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## **Bureaucracy, Leninism and the future of agriculture in former Communist Countries**

*Luchshe menshe, da luchshe* (Lenin, 1923)

### **1. Grass-roots initiatives**

The aim of this paper is to present a project for the development of organic farming in former communist countries. The name of the programme is **grass-roots**, an idiomatic phrase which can hardly be translated, but which conveys the notion of "from below", "bottom up", expressed in terms familiar to the agricultural language. The grass-roots strategy does not entail a wholesale revolution in European agriculture (though this is arguably much needed). It does not call for *structural* changes, it only works *incrementally*, at the margin. Entrance of CIS countries in the enlarged European Union is *not for tomorrow*. Grass-roots initiatives shall work *here and now*, not everywhere and in the long term.

### **2. The European Union's Agricultural Policy**

Our point of departure is an assessment of the current Agricultural Policy in The European Union. This is because so-called CIS countries will soon face the agricultural consequences of the Union's enlargement. A curtain of heavy tariff barriers on agricultural export commodities will confront CIS countries at their frontiers. And immediately across these frontiers, largely rural countries will get the privileges of the European Common Agricultural Policy (CAP). Over the last twenty years or so, this policy has been harshly criticised by knowledgeable economic political and environmental analysts. The so called CAP has several detrimental effects. One of these is to introduce and maintain a condition of unfair competition, based on subsidies and tariff barriers, which discriminates against non-member countries. The European Commissioner, Mr Franz Fischler has embarked in a head-on fight against domestic vested interests which thrive upon the current, market-distorting policy. We should wish him good luck, albeit those interests are represented by Heads of Government in major West European Countries. Meanwhile, we should explore opportunities to anticipate, as far as possible, the expected results of a New Agricultural Policy in Brussels, and find ways and means to beat current obstacles to the economic and environmentally sound development of agriculture in all countries, whether they belong or not, or not yet to the European Union.

### **3. The crisis of the Common Agricultural Policy.**

The absurdity of the current CAP is becoming increasingly apparent. The CAP absorbs between 40% and 50% of the overall Communitarian budget. This amounts to something around 40,000 million Euros ( or Dollars) per year. A variety of CAP programmes are in operation. Millions of dollars are being spent on subsidies which perpetuate agricultural activities already falling under the level of economic profitability. A wide range of agricultural products already suffer from evident signs of overproduction. The basis of subsidies being essentially a function of the volumes of production, farmers tend to overexploit the land, using dangerous chemical pesticides and fertiliser, causing, at the same time, soil depletion and air and water pollution. On the market place, Countries confront each other in an unfortunate artificially competitive and unfair struggle, mostly amongst rural poor regions. Mountains of crops are being destroyed every year, in order to ensure such artificial competitiveness; they reduce the purchasing power of consumers, confronted with

unreasonably high product prices. Last but not least, non-member countries are confronted with extensive tariff barriers to international trade.

#### 4. What to do?

It is not our intention to solve this huge political and economic problem; it is simply to suggest "what to do", *"chto dyelat"* until a reasonable solution is reached. The **grass-roots** project is originally addressed to the Community's countries. However there is no reason not to extend it beyond the Union's frontiers.

**Grass-roots initiatives** are a key ingredient of the New Common Agricultural Policy (CAP), aiming at de-coupling European Union's support from production volumes, and promoting **organic** farming, land preservation, and environmental enhancement in the countryside. A **grass-root initiative** means a *single farmer*, and/or a *single landowner*-better if a group of three or four neighbours - (jointly) pledging - under a legally binding obligation - to allot a selected parcel of land to a well defined agricultural programme, for the next few years, in strict accordance to *NCAP/GR* guidelines and to *NCAP/GR* standard fact sheets. Guidelines and standard fact sheets, produced in Brussels, will be widely distributed locally - through agricultural associations and/or local public bodies. Once these are /oca//yfilled in and unilaterally signed, they will be sent *directly* to the *NCAP/GR* office in Brussels: they will thusy'ump *over the red tape of local, regional and national bureaucracies* which so often hamper rather than help, especially in economically lagging regions of Europe. In view of this difficulties, in remote rural districts it will be important to drop the mandatory co-financing approach (i.e. European funding associated to national funding), no matter how much desirable and to involve landowners (who often have a better access to institutions) along with farmers. The *NCAP/GR* office in Brussels will sort out initiatives worth consideration. A *NCAP/GR* inspector- not necessarily an EU official -will promptly visit each site, check the feasibility of the programme, introduce and/or agree upon required modifications, countersign the engagement and approve - subject to an immediate e-mail o.k. from Brussels - the first instalment of an EU subsidy. He/she will also guarantee (if appropriate) an EU label/logo to be attached to the products Experts will later visit again to monitor, as required, and finally to ascertain the completion of the programme.

