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**ECOAGROTOURISM IN THE SYSTEM
OF WTO'S MULTIFUNCTIONAL REGULATION
OF AGRICULTURE**

Abstract

The multifunctionality of agricultural development is caused by the vulnerability of agricultural production under conditions of economic globalization. The WTO Agricultural Agreement contains provisions directed at agricultural sector diversification, in particular at the cost of state agricultural sector financing through «green basket» measures. For the Republic of Belarus, the development of ecoagrotourism-related activity could be an effective way of agricultural production diversification.

Key words:

Agricultural complex, agricultural production, agriculture, agrotourism, diversification, ecotourism, ecoagrotourism, globalization, urbanization.

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During the last decade, the practitioners and theoreticians of different countries have paid significant attention to the problems of agricultural regulation in compliance with the World Trade Organization's (WTO) standards. The analysis is carried out with respect to different obligations denoted in the WTO Agreement on Agriculture: market access, domestic support, export subsidies. The functioning of the agricultural sector in international economics is investigated not only in the sphere of agricultural production. The researchers focus their attention on different problems of the agricultural sector, which should be effectively solved with respect to modern state of the world economy and the growing number of WTO member countries: development of rural enterprise and innovation activity, provision of food safety, solving social problems and professional training, development of ecological agricultural production, etc.

The concept of «multifunctionality» of agriculture was identified during the Uruguay round of WTO negotiations on the agricultural sector. In the preamble of the Agreement on Agriculture pointed out are the «non-trade concerns, including food security and the need to protect the environment» [1:1]. The main idea related to non-trade interests consists in the fact that the agricultural activity provides not only the production of marketable products, but also creates public goods and services necessary for the society and exhibiting «external effects of production» which cannot be regulated by the market. The above-mentioned public goods include ecological benefits resulting from agricultural activity (e.g. landscape conservancy, protection from elemental calamities, biodiversity conservancy, etc) and development of rural areas (e. g. ensuring employment in rural regions, bridging the gap in regional income distribution, etc.).

The concept of agricultural «multifunctionality» attracted significant attention of both the developed and the developing countries. It was supposed to be considered at continuation of the negotiation process (Article 20 of the Agreement). However, no common standing about what the concept means and how it can be included in the process of agricultural sector reformation has been developed still during the Doha round of WTO negotiations (2002–2006).

Simultaneously, the need in multifunctional development of agriculture, as the international practice show, is obvious and provoked by the vulnerability of agriculture produced by economic globalization. The development of the world agricultural sector is influenced by a number of trends in the development of the global economy, the following of which are worth mentioning:

- *accelerated development of urbanization*

At the beginning of the XXIst century, one half of global population lives in urban areas. Until recently, in 1975, urban communities had constituted only one third of total world population [2: 43]. In the nearest two decades, the number of urban residents should increase by nearly 1.5bn people. Urbanization can cause such negative consequences as starvation, insufficient development of rural ar-

eas, ethnic conflicts, inadequate urban resources for accommodation of additional inflows of people, increased unemployment, etc;

- *decreasing share of agriculture in the world commodity production and separation of the countries leading in exports of agricultural production*

At the end of XXth century, 4/5 of the population in wealthy countries lived in cities, and the share of agriculture was only 3% of GDP. In low-income countries, the share of agriculture is still 30% of GDP [2: 44]. At the same time, the leaders in exports of agricultural produce are the countries with insignificant shares of agriculture in their GDPs, primarily the USA and the EU. The agricultural products of these countries are cheaper, and we can observe their increased imports in many traditional agrarian countries. Thus, during the last decade in Russia the share of imported meat and meat products in total consumption has grown from 11% to 39%, the share of imported poultry – from 4% to 58%, milk and milk products – from 6% to 14%, animal oil – from 4% to 47%. Only 25% of foodstuff imports come from the CIS countries, their major part come from far-abroad countries [3:42];

- *proliferation of innovations and information technologies in the agricultural complex*

The agricultural production is getting more and more science-intensive, where the main factor (nearly 2/3) of its growth is determined not by such traditional factors as the availability of land and labour resources and usage of traditional technologies, but by accelerated implementation of scientific and technical progress, which causes quick reduction in workplaces and increase in unemployment in rural areas. The science and technology revolution is taking place in agriculture. This to a large extent predetermined the fact that the most scientifically and industrially developed countries – the USA and Western Europe – produce 70% of world exports of agricultural products [3:41-42].

