Department from Paris, Prof. D. Britton from London University, Mr. J. Maddison, from the EEC Agricultural Direction, Brussels, Mr. G. Ferro, vice-president of the Italian Institute for Foreign Trade and Prof. G. Barbero from «La Sapienza» University, Rome, as chairman. The liberalization of international trade resulting from the on-going GATT negotiations, the need for a reform of the EEC agricultural policy and for a greater opening and a closer integration with Eastern Europe were mostly debated.

Prof. Ottone Ferro, vice-chairman of the Scientific Committee, charged with the coordination of the conference works, permitted to publish the introductory report presented by Prof. A. Simantov.

Abstract

This paper deals first with the global environment which is likely to prevail in the world and which will affect the economy and the international relations. A discussion follows as to the likely impact of this global environment on agriculture and agricultural policies. The outlook for agriculture in Western Europe, in Central Europe, in the USSR and the Mediterranean area is analysed in the third section of the paper, pointing both to the outlook for supply and demand and particularly to the role of agriculture in the economic and social development of the countries in question. Throughout the paper the relations with the rest of the world are taken into account.

Résumé

Cet exposé a pour sujet le futur de l'environnement au sens universel et son influence sur l'économie et les relations internationales, en particulier son possible impact sur l'agriculture et sur les politiques agricoles. Dans la troisième partie de l'exposé on analyse les perspectives de l'agriculture en Europe occidentale, en Europe centrale, en Union Soviétique et dans le Bassin Méditerranéen, en particulier les perspectives de l'offre et de la demande et le rôle de l'agriculture dans le développement économique et social des pays en question. L'exposé va également considérer les relations avec le reste du monde.

The global environment

The 1980s in particular have witnessed a marked evolution in the global environment. **National economies are increasingly becoming interdependent**, driven in particular by the very rapid internationalization and globalization of financial markets and of communication technologies. For other features or sectors of the economy where internationalization is more difficult because of the serious structural adjustments required and the social pressures generated, successive rounds of trade liberalization are the best illustration of the desire to move towards economies more open to external competition. The interdependence of the world economic system is a catalyst speeding international consensus on principles of international behaviour, as the fallout of actions in one nation or one sector impacts the whole. Multinational consensus building is replacing single-power dominance.

At the same time, the world economy is becoming characterised by a **growing degree of multi-polarity**. Growth and prosperity in the world is no longer dependent on the situation and outlook in a single country, no matter its size, as it was the case with the United States in the 1950s and 1960s.

New economic forces have emerged, like Japan, the European Economic Community and within this Community the Federal Republic of Germany.

More recently the oil exporting countries have acquired a significant role in international financing and investment, and the

emergence of the dragons of the Far East is the illustration of this growing degree of multi-polarity. But this multi-polarity can only exist and perform successfully in an open trading and interdependent world economy.

This growing interdependence and multi-polarity has coincided with a slow decline in economic and political ideologies, leading to their failure in the last couple of years. The collapse of the old order in Central and Eastern Europe and the profound changes and dislocations taking place in the U.S.S.R are evidence of the fact that democracy and personal freedom are indispensable constituents of economic efficiency and social welfare. Thus, the general view is emerging that market-oriented policies, operating within the limits set for purposes of social equity, are the only policies capable of responding to the growing interdependent and multipolar world.

The more recent emergence of nationalistic feelings and of religious fundamentalism in some parts of the world, at the periphery in particular of Europe, is the manifestation of an over-delayed movement towards democracy and economic equity and efficiency.

Multipolar competition based on performance is replacing bipolar ideological competition.

Despite this growing interdependence, it is necessary to recall that the benefits have mostly been confined to the market-economies of the industrialized world, and that at world level, there has been a **growing heterogeneity of countries and regions**, leading in some cases like in Afri-

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ca to a growing degree of pauperisation. The rapid demographic increase is certainly a major factor in this connection, but the inability of governments, either recipients or donors of foreign aid, is to a large extent responsible for this state of affairs. This situation illustrates also that no economic and social growth can take place without an adequate level of general education and of professional training.

As a result of the trends described above, it becomes evident that **national policies are subjected to international constraints**: no government can frame its macro-economic policy without reference to international constraints and equally, the governments of all the major countries must explicitly consider the impact of their macro-economic decisions on the rest of the world. This means, *inter alia*, that national economic policies should ensure an increasing degree of continuity, consistency and credibility. The famous three C. International cooperation becomes a necessity, and eventually national states will surrender part of their sovereignty in favour of a multilateral system of monitoring and scrutiny. The developments in the European Community are characteristic of this imperative.