**Grass-roots** initiatives are *not* an alternative, to the contrary they will contribute to more comprehensive EU programmes—such as **Leader, Rural Development and Structural Funds, Interreg, Life** and the likes, which are worthy and ambitious, but inevitably cumbersome, expensive. time-consuming endeavours, and entail considerable risks, because of their substantial budgetary envelopes. By contrast, **one hundred grass-roots initiatives should absorb far less than 1/10 of 1% of the CAP's current yearly budget.** The major challenge for Brussels will be to examine and monitor a large number of geographically distributed initiatives. The task in Brussels will be to engage a small troop of short-time expert envoys, say twenty, possibly for one-day trips to the various selected sites. At best, a single expert on **organic farming**—at best speaking more than one local language - should be able to visit several places on a single trip, and report to Brussels by e-mail.

The proposed procedure will achieve a far more reliable checking, monitoring and approval process, as compared with the conventional hierarchy of official national, regional, provincial and local bodies, which suffer from scarcity of specialized personnel, bureaucratic inertia and political interference, especially in backward regions.

Over time, the *demonstration effect* of **grass-roots** initiatives will become apparent. They may be incorporated in regional, national and ED plans and projects. Some may eventually expand in scope, e.g. to establish (where appropriate) agro-tourism poles, or revitalise abandoned rural settlements, or launch campaigns for organic food marketing. Big food-producing firms might be engaged in the programme: it is not unlikely that they may be willing to finance a large share of the budget in view of their image and publicity. At the outset, however, ambitions should be limited. Even if only a few initiatives succeed, not much will be lost. And the visible achievements of those which succeed will warrant the programme's success.

