

Chapter 2

Current Tendencies in Agricultural Trade and the Roles of Major Actors

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ABSTRACT

Globalization was signified as a quintessence of the last decade of the century. Its effect on international trade is outstanding because of the interconnectedness of the international markets. The current wave of globalization is driven by major technological breakthroughs in transportation and communication. Major market actors are witnessing lower trade barriers and reduced transaction costs due to numerous technological innovations. The chapter starts with a literature review on global market tendencies and their implications on agricultural trade. The first section begins with a comparative analysis of the agricultural trade flows by globalization waves. The second section describes the major actors in agricultural trade and their global market positions. In the third section, network analysis is used to visualize the connections between the major actors. Their behavioral pattern is presented as well as the key interactions are revealed. The chapter ends with recommendations aimed at the future development of agricultural trade with a focus on global intervention policies.

INTRODUCTION

Nowadays, we are witnessing a growing integration of economic and societal trends and interrelations. An extensive range of actors, such as governments, international organizations, business, labor, and civil society are engaged in various economic and financial interactions, policy debates, and challenges provoked by numerous technological breakthroughs. Le Pere (2005, p. 36) outlines the following two controversial drifts which characterize our world. On the one hand, trade, investment, technology, cross-border production systems, and flows of information and communication bring economies and societies closer together. On the other hand, the new transnational dynamics marginalize and exclude a

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great proportion of the world's countries and people. Are we coming closer in today's globalized world or are we going apart despite the apparent increasing connectedness? From macroeconomic perspective a continuous homogenization of policies and institutions, international standards and standardization, regulatory agreements on international trade is taking place toward the establishment of a common framework of international rules, norms, and practices. The endeavor to achieve a complete standardization of international trade policy is debatable especially in today's dynamic environment which requires agile approaches to global market governance.

World economic performance regarding trade development and general economic climate improved in 2017 compared to 2016. World GDP growth has been reported as at least 3% (United Nations [UN], 2018) and is expected to remain steady in the coming years (International Monetary Fund [IMF], 2018). The growth of world merchandise trade volume is estimated at a rate of 3.6% (European Commission, 2018). Global agricultural trade has been expanding in line with these overall trends. The top five exporters (EU, USA, Brazil, China, and Canada) and the top five importers (EU, USA, China, Japan, and Canada) recorded increasing agri-food export/import values in 2017 (4.3% and 5.3%, respectively) compared to 2016 (European Commission, 2018). Strong economic growth in emerging economies has driven the demand for agricultural products globally. In emerging economies and developing countries, changes in both income and its distribution have also led to changes in consumption patterns (Food and Agriculture Organization of the United Nations [FAO], 2018).

The chapter starts with a review on global market tendencies and their implications on agricultural trade. The first section begins with comparative analysis of the agricultural trade flows during the globalization waves. Second section describes the major actors in agricultural trade and their global market positions. In third section, a network analysis is used to visualize the connections between the major actors. Their behavioral pattern is presented as well as the key interactions are revealed. The chapter ends with conclusions and recommendations aimed at future development of agricultural trade with a focus on global intervention policies.

The chapter offers a holistic approach to assessing global market tendencies and their implications on agricultural trade. This approach combines historical trends of agricultural trade at different levels of analysis with positioning matrices and indices. Data and information which is available are analyzed cross-sectionally and comparatively for decision-making purposes. Despite the apparent variety of information sources and detailed data about the agricultural trade, it was a real challenge to find the exact data which were needed to achieve the abovementioned goal.

BACKGROUND

The world is more interconnected than ever. Disruptive technologies, rapid structural changes and economic turbulence are impacting the global economy by accelerating the rise of complexity. Complexity turns out to be a major force that business must consider when developing and executing its strategies. It affects businesses both by delivering challenges and opening new opportunities which means that complexity changes radically the way business is managed. Globalization has changed the strategic context for business and nowadays it is viewed not only as a geographical expansion, but rather as a new operating theory of the world based on connectedness among pre-existing political, social, economic, cultural, and geographic boundaries (Singer, 2006, p. 51). Both connectedness and its complexity have become a source of instability and risk, as well as a driver for accelerating the reorganization of the global

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