At the same time it is becoming increasingly difficult to articulate macro — and micro — economic policies, because the former are supposed to act on all citizens of a country indiscriminately while the latter hinge at the interests of particular groups. Thus a possible way out of this conflict would be for **micro-economic policies to move away from sectorial assistance** towards a greater degree of pursuit of efficiency. In so doing, any redistribution policy should be as transparent as possible both in terms of the total costs and the total benefits and in terms of the individuals bearing the costs or reaping the benefits. Moreover these policies should not have negative repercussions internationally.

This discussion leads inevitably to raising the question of **the role of government in an advanced society**. This paper is not the adequate place to discuss in any detail this subject which raises a most fundamental issue. What is sufficient to note here is that social values are changing and the priorities attached to each of them are also changing. The concern with the environment is a case in point. The modes of social regulation in advanced societies need to be reconsidered as well as the relative roles of central governments and local governments. The paradox is that in an increasingly interdependent world, where the role of the national government is likely to lose ground, the role of local governments is likely to increase. The sharing of authority between central and local governments is likely to become a crucial and difficult issue in many parts of the world, including Europe.

Despite some possible setbacks in parts of

the world, **the forces unleashed over the past two decades are irreversible**. The world is advancing on a tide of economic and political liberalization. Accelerated advances in technology — particularly communications, information and transportation technology — have unified the economic and physical world. The political world however does not seem to have caught up and provided the framework for what could be the greatest advances ever made in improving the lives and opportunities of humanity.

How does the global environment impinge upon agriculture?

From the above it is evident that **agricultural markets are becoming increasingly interrelated and global**. This means that it is hardly possible to act on a given commodity market without many other commodity markets being affected. For example, acting on the dairy market has immediate consequences on the beef market but also on the feedingstuff market. Acting on cereals has consequences on livestock production and sugar. This close interrelationship results from increasing substitutability of one commodity by another in both the production and the consumption processes: this is facilitated by technical innovation but also by the linking of all these markets both at national and international level.

This link between the various commodity markets at world level is resulting from the globalization of the market. Following the developments in financial markets, the agricultural market is becoming a global and world market, despite the persistence of policies aimed at insulating national markets from the international market. Moreover the existence of preferential markets is declining in favour of a global and multilateral market.

This means that operators in one country have to take account of developments in the world market more than they used to do in the past. This trend is also accentuated by the fact that production and especially trade is concentrated in the hands of a declining number of operators who have to manage very large quantities of products.

This increasing interdependence and globalization of markets is the result also of the **trend towards a freer and more competitive trade**. This development is quite rapid despite the obstructionist attitude of some countries and of some producer groups.

Successive rounds of multilateral trade negotiations under the auspices of GATT have brought about a substantial reduction of tariffs and of other protective measures in the manufacturing area. Progress in agriculture had been extremely slow until

a decade ago. If progress is now more pronounced in the context of the Uruguay Round this is due to the growing realization that the domestic agricultural policies in place since the late 1940s were in need of a serious overhaul, as they were no longer capable of meeting the objectives assigned to them.

The move towards a renovated agricultural policy implied also that protection against foreign competition was no longer necessary to the extent it used to be thought in the past. The globalization and the interdependence of markets mentioned above meant also that protectionist measures in one commodity area by one country could have important chain reactions affecting many other markets and countries; this trend acted as an impulse towards a gradual and progressive reduction of barriers to agricultural trade.

The Uruguay Round could not be completed within the period originally envisaged, and agriculture is one of the reasons for this prolonged negotiation. Because of the global interests involved, governments cannot afford to let this round of multilateral trade negotiations fail. As far as agriculture is concerned it is agreed by all countries concerned that substantive measures must be taken in at least three areas: internal support, export subsidies and import access. Progress is likely to be slow, but the direction of change in policies and attitudes is well set. It is clear that individual countries, or the E.E.C., or any other regional grouping of countries, will no longer be able to set their policies, especially those affecting their external trade, in isolation from other countries. Not only the effects on their trading partners will need to be fully assessed, but also some degree of international monitoring and scrutiny will be put in place. This means also that a country or a group of countries will have to develop a certain understanding of their agricultural comparative advantage before they embark on policies aimed at expanding their agricultural production potential for the purpose of becoming an exporter or maintaining their exporter status.