## 5. Extending the grass roots-strategy beyond the European Union.

Although **Grass-roots** projects were conceived having in view member-countries of the European Union, there is no reason not to extend the concept outside its borders. Where E.U. subsidies are not available, other international funding organisations exist. The European Bank for Reconstruction and development, (EBRD) for example, since the late 1980's funds projects in Eastern European formerly communist countries. One could certainly consider national subsidies as well: national subsidies, however, can hardly bypass the conventional hierarchical chain of national, regional, provincial and local institutions, at the attendant bureaucratic obstacles. The unique characteristic of grass-root projects is precisely their capacity to bypass such obstacles. The bureaucratic frictions which exist within the European Union, are even more pervasive in former communist countries. It is a common mistake to ascribe this problem to the Leninist heritage. This is a macroscopic historical mistake; rather, a mystification of history.. Lenin, one among the great political thinkers of the past century, was the most vigorous adversary of bureaucracy. In "Better Fewer but Better" (1923) which I put as a quotation on top of this paper, Lenin deplored that " we have bureaucrats in our Party offices as well as in Soviet offices". He characterised bureaucracy as a parasitic, bourgeois growth of the workers' s state, and he attacked those who had become " puffed-up commissars" and "bureaucrats" ( Works, voi. 33, page 39). He tried to exorcise this dangerous phenomenon by denigrating it. "Everybody knows that no other institutions are worse organised than those of our Worker's' and Peasants' Inspection and that under present conditions nothing can be expected from this Peoples' Commissariat "( Works, voi. 33, page 490). He stressed that bureaucracy was not a communist invention but, as he wrote, Russians suffered under " the Russian apparatus[...] which we look over from Tsarism and slightly anointed with Soviet oil...". He dug deep into the real roots of bureaucracy: " It is unworthy of a Marxist - he wrote ( The New Course, page 41) - to consider that bureaucratism is only the aggregate of the bad habits of office holders. Bureaucratism is a social phenomenon in that it is a definite system of administration of men and things". To find a similar devastating virulence we have to turn to Friederich Hayek, the distinguished right-wing Austrian economist and political scientist who raised to world-wide fame in the second half of the XXth Century. Lenin joined the winning struggle against Tsarism in 1917, he beat the Russian counter-revolution in 1918, routed the British forces in Archangel, defeated the Mensheviks, won the campaign for electrification and the struggle for the elimination of land property, and finally he triumphed over capitalist reaction in one of the greatest nations of his time. But against Russian bureaucracy he lost. Immediately before his death, Lenin was worried about Stalin's apparent penchant for bureaucracy. In fact, at Lenin's death Stalin took over. And Stalin chose to reinstall bureaucracy (the "apparatchiks") in the Soviet States, and take advantage of a disadvantage which is radicated in the historic past, in Russia and its traditional subject territories. Nowadays, Russia is arguably the most bureaucratized country of the World. But why is bureaucracy so resilient? To find the answer we must turn to one of the greatest literary geniuses of the XIXth Century, the Ukrainian-born: Nikolay Vassilievich Gogol'. In his famous comedy, the *Revizor*, { which I had a the chance to see in a memorable production in Kiev's Russian Theater, last year), he displays bureaucracy as a special kind of mohey-machine. First bureaucracy creates norms and regulations which become insurmountable obstacles for the ordinary citizen. Then each bureaucrat shows to ordinary citizens how to surmount each stumbling block provided, they disburse a reasonable bribe The fine and final irony of Gogol's masterpiece, is that the *Revizor* turns out to be a bogus, false *revizor* the real one pops up at the end of the show, and the money game starts all over again (for a modern view, see "The Grabbing Hand: Government Pathologies and their Cures" by Shleifer,A. and Vishny, R., quoted by Ms Maria Nijnik, the Kiev Conference).

## 6. The role of international investment.

Nobody would believe me if I tried to win where people of Lenin's stature failed. The modest strategy I suggest is entirely different. It is to skip the obstacle, rather than face it. This strategy - for obvious reasons - would be probably unrealistic if applied to national policies, national bodies, national institutions regulations and public funds. Such elements are constrained by national constitutions, laws and norms, which enforce the engagement of the

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whole pyramid of public administrations, top-down, at all bureaucratic levels. Furthermore, there is no need to push Eastern European Government to support agriculture. The Ukraine, for example, has a number of important National Agricultural Programs under way (as illustrated by the excellent report of Ms Korsachova to the Kiev Conference). This is why I would rather turn the attention to International Organisations, their policies, their foreign aid strategies. This is not an easy task either: but the chances of success appear rosier. Up to now, International Organisations used to depend heavily on national administrations for the implementation of their funding projects. This, however, is not a constitutional, nor a legal constraint. International Organisations, such as the IMF or the World Bank have learned the merits of working at the local level), sidestepping bureaucratic bottlenecks and political interference. Recent experiences of the US-Aid Organisation also joined this school of thought, after a number of dismal ventures, including in Russia and the Ukraine. They have not had an easy life to get the bottom-up approach accepted in beneficiary countries. Clearly, national, regional provincia! and local bureaucrats will very much oppose them.

## 7. Direct action and marketing

The first key element of the grass-roots strategy is to bypass the bureaucratic stumbling blocks: to connect individual, local initiatives directly to the donor agency or country. The instalment of such direct links will demand high participation pressure from local people. The disadvantages and the scandals of the bureaucratic filtering down process need to be exposed in public opinion circles and in the press. Political figures shall be involved. Until the principle gets accepted. Direct action at the level of individual small farms, or co-operatives, is the first step of a grass-roots strategy. The second pillar is marketing. This is where former communist countries totally lack both experience and financial means. This the area where CIS citizens will have to learn most, and get most of the international support. Examples from the free-market World will be of the essence.