- *penetration of biotechnologies in the agricultural sphere*

Since 1980s, biotechnologies have been actively penetrating the agricultural production. Transgenic crops constitute today only 5% of the crops used in world agricultural turnover (in comparison with 0.5% in 1996) [4:121]. The largest areas under transgenic crops are located in the USA (72% of total areas under crops), Argentina (17%) and Canada (10%). The European countries, Australia and Oceania are more careful about producing genetically modified agricultural products. The sown areas used for these aims constitute less than 1% in France, Portugal, Spain, and New Zealand [5: 123].

- *the growing need for development of ecological agricultural production*

The conditions of realizing ecological agro-production are stated in the Standards of the International Federation of Organic Agriculture Movements (IFOAM). The world experience shows that the production of ecologically pure agricultural products is usually more costly than the traditional one. This raises

the question about competitiveness of the farmers producing such products. That is why, for example, the EU provides financial aid and privileged subsidies for this kind of production. During the last years, a significant increase in the number of ecological farms has been observed in Finland (50%), Denmark (113%), Italy (69%), and England (115%) [6:137].

- *significant role of the WTO in regulation of agricultural production and trade*

According to the Agreement on Agriculture, every WTO member country received its own schedule of obligations fulfilment. The international agricultural trade is the main unsettled question in the WTO's negotiation process. The practice of agricultural development after the Uruguay round testifies to limited implementation results of the Agricultural Agreement.

The agricultural sector of the international economy is one of the most complicated areas in terms of its development and regulation.

The industrially developed countries leading in exports of agricultural products face fierce competition from the side of developing countries on a number product positions. This makes them develop non-agricultural operations in rural areas. In the early 2006, the European Commission on Agriculture paid attention to the fact that the EU vine imports from the countries of the «New World» were 20 times higher than ten years ago, which caused the annual annihilation of 8% of EU-produced vine. At the same time, the cost of its utilization constitutes nearly €0.5bn per year. Therefore, the European Commission on Agriculture propounded to reduce farmers' vine plantations by 400 thousand hectares and to subsidize them for environmental measures and development of alternative operations.

The tendencies in the development of the global economy influence the agricultural sector of the developing countries. However, the situation in these countries is different – the stagnating agriculture, high unemployment in rural areas, unavailability of financing for sector recovery made governments look for different ways of solving the problem, one option being the diversification of the agriculture and development of entrepreneurship in the rural areas.

As shows the international practice, the diversification of agriculture was realized primarily thanks to the development of ecotourism in rural areas. Agriculture guarantees not only the country's food safety, but it also solves the ecological tasks (production of ecologically pure products, preservation of soil fertility, environmental protection, etc), while villagers preserve their national traditions, language and folklore.

The ecotourism has started to develop since 1970s. It should have stopped the mass outflow of population from rural areas to cities. At the same time, the inhabitants of big cities faced the need to stay in touch with the nature, pure air, natural silence, and natural foodstuff.

The term «ecotourism» was proposed by the Mexican economist Hector Ceballos-Lascurrain in 1983. At that time (equally today) more than 30 concepts and terms characterized ecotourism as a phenomenon. The most widespread were «natural tourism», «green tourism», «rural tourism» or «agro-tourism», «trips to wild nature», «adventure tourism», «soft tourism». Such a number of terms were preconditioned by the variety of ecotours.

The consensus on the interpretation of the term «ecotourism» was reached at the World Ecotourism Summit in May 2002 in Quebec (Canada) [7]. The term «ecotourism» was considered in its relationship with the notion of sustainable development and founded on specific principles, according to which ecotourism «contributes actively to the conservation of natural and cultural heritage; includes local and indigenous communities in its planning, development and operation, and contributing to their well-being; interprets the natural and cultural heritage of the destination to visitors; lends itself better to independent travellers, as well as to organized tours for small size groups» [7: 65].

