

Chapter 2

Trade in Agricultural Products and Food Security Concerns on Emerging Markets: How to Balance Protection and Liberalization

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ABSTRACT

Although free trade is a key factor in promoting economic growth, there are markets, which require specific approaches. The food market is one of them due to its vital importance for securing nutritional requirements of the population. Providing the population with food in sufficient quantity and variety is a challenge, which includes a range of issues of food production and dependence on import of the food market. Food security is increasingly influenced by foreign trade policies implemented by national governments. Many of them are re-examining their strategies for dealing with food security concerns and seeking to protect domestic food producers by restricting presence of foreign competitors on the domestic food market. The chapter addresses recent food security trends in emerging countries, including BRICS, Eurasian Economic Union (EAEU), and Russia, assesses the effects of food trade distortions in order to balance protection and liberalization policies for achieving effective levels of food security.

INTRODUCTION

In the early XX century, developed countries came to an understanding of the necessity of foreign trade liberalization for effective development of international trade and easier access to their commodities to foreign markets. Contrariwise, developed countries when practicing efficient protectionist policy were reluctant to abandon completely the protectionist practices and kept securing their domestic markets from foreign competitors (Erokhin, Ivolga, & Heijman, 2014).

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Principles of trade liberalism are widely accepted by the World Trade Organization (WTO) and various alliances of countries as the state of things most advantageous for everyone, however, it is rather challenging to find the proper balance between protectionism and liberalization especially between developed countries and emerging economies. Too much liberalization could lead to less protection for domestic producers against international corporations, while too much protectionism could create an artificial market regime and stifle competition, the very driver of effectiveness and productivity.

Countries depending on their economic power and position on the global market apply varying policies in terms of the relationship between protectionism and liberalization in the sphere of international trade. Developed countries are within their full economic and political power to implement a wide range of tools to protect their national producers and promote their influence over the “weaker” nations on the global market. Developing economies are still in some or other way in a dependent position on the global market in comparison with developed countries. They supply raw materials, mineral resources, and agricultural commodities and consume products of higher conversion. Evidently, being dependent, developing economies are to a far greater degree concerned that the major part of benefits of trade liberalization goes to the developed states. Shah (2010) claims that often those nations that promote free trade for all, want protectionism for themselves. The major concern shared also by Smith (2005) and Akyüz (2005) is that developed nations are pressing developing nations to abandon any protectionism before their economies are ready to enter the global markets.

That is why, many developing economies continue to protect and regulate various sectors of the domestic market in order to ensure their ability to provide standards for the full range of population, especially those related to agricultural production and food consumption. As of Shah (2010), developing economies consider their food security as a crucial parameter of independence, and even if other countries may be more efficient producers of some agricultural products or food items, a country may decide to grow some of their own and support their farmers.

Those developing countries which have embarked on economic development and reform programs, and have begun to open up their markets and emerge onto the global scene are referred to as emerging economies. Most of the emerging economies are characterized as transitional, meaning they are in the process of moving from a closed economy to an open market economy, such as Russia and other countries of the former Soviet Union. Another criterion for a country to be characterized as emerging is its rate of economic growth. Emerging economies are considered to be fast-growing economies, such as China, India, and other countries of Asia and Latin America.

Emerging countries have played a significant role in increasing global food availability in the past decade (Henneberry & Diaz, 2014). They have increased their agricultural production in order to meet their growing demand, but still, one in eight people in emerging markets suffer from hunger and malnutrition. As of The Swiss Re Group (2013), out of the 850 million people suffering from hunger worldwide, 98% are located in emerging markets. The Asia-Pacific region has the greatest number (528 million), followed by sub-Saharan Africa (237 million).

Food security is a holistic concept that addresses a wide range of dimensions, including availability, access, utilization, and stability of food (Food and Agriculture Organization of the United Nations [FAO], 2006). In terms of availability, in order for a country to achieve food security, the total food supply needs to equal its actual food demand, not only in quantitative but also in a qualitative way (variety, nutrient content, and safety). Food supply involves elements such as production, imports, exports, and also changes in national stocks. Similarly, demand involves the amount of food needed to feed, seed, manufacture, and the amount wasted to post-harvest loss (Henneberry & Diaz, 2014). However, steady

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