## 8. From Italian Champagne to Modavchick Cognac: tuning obstacles into opportunities.

The grass-roots strategy is not applicable to the extensive maize, wheat and barley production, which will still have to confront a well armed protectionist barrier, both in Europe and elsewhere in the World. The cereals world market is a huge problem which the WTO (World Trade Organisation) still has to tackle, probably over the next decades. Grass-roots strategies, instead, will focus on traditional, organic, environmentally sound crops, capable of carving out a "market niche" in the outside World. In this respect, the story of the Italian "Asti Spumante" is instructive. Nothing less than the second World War Armistice stipulated, in one of its clauses, that Italian vine-dressers are forever forbidden to put the name "Champagne" on their bottles. Italy has traditionally produced excellent sparkling wines. "Asti Spumante" is a specially appreciated brand. Over the last thirty years "Asti Spumante" has gradually penetrated into foreign markets, including the U.S., and notably France. It is obvious to connoisseurs that this product cannot compete with "Veuve Clicof" or "Pommeroy". Probably, if producers had attempted to sell Italian Spumante as "Champagne" they would have gone bankrupt. You cannot have a toast on an Italian Champagne, can you? But why not an Italian Spumante? Thus Spumante firms have succeeded in carving out an interesting "market niche" precisely in the country where Champagne reigns, just because they were forbidden to compete on a level playing ground. Their handicap led to their success.

In the poorest region of Europe, Moldavia, a special sort of brandy is produced, near to the capital city. This is "Bukuria", locally known as Moldavschik Cognac. Commercially, such names would mean disaster if distributed abroad. But the Spumante lesson could be profitably learned. One should not wait for another war and armistice in order to find an internationally attractive denomination for the Moldavian Brandy. There is another relevant precedent in Italy. In the thirties, a special liqueur was introduced by a Dalmatian firm into the international market. Its name is "Maraschino". Not very exciting. After a while, Gabriele D'Annunzio, the then famous Italian poet, soldier lover and radical-chic suggested a much more imaginative name: "Sangue Morlacco", or Moriacks' Blood. This fanciful denomination ensured a durable popularity in bourgeois sitting-rooms for well over half a century. The liquor is still successfully produced in a modern plant, a few miles from the headquarters of

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the Lanza Foundation. These examples open new, unexploited opportunities for typical products in East European regions. Evidently, the secret is marketing. Here is where most East European countries totally lack experience and need advice and help, including financial support. How much would that cost? Note that a few decades ago the Martini&Rossi Company, producer of the celebrated Martini (hence the Martini dry, Martini on the rocks and the like) was top of the list in the World in terms of investment in advertisement. Higher than Coca-Cola. I suspect that there were (there are) dozens of liquors which could deservedly compete with Martini: here, however, a name is the name of the game.

## 9. Challenges ahead.

The future of agriculture in former communist countries requires years of huge financial, political and diplomatic efforts at the national and international level. Meanwhile, some modest proposal can have merits as well. How about consecrating 1/10 of 1% of the total national and international rural subsidy budget to grass-roots projects? While still reserving 900/1000 of the money to large scope projects, such as exporting cereals in an extremely competitive market, how about focussing new grass-roots projects on local specialties and their international promotion? Whenever you visited a Western supermarket have you ever heard about Eastern Europe's winter-apples, pears, plums, strawberries, raspberries, mushrooms, sour milk, bison(zubr) cottage cheese, tomatoes, sunflower-oil, sausages ("bottom products" (see M.Bottari, papers of the Kiev Conference) and their by-products: fruit juices, liquors, candies, jams? Who is aware that excellent beer is produced at Kramatorsk's brewery, that remarkable "Champagne" is manufactured at Karkiv'sky plant? How about launching international publicity campaigns for carefully selected natural organic agricultural products from Eastern Europe, supported by western marketing experts and funded by International Financial Institutions? It sounds a novelty, in front of conventional "socially oriented" rural development projects, aimed at ensuring the painful survival of poor local peasants. But sometimes, one needs to start somewhere, and explore new strategies where traditional ones have a difficult time.