At the World Ecotourism Summit, special attention was paid to the importance of mutual support between tourism, agriculture, viable rural communities and environmental protection. In the practice of many countries, the terms «ecotourism» (which originated as the mechanism of environmental and cultural protection) and «agrotourism» (the mechanism of socio-economic development of rural areas) are now considered as complementary.

At the rise of ecotourism, it was supposed that tourist accommodation in rural houses would be the farmers' non-operating activity, which would have somewhat strengthened their financial situation without large investment. However, the current demand for this tourist product changed the very conception of ecotourism, which turns today from supplementary into the core activity for many rural residents. Ecotourism is considered in its relationship with not only the ecological factor and rest in rural area, but with agricultural production. Especially in view of the fact that the supply of ecologically pure products and national cuisine is very important for ecotourists. The Italian farmers produce mozzarella from buffalo milk, unique vines, freshly pressed olive oil; villagers in Piedmont raise frogs on their swamps, in Lombardy they raise grape snails, in Umbria they grow truffles. In the Republic of Bashkortostan ecotourism is based on production of kumiss, honey and wool.

Recently, rural tourism has become more popular in Ukraine, Belarus, Russia, and Baltic states. There are nearly 1000 farmsteads in Lithuania which offer services of rural tourism, in Latvia – nearly 300 of such rural houses, in Poland – more than 15 000 of farms engaged in ecotourism. The Lithuanian and Latvian khutors accommodate 1/5 of all foreign tourists arriving to these countries today [8:78]. In Belarus, according to mid-2006 data, there are only 70 farmsteads which receive tourists [9: 26].

It has only recently become possible to estimate the scale of ecotourism development thanks to modern information technologies and creation of electronic databases, which permitted to increase the volume of services sold. Con-

sider, for example, Austria (16% of the total number of rural tourists in the EU), Italy (13%), France (15%), and Spain (8%). In expert opinion, the number of ecotourists in the world increases by 20% every year [10].

In the WTO-countries, the development of ecotourism in rural areas is supported by the Agreement on Agriculture as it contains clauses directed at diversification of the agricultural sector and solution of non-trade problems, in particular by means of government agricultural sector financing through «green basket» measures.

The «green basket» includes measures that do not aim to support production volumes and producer prices; therefore, they do not violate the concept of free competition. The public funds within the «green basket» can be allocated for support of scientific research, education and training, financing of veterinary and phytosanitary measures, development of infrastructure (construction of roads, electricity networks and reclamation projects), improvement of land utilization, promotion of structural rearrangement of agricultural production, etc.

As international practice testifies, the share of «green basket» measures in the countries that joined the WTO has been gradually growing during the transition period. Thus, in the overall structure of state agricultural support in 1998, it amounted to 86.2% in the Check Republic, 73.8% – in Poland and 60.8% – in Slovenia. Agricultural support by means of «green basket» measures has been growing in the developed countries as well [11:4]. Whereas in 1986–1988 in all developed countries the support of agriculture from all sources averaged \$302bn, in 2002 it reached \$318bn. In the EU, the expenditures on Common Agricultural Policy have grown respectively from €39bn to €51bn (in 2005). An active campaign for the increase of agricultural subsidies was held in the USA, thus in 2005 the budget of the Department of Agriculture made \$133bn, of which almost \$40bn – direct assistance to agriculture [3: 38].

According to specifications of the WTO Agricultural Agreement, among the «green basket» measures for domestic support of agricultural sector we can single out the measures directly aimed at its multifunctional development (including ecotourism):

- «Structural adjustment assistance provided through producer retirement programmes» (§ 9 Annex 2) [1]. Such budgetary payments aim to «facilitate the retirement of persons engaged in marketable agricultural production, or their movement to non-agricultural activities»;
- Structural adjustment assistance provided through resource retirement programmes» (§ 10 Annex 2) [1]. The eligibility for such payouts is provided to remove resources or land (including livestock) «from marketable agricultural production» (a). «Payments shall not require or specify any alternative use for such land or other resources which involves the production of marketable agricultural products» (c);

- • «Structural adjustment assistance provided through investment aids» (§ 11 Annex 2) [1]. Such payouts aim to «assist the financial or physical restructuring of a producer's operations in response to objectively demonstrated structural disadvantages» [1]. Payouts are available only for the period required for investment realization. At the same time, the recipients are not pointed at the agricultural products to be produced, except of the request not to produce a particular product;
- • «Payments under environmental programmes» (§1 2 Annex 2) [1]. Eligibility for such payments is regulated by the government environmental protection or conservation programme and depends upon fulfilment of specific conditions of the given program, including conditions related to production methods or inputs.