The expansion of production has been an important objective of policies for several decades. In the last couple of decades policy makers and public opinion have realized that an uncontrolled expansion of production could have harmful effects. This was evident at first in terms of the supply/demand balance or imbalance, with the well known problems created by excess production; more recently **the environment has tended to become a central concern**. It is obvious that agriculture can play a positive role with regard to the protection of the environment, but it is equally evident that the negative effects, in terms of water pollution and soil degradation, can be considerable. This means that a greater concern will be exercised in the future about the produc-

tion methods and processes. Such a concern will be enhanced also by the progress in biotechnologies which in some form, like the genetic engineering and the creation of transgenic animals, can raise important ethical questions. It will no longer be possible to produce whatever one likes and in the form he likes.

A more disciplined production, both in terms of quantities produced and in terms of processes used, is likely to emerge in the years ahead.

Will the government involvement in agriculture increase or decrease in the years to come? This is a difficult question to answer. What is certain is that the **government involvement will change in nature**, following in this respect the trend for the overall economic and social policy. The aims of government policies will need to be better defined and the instruments used in meeting these objectives will need to be better assessed in terms of their economic efficiency and their social impact.

Public funds will need to be used with greater care, as the claims on public funds throughout the society are likely to increase faster than the ability for the State to increase its receipts. More attention will be paid to individual cases of hardship and handicap, and less attention to measures of support for entire sectors, in this case for agriculture. Much of the economic risk of agricultural production, so far covered by the State, will increasingly be transferred to the producers. On the other hand, the government will intervene more than in the past on all matters affecting the environment, the safety of food and public health. Moreover there is likely to be a greater integration between agricultural and macro-economic policies.

The particular problems of agriculture in Europe and in its neighbouring regions

Because of the growing internationalization of the world economy and of the growing globalization of all commodity markets, there is no country, no matter its size and its location, which can for a sustained period live in isolation. This is also true for agriculture. This means that food and agriculture in Europe is likely to be affected by developments in any part of the world, the same as developments in Europe are of interest to countries in other continents. For the purpose of this paper, however, the discussion will be centered around Europe. Despite the fact that Europe and the Mediterranean can be conceived as a single region with a common historical and geo-political destiny, the various sub-regions are at present different enough to justify a separate treatment. Thus the analysis will concern successively Western Europe (the E.E.C. in particular), Central Europe, the U.S.S.R and the Mediterranean.

Western Europe

The outlook is for production potential to continue to increase faster than expected consumption. This means that further efforts to rationalize production will involve a declining number of farmers and also smaller increases in capital than those experienced in the past couple of decades. The need for a continued adjustment of production, which will be concurrent with a reduction of barriers to trade, will require that all agricultural commodity sectors be affected, and that the preference in terms of public support should not be given to those groups who are the most vocal.

In this re-adjustment of production particular attention will need to be given to the need to promote a genuine development of rural areas. It is generally accepted that the economy of a region, even of a rural area, cannot rest on agriculture, even if in some cases agriculture has an important role to play. The development of rural areas in Western Europe will only be achieved through a multisectorial and multifunctional approach. This objective should be easier to achieve in the years to come than in the past decades, as the development of the services sector offers better prospects for economic decentralization than the manufacturing sector offered in the past. The need to promote the development of rural areas must become a national objective in order to prevent that entire regions of a country become deserts.

The concern with the environment mentioned in the previous sections of this paper will acquire a growing political and social significance in Western Europe. The transition of a form of agriculture heavily dependent on chemical inputs towards a form of production more respectful of the environment and less energy consuming, will help also in achieving a better supply/demand balance.

But the biggest challenge to agriculture in Western Europe is how to reconcile the desire to continue to be a large exporting region and the desire to export with the help of export subsidies of all sorts. There are signs that support, especially trading-distorting support for both imports and exports, will be reduced and will become better targeted. The road will be long so the request for support granted to output is strong among European farm groups: but there is increasing evidence that a shift in favour of support tailored to the particular circumstances of the individual is making its way.

Direct income payments instead of market support will be the main element of the agricultural policy in the years ahead.

From an institutional point of view the main development will concern the redefinition of the balance of political power between the European Community institutions (Commission and Parliament) and the na-

tional institutions. We are moving towards not only a single market, but also towards an economic and monetary union. Even if the loss of national sovereignty will be small and very gradual (the National State will not surrender its powers so easily), there will be a dampening effect on the ability of a national state to act unilaterally, as the economy of the E.E.C countries is so interdependent. It might appear as a paradox, but there is a great likelihood that the establishment of the European Economic and Monetary Union with a concomitant establishment of a European social and cultural «space», will reinforce the development of local authorities and ultimately of local governments. Problems of local cultures and of local autonomies should be more easily dealt with in such a broad European environment than within the narrow limits of a national State. This means for agriculture the superposition of legislation and practices decided by the European Community institutions and of initiatives taken at local level. While the latter will not be allowed to affect the competitive ability of agriculture in a given region, they will however have the possibility to affect the welfare and social status of the farmers.

