

Contribution/Speech to FAO-SINERGI meeting, Rome
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Dear Mr Boutrif and FAO staff, Dear Mr. Allaire and SINERGI Project associates,
It is an honour to be the Chairman of the first session, thank you very much for inviting me and giving me the opportunity to lead the session.

As the first session is called: 'Economic issues: adding value, market power and sharing benefits along the food chain' my task would be to chair and help the debate on the economic issues related to the GI and agro-food sector developments.

As the two organizations' -FAO and SINER-GI- approaches will be presented, they will hopefully guide us towards some common points, which could help the United Nations in developing its programs in the future.

As an agricultural economist coming from Central Europe, Hungary, let me share with you some interesting aspects, basically some experiences concerning the agro-food sector developments in the last 17 years, which –if I may say so- represented the greatest change in the history of this region. The experiences gathered from the transition period in the Central and Eastern European countries could help the FAO to develop its projects in some other regions of the world.

I would start with an assumption: today most of the agricultural economists that worked and are still working with the CEE countries started to have a new approach towards agricultural economics when their views are compared to the beginning of the nineties. At the beginning of the nineties it was clear: the "switch" from a centralized economic system to market economy must be achieved and as soon as possible. The mistake - the problem- was that nobody knew how to make the change, just the objective to be attained. The economists defined the measurements: fiscal discipline, redirection of public expenditure, tax reform, interest rate liberalization, competitive exchange rate, trade liberalization, and liberalization of inflows of foreign direct investment, privatization, deregulation and secure property rights without putting the question how to implement all this.

The economic reasoning in the early nineties was based on neoclassical economics and documented as it has been termed by the Washington Consensus. It can be shown that the discrepancy between expectations and reality as well as the evolution of institutional economics has challenged economists.

In the last years a two-fold process took place in the Hungarian agro-food economy. One of its components was the adaptation of the modern market economy conditions; the other is represented by the process of European integration. This dual approach makes it impossible to analyze in detail its each and every economical aspect and consequently neither to adopt the best decisions on this basis. The Geographical Indication research was one of the forgetful aspects of the agro-food sector.

Several factors legitimize the topicality of the subject. Firstly, such are the questions raised by the accession of the country to the European Union, above all the issues related to the competitiveness and future of Hungarian agriculture and food industry. The viability of the small and medium-size enterprises in the agribusiness is also debatable. If one adds to this the unsolved problems facing the population, which earns its living from agriculture in the economically underdeveloped areas, it becomes obvious that the research on the affected agricultures` market position (both its obtainment and maintenance) could have been belonged to the category of nowadays` most urging issues.

The case of the Hungarian paprika spice, from Kalocsa and Szeged regions as GIs will be presented during the seminar and it will be demonstrated that some important aspects of the Hungarian agriculture were not tackled at the right time. A few thousand families could be -hopefully- saved from bankruptcy if the issue of GI would be raised on the level of public policy makers, if the access to information and access to "rules" would be more comprehensive and univocal.

In underdeveloped regions there is a need for rules and institutions before the system can be modified, or in other words the economic system has to be changed together with the institutional setting. It is important to have time for answering basic questions, such as:

- How is this added value shared along the food chain? Do local producers benefit from the added-value?
- Do local producers develop or reinforce their market/bargaining power?
- Who is in capacity for scaling up and who is excluded from it?
- Do GIs create added value, how, how much?
- Is the added value linked to the type of product and diversification strategy?

I hope we will have a fruitful debate and a successful session.