

FOSTERING GLOBAL WELL-BEING: A NEW PARADIGM TO REVITALIZE AGRICULTURAL AND RURAL DEVELOPMENT

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As the world prepares for the new millennium, all countries are trying quickly to adjust to changing needs within the increasingly mobile global marketplace. After years of structural biases and general disinterest in the developing world's agricultural sector, global trade is now forcing poorer, agrarian-based economies to assess their natural comparative advantages and quickly adapt. Almost revolutionary structures, policies, and strategies are now required to meet such challenges. While the view taken here emphasizes that the changes under way offer considerable opportunities, it also recognizes that many producers and rural residents lack the relevant experiences, skills, and financial support to adjust to the new conditions. Addressing these daunting needs in a comprehensive framework becomes a critical activity for future global well-being.

The centerpiece of the new paradigm is the rapid global shift from closed, nationally focused markets (protected and subsidized) to open, global markets (competitive and less subsidized). Given this dramatic contrast, the new paradigm requires that radically different working premises and strategies be introduced quickly, particularly as these relate to the changing agricultural sector.

The global process under way is admittedly complex, and experiences related to the economic transformation are limited. Nonetheless, political leaders, donor agencies, business interests, and development professionals need to seize the moment and commence with debate, commensurate structural overhaul, and new program development.

OLD AND NEW PARADIGMS

In order to comprehend the magnitude of the changes under way, a brief comparison of the overarching economic systems of the 1950s to 1970s and the 1990s is necessary. From the 1950s through the 1970s "import substitution" economic strategies prevailed in most developing countries. Formulated around the development of an urban, industrial production base serving limited national market needs, this strategy required overvalued exchange rates, inefficient price controls, protectionist measures, severe taxes, and a variety of subsidies to sustain it. Governmental planners promulgated centralized development strategies. In many instances, government or parastatal agencies directed inefficient services affecting industrial, utility, banking, and agricultural support services. The private sector as a dynamic investment force was frequently marginalized while governmental organizations directly influenced capital mobilization and allocation.

Despite the successes of the Green Revolution, development never reached its potential because of the overarching fiscal and investment policy framework. By the 1970s, signs of economic fatigue and stress were common. Years of an increasingly inefficient and inflexible economic structure re-

quired fundamental structural overhaul. In the 1980s, structural adjustment reforms generated macro policy reforms designed to stimulate private-sector investments and energize markets. These economic reforms, accompanied by expanding regional and global trade agreements, converged to create a structural turning point. The stage was set for a new economic development paradigm. Some developing countries began to realize their comparative advantages. For them, agriculture has become a leading or lead sector. The faster growing of these economies generally show positive links between satisfactory reform and GDP, export, and agricultural growth rates. Countries with average or below-average performances do not show this relationship.

The emergence of the new paradigm in the late 1980s has meant a break from command-based economies and their inefficiencies and inflexibility. Economic systems are becoming more demand-driven and more responsive to national, regional, and international markets. In the key areas of development the new paradigm has brought greater attention to the private sector, market forces, agriculture, and agriculture's integration with the broader economy. In the area of market systems, for example, the old approach relied on parastatals or other government-influenced organizations that did not provide adequate services, encourage the building of rural infrastructure, or leave room for the private sector. The new approach is not beholden to this earlier era of government-led "producing and then selling." Instead it emphasizes knowledge of consumer needs, up-to-date market intelligence, the linking of local, national, and international markets, and rapid improvement in farm-to-market roads and other facilities.

THE ROLE OF AGRICULTURE IN THE NEW GLOBAL ORDER

Breaking from the recent past, "agriculture"—seen as a food and agroindustrial system—has emerged as a leading economic sector in many developing countries (see table). But its benefits are not as broadly based as could be the case. The majority of the small to medium producers—comprising 30–80 percent of the employment force in most poor countries—and rural nonfarm families are poorly prepared to either gain the broader benefits of the changes in agriculture or respond to previously unknown competitors. Furthermore, distant, possibly more efficient producers now have more opportunities to penetrate or expand market shares. Nevertheless, if developing countries aggressively take the initiative and make major internal structural reforms—providing capable small- and medium-sized farmers and agribusinesses with essential skills, tools, and infrastructure, and facilitating private investment—they will be better-suited to meet unprecedented challenges.



In this complex and interconnected environment, it becomes essential for developing and developed economies to increase considerably their support for agriculture and the rural sector in the developing world. The economic growth of developed countries is tied to an ever greater extent to expanding sales in the largely agrarian-based developing countries.

Under a more market-driven economic policy framework, agriculture is key to facilitating global trade expansion and GDP growth. In this paradigm agriculture helps to generate incomes and jobs for the poorest part of the population, facilitate more appropriate land and natural resource practices, and provide broader social benefits within an increasingly decentralized political framework.

THE NEW PARADIGM: WHAT SHOULD BE DONE?

To make the decisive shift toward markets, national governments must become convinced that fundamental structural changes are in their national interests. Accepting this will not always be easy, and in that regard donors will need to play more aggressive and vigilant roles. Producers, the private sector and agribusiness investors, NGOs, and universities in developed and developing countries will also have to play mutually beneficial roles. The conceptual themes for formulating the 21st century's agricultural development paradigm are as follows:

- The role of the market becomes a paramount consideration.
- Agricultural and rural development become essential for generating broad-based economic growth.
- Agriculture requires a vision that transcends traditional sector approaches based on production.
- A pervasive import-substitution legacy should be overcome to optimize responses to the new economic order.
- New public and private roles are required to facilitate investments and equity needs.
- Donor countries should fashion appropriate commitments for the new opportunities and needs now prevailing.
- Foreign aid programs must transcend "assistance" premises to embrace opportunities for mutually beneficial growth.

It is time to move beyond the macropolicy environment that is now in place throughout the world and enter into a series of complementary, sector-specific activities. These will draw heavily from private-sector investment—the bulk generated by producers who, at this juncture, will have to be supported nationally and by donors. In the push to respond to current opportunities, there may be a tendency to dust off programs deemed appropriate during an earlier era. However, this temptation should be curtailed because it would likely be counterproductive. Instead a series of key program elements considered essential for creating the new food and agroindustrial systems should be kept in mind:

- Create the capacity to strategically advance and promote national comparative advantage and competitiveness.
- Establish an appropriate policy framework and mutually supportive linkages with other sectors to ensure