As regards the relations between Western Europe and the rest of the world, it is probably necessary to distinguish the following features:

- the relations with the United States and the Cairns group countries will be shaped by the provisions resulting from the multilateral trade negotiations under the Uruguay Round. As said earlier, the trend will be towards a more market-oriented agriculture and a greater degree of interpenetration of markets as a result of more competitive conditions world-wide;
- the relations with the countries in transition of Central and Eastern Europe will certainly be dictated by the rules resulting from the Uruguay Round; but in addition, the desire of helping these countries, or at least some of them, to become part of Europe in an economic and political sense will necessitate that special trade provisions be developed to their advantage. Agriculture cannot escape this perceived need;
- the relations with the Mediterranean countries pose a different set of problems, as it will be shown later on in this paper. Suffice it here to say that the food problem of several mediterranean countries — and equally of many other developing countries around the world — is a problem of purchasing power. The real food needs of these countries could not be considered as a justification of excess production in Western Europe and elsewhere if simultaneously the question of payments ability is not adequately addressed.

The debt and payments situation of these countries will not be solved solely through their agricultural exports — far from it — but through the ability of exporting

manufactured goods requiring simple technologies. The attitude of Western European countries with respect to imports of manufactured goods from Mediterranean and other similar countries will have a significant impact on the ability of Western European agriculture to export increasing quantities of food.

Central Europe

All the countries in Central and Eastern Europe, ranging from Bulgaria to Poland, are in a state of transition towards a market economy. Although these countries differ from each other in several respects, both economically and politically, they all have in common some four decades of central and administrative planning and of an ideology which did not encourage — not even tolerated — the private initiative.

Despite the differences in economic development and in the degree of industrialization, all the countries in this region have an agricultural sector which is relatively well developed and efficient, considering their overall technological and economic environment. Most of these countries were capable of producing enough food for their population and a sizeable surplus for export in a number of commodity groups, including fruit and vegetables, dairy products and meat.

If several of these countries met in the latter part of the 1980s with mounting problems in their food and agricultural economy, this was due in particular to ill-adjusted agricultural and economic policies which created a price structure with no relation either to their domestic markets or to the international market. The conditions of operation of the entire food chain, ranging from the producer to the consumer, were distorted creating inefficiencies, heavy losses and foregone opportunities.

The transformation of these countries has to take place while a debate on some fundamental issues goes on. For example, what is the relationship between private initiative and the ownership of land and of other basic resources; in other words is it possible to dissociate the operation of a holding from its ownership? Is it necessary to do away with all those forms of production organization which used to give satisfactory economic and social results? Is it possible to privatize agriculture without privatizing the input sector and the food processing and distribution sectors? What kind of fiscal and taxation policies should apply to agriculture? What shape should joint ventures between national and foreign interests take?

The answers to these and other questions will shape the food and agricultural scene in these countries but, whatever the answers given, a number of important trends and developments seem to be in place. For example, price policies and especially price relationships will need to become more realistic: this concerns not only the agricultural products themselves but also the prices of the inputs used in agriculture and the prices at which food is given to the consumers. In this respect, it is

worth recalling that the granting of subsidies, especially of consumer subsidies for a long period and to the entire population was in the past and can be in the future a source of serious distortions. During the transition towards a market economy, and because of these necessary price corrections, it is more than likely that social hardships will occur for groups of the population. This question should be tackled by targeted measures and, if necessary, by the introduction of a social net system.

Assuming that these corrective measures are taken and that the private initiative is let to operate, the agricultural production potential of these countries can be quickly restored and the market can be secured of abundant supplies, especially as these countries have slow population growth and a food intake which by international standards is quite high at least for the basic commodities, such as grains, animal products and sugar. The question, therefore, which is likely to arise concerns the external outlets. Considering that the various arrangements under the old COMECON system do no longer exist and that each country will try to trade in convertible currencies and at prices prevailing in international markets, the countries in Central and Eastern Europe will wish to obtain better market access in Western Europe and in particular the European Community. Opening up their own markets would be a logical corollary. The competition in agriculture between countries in Western and Central Europe can develop into a serious one in the next five years or so, and this situation will certainly press both sides to come to some mutually acceptable arrangements. It is obvious that this is an issue which goes much beyond agriculture.