Proceeding from the WTO regulations, each state separately determines the «green basket» measures. This provides an opportunity to design certain measures for support of ecotourism development in rural areas.

In the non-WTO-member countries, the development of rural tourism is stimulated by governmental programs. Thus, the 2006-2010 National Tourism Development Program in the Republic of Belarus provides for certain directions of ecoagrotourism development, specifically the construction of tourist villages with traditional national architecture, based on existing village settlements; the creation of agro-tourist complexes on the basis of agro-production cooperatives; the organization of eco-educational tours for different age and social sectors of population, etc.

The development of ecoagrotourism in Belarus is a way to revive the villages; it is preconditioned by the problems in the agricultural branch, which include the following:

- agricultural cooperatives lack own funds and strengths (personnel in the first place) for modernization of production and solving social problems of countrymen;
- the state of social sphere is critical;
- government-regulated specialization of farms on production of a narrow set of products;
- increased disparity of prices on agricultural and manufactured products, fuel;
- inadequate remuneration of agricultural labor;
- lack of opportunity for people's creative work and self-realization under the traditional system of agricultural production [12].

The Republic of Belarus possesses resources necessary for the development of rural tourism. In Belarus, for example, as far back as in the XIXth cen-

tury, landlord Narkevich-Yodko treated his guests with fresh air and kumiss (fermented mare's milk). At the beginning of XXth century, doctor Zdanovich invited urban residents to try out mineral waters. On the territory of Belarus are forests, fields, lakes, and historical sites; agricultural enterprises can manufacture ecologically clean meat and milk products, fruits and vegetables, honey.

The newness of the idea of ecoagrotourism in Belarus brings in a lot of problems related to its implementation. The most important of them include the following:

First, the centralized administrative regulation of agricultural production sphere and lack of incentives for the development of ecoagrotourism. The project on creating the infrastructure of agro-tourist services is much easier to realize at a collective farm than at a private farming enterprise since everything needed is at hand: personnel, materials, facilities, land, and incentives. However, the system of agricultural production control is oriented at achieving current results, and in case of failure to comply with centrally assigned tasks regarding principal activities, the ecoagrotourism development program can be closed down by local authorities. If the planned targets on principal activities are unmet, against the enterprise's chief can be instituted administrative or even criminal proceedings. From here appear the uncertainty, excessive caution and reluctance to risk. In addition, when the enterprise's activity is highly diversified, the managing ability and the quality of functional performance can decrease.

The best decision would be the long-term lease or even transfer of possession over the objects of agrotourism infrastructure to local citizens who service them. But an effective mechanism of such privatization is not stipulated by the law.

Second, the state policy lacks a clear regulative mechanism regarding ecotourism at the national and regional levels, and correspondingly, it lacks the system of legal support for this kind of activity. Therefore, the initiative is formed privately «from below». In the sphere of ecotourism regulation in Belarus, there are the concept of «agro-ecotourism» (Presidential Decree No. 372 of June 2, 2006), the list of measures for the development of such tourism (National Programs on Tourism Development in the Republic of Belarus for 2001–2005 and 2006–2010), and the general governmental requirements of natural persons at rendering services in the sphere of agro-ecotourism. However, the treatment of agrotourism concept in the Decree is rather narrow: it is defined as the housing of tourists only in village homesteads (apartment houses), with state support provided to those who own housing resources for tourists, but no more than five rooms.

According to international experience, there are three ways for development of ecotourism in rural areas: 1) on the basis of small hotel family enterprise, when government realizes the policy of transferring a part of rural population from the agrarian production sector to the services sector, and private micro-hotels are created on the basis of existing rural housing resources and specialized objects (boating stations, stables, etc); 2) by building medium-sized and

large private agro-tourist objects in the countryside in the form of specialized «agro-tourist» villages, cultural-ethnographic centers; 3) by creating agricultural parks, where the country's traditional agricultural produce is manufactured and the methods of national agricultural production are demonstrated.

Consequently, the ecoagrotourism development policy in the Republic of Belarus should be formulated in compliance with the final Declaration of the World Ecotourism Summit, which took place in 2002 in Canada (132 countries participated), and consider it as a purposeful activity of governmental, public, and private structures for the development and implementation of the methods, mechanisms and instruments of legal, economic, social and other character with the purpose of supporting the sustainable and effective development of the agro-tourist sector [13].

Third, the absence of standards and norms used in agrotourism as a specific services sector which generates additional income (non-agricultural, non-production) for rural population. It is important to note that standards and norms effective in the Republic of Belarus in the sphere of hotel and recreational business can not be mechanically transferred to the agro-tourist sector as a whole and to the small hotel family business in the countryside in particular owing to the specifics of the latter. This assertion is confirmed by international practice as well. Thus, in the EU, the work on standardization of accommodation facilities and services in the sphere of rural tourism is carried out not within the jurisdiction of national or supranational authorities, but within the EU's international programs with active involvement of agro-tourist associations (for instance, EUROGITES – European Federation of Farming and Rural Tourism, ECEAT – European Center for Ecoagrotourism, etc).

Fourth, the lack of considerable governmental support (primarily financial, organizational and infrastructural) at least at the early stage of eco-agro-tourist sector formation. Hence, in the European Union, where rural tourism is actively developing, the support is provided at the supranational, national and regional levels. The support of non-agricultural sector is also specified in the WTO Agricultural Agreement.

Fifth, the absence of highly-qualified personnel. Its preparation should begin since school-days by means of organizing classes in village schools specializing not only in agricultural disciplines, but in the foundations of tourism and craft development as well. Later on they could continue their education in the respective colleges and higher educational institutions.

One of the most important tasks for the development of tourism in rural areas is creating a governmental program of its development – either special (e. g. Cyprus Agrotourism Program designed by the Cyprus Tourism Organization) or within other complex programs (e. g. in Germany – within the program of sustainable development of rural areas supervised by the Ministry of Agriculture). It would be more reasonable for the Republic of Belarus to include ecoagrotourism in governmental plans of rural development. With low profitability of agricultural production, farms cannot afford to finance long-term projects on

creation and support of rural tourist infrastructure. The administration of agricultural production should be liberalized; farms should be stimulated to specialize not only in agricultural production. It is important to provide budget financing for eco-agro-tourist projects and set preferential crediting and sponsoring terms.

In addition, the agrotourism sphere, which per se is a type of agricultural activity, should be subordinated to the Ministry of Agriculture at the Ministry of Sports and Tourism (as it was done in Austria, Germany, the USA, Italy, Malaysia, and other countries), whereas the latter could coordinate its development within its competence. As for the ecotourist sphere (national parks, historical tours, etc), it would be effectively coordinated by the Ministry of Economy.

Ecotourist cooperatives are an important element in the organization of eco-tourist sector. These cooperatives deal with protection of common interests, standardization and certification of agro-tourist services, adherence to tour services quality standards, which means consolidation of the competitive ability of the whole agro-tourist sector in the country or region. The creation of eco-agro-tourist cooperatives is a relevant task for the Republic of Belarus. In most small countries, cooperatives are created according to regional pattern. Thus, in Poland agro-tourist unions are being grouped by region (e. g., Lyubelskyy Union of Agro-Tourist Companies).

Electronic databases with pictures and description of services (standard, prices and accommodation) are necessary to disseminate ecoagrotourism information to agro-tourist firms.

The economic effect from ecoagrotourism development in the Republic of Belarus considered in terms of costs and budget receipts is not so big today, considering that in 2006, for example, 110 thousand tourists were expected to arrive to the Republic (to compare, 3.5mn tourists visit the Balkan states each year), and the number of eco-tours nears 20% of total arrivals. At the same time, 3 million tourists are planned to be attracted to Belarus by 2010. For rural citizens, ecotourism is an additional source of income from sales of tourist services and from sales of foodstuffs and handicrafts.

The international practice shows that the development of ecotourism in rural areas is a major social-economic program on transferring a part of agrarian population from the production sector to services sector. In addition to economic goals, such a governmental policy pursues also social and cultural objectives.

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