The U.S.S.R.

The situation in the U.S.S.R. is far more uncertain than in the other countries in Eastern Europe. The uncertainties are not due to an inadequate production potential, but to the rapidity with which the enormous production potential can be harnessed and put into economic and efficient use. This is not an agricultural technological issue, but the ability of the soviet authorities to create an environment conducive to the unleashing of productive forces and also capable of overcoming all the structural bottlenecks, such as the transport and storage system, the creation of a market and of the accompanying market and distribution channels.

The need to move forcefully towards a market economy, with all the necessary precautions of a social and equity nature, does not seem to be well accepted by a broad enough group of the political leadership. The difficulty in assessing the chances of success of such a transition to a market economy is compounded by the fact that several other debates of fundamental importance for the future of the Soviet Union are taking place concurrently. They impinge strongly on each other.

For example the debate about the maintenance of a federal and centralized system or the evolution towards greater independence by the Republics, and within the Republics by the districts, is far from being concluded. The struggle between an industrial sector aimed at satisfying primarily the military requirements or aimed at satisfying simultaneously the consumption aspirations of the people, is also far from being concluded.

The extent to which private initiative, either in isolation or in conjunction with foreign capital and technology, will be let to develop is far more important for the future of the agro-food sector in the U.S.S.R. than the introduction of new techniques and production processes.

Probably there is no one in the U.S.S.R. or outside the U.S.S.R. who can forecast the course of events in the next 2 to 5 years. What could be said with some degree of certainty is that prices will tend to reflect some national market situation, that great efforts will be made to reduce the huge post-harvest losses, that a serious attempt will be made to discourage the further development of an underground economy. Some sharing of the responsibility for economic planning and economic policy will eventually be worked out between the Centre and the Republics. Moreover «management» is likely to become a leitmotiv, and this with great justification. In terms of agricultural outlook, it could be said that the U.S.S.R. is likely to continue to be an important importer of food and of feeding stuffs, but for smaller volumes than in the past; that these import requirements are likely to be needed in some parts of the country with poor ecological conditions and also poor transport and handling conditions: whether these imports take place will depend upon the ability of the Soviet Union to overcome these structural bottlenecks.

In recent months the need for food aid received quite a lot of public attention. It is probably true that pockets of food shortages may have appeared, but it is far from clear whether these shortages were the result of a production setback or the result of a disorganized distribution system. Probably the two reasons are to some extent correct: the shortage of production inputs and the uncertainties about the level of prices acted as a disincentive for production and on the other hand there have been signs of a breakdown of the distribution system. It is difficult to assess the economic or the political motivations of these setbacks. But looking to the medium-term, the need for food aid to the U.S.S.R. does not seem rational or logical.

After a period of turmoil, one should not be surprised to see that the U.S.S.R. is capable of satisfying the bulk of the food requirements of its populations. U.S.S.R. agriculture, if properly managed, could even become a marginal exporter of food. Agricultural planners in other parts of the world, including Europe, should keep this in mind. If there are prospects of sales to the U.S.S.R., these concern to a larger extent the input industries and

services, and the food processing sector. The state of these sectors is almost obsolete by modern and western standards, and huge capital, technological and management inputs, especially from foreign sources, seem to be justified.

The Mediterranean

This region, in particular the non-E.E.C. part of the Mediterranean, poses problems which are quite different from those prevailing in Europe, both Western and Eastern. In many respects the problems facing most of the southern and eastern part of the Mediterranean are typical of countries in course of development. The two characteristics of this area common to most countries are the explosive demographic development and the relatively low level of average food intake. With rates of population growth exceeding in many cases 3% per year, it is expected that not before too long the population living around the Mediterranean will exceed the population of Western and Central Europe. Given the low per capita food intake, this population growth combined with an even modest increase in per capita incomes, will give rise to a formidable increase in market demand for food. Faced with such a situation, some countries in the region have the potential, in terms of land and water, to substantially increase their agricultural output, but unfortunately several others do not have such a potential.

Another characteristic of several of these countries is the importance of export outlets as a stimulation of production. Because of the low level of incomes of large groups of the population — in several cases close to poverty levels — the domestic market could not be developed fast enough to provide an outlet for food production. This fact combined with a commercial structure oriented towards the export market has given rise to a successful export-led section of the agricultural sector. In recent years, difficulties in maintaining the export market — particularly in the E.E.C. — has given rise to serious problems of adjustment in several countries of North Africa and the Eastern Mediterranean.

It is obvious that failure to increase agricultural production or to obtain the means necessary to finance mounting food imports will be a cause of concern not only in the countries themselves but also in the neighbouring European region. The future of the Mediterranean area is certainly of significance to the area itself, but is also of great significance, both political and economic, for Europe, both West and East. The Europeans, therefore, cannot remain idle witnesses of the trends in the Mediterranean. The political debate continues to be a debate of maintaining the access for southern products in the European market or of providing to the southern countries food supplies, either as food aid or at concessional terms. But the real debate ought

to be different.

What is at stake in this part of the world is the formulation of appropriate development and economic policies, bolstered by the provision of substantial external assistance of all sorts, but mainly financial, technical, managerial and commercial. While the former are well understood, the provision of adequate export opportunities to Europe (and the other developed world — North America and Japan in particular — for manufactured goods produced in North Africa and the Eastern Mediterranean is not yet well assessed by governments in the industrialized countries.

As far as food and agriculture is concerned, the priority lies certainly in developing and modernizing the agricultural production sector for the double purpose of supplying food to the fast growing urban centres and of providing better employment possibilities to the otherwise unutilized agricultural labour force. But it is quite certain that some of the countries in the region, among the most populated ones, will never manage — because of shortage of land and especially water — to produce all the food they would need. These countries should be integrated in the world economy as exporters at the margin of manufactured goods. They will thus be able to import at the margin again the food they need. Short of this development Europe will be faced with a tremendous pressure to receive mounting numbers of immigrants.

The Mediterranean area will become, together with the Middle East, one of the areas with the fastest growth in food import requirements in the world, and for that reason the area is likely to become a source of competition and contest between the various food exporters all over the world.

Conclusions: some indications for the future

More than in the past, **food and agriculture will need to be considered as an integral part of the economy** and the society: the special character of agriculture and its economic and political isolation will cease to be the dominant claim of the sector. Similarly, agricultural policies will tend to become increasingly an integral component of macroeconomic and social policies and will tend to lose their sectorial specificity.

This is particularly true for Europe and its enviroing regions: for Western Europe, because the agricultural sector will tend to constitute a very small sector of the economy (2-3 per cent towards the end of the century), for Central and Eastern Europe because the supply of agricultural products especially for export is essential for a successful transition towards a market economy, for many countries in the Mediterranean area because the economic and social development rests on a satisfactory mobilization of the agricultural potential given the

predominant place of the agricultural labour force.

Parallel with the above, another feature of the agricultural scene, will certainly be a greater participation in the international division of labour and **a more open and freer international trade** where competitive forces will play an increasing role and where these competitive forces will not be strongly influenced by the granting of public funds especially in the form of export subsidies. The volume of agricultural trade is expected to increase substantially despite the slow growth of demand in Europe and other industrialized countries. This growth will result from the closer economic integration at European and world level leading to a greater degree of specialization. It is expected that trade in agricultural processed products will increase faster than trade in bulk raw materials. The dynamism of the food processing industry is an absolute necessity if the agricultural sector of a country is to prosper. Reality shows that the largest increases in exports of agricultural products have been achieved not so much by countries with an adequate production potential but by countries with a concentrated and dynamic food processing industry.

This consideration leads to the expectation that food policy and agricultural policy will become two facets of a same policy, which will eventually include considerations applying to the environment and public health and to the development of rural areas. **A systems approach will be necessary for agriculture.** This is true for countries at whatever level of economic development. One of the main questions to be addressed will be how to arrive at an acceptable balance between land, water, man and technology. A market oriented policy with no (or minimum) distortions caused by government intervention in the economic or trade area might be capable of giving rise to such an acceptable balance. But it is also to be expected that government intervention will continue in Europe, and the question then is through what mechanisms such an acceptable balance could be achieved.

A concluding word about **the role of European agriculture in a world context.** With large populated areas around the world in need of food, the primary role of Europe is to help these countries develop their agricultural potential. The second role is to help, through a whole range of aid policies, the economic and social development of these countries, giving in particular to them a satisfactory access in Europe for their exports of manufactured products and processed basic commodities. The third role falls on European agriculture: it is to provide food to the food deficit countries in an efficient manner and at prices corresponding to market-clearing levels exempt of government interventions. These three roles are equally important, but have to be fulfilled in the order in which they are here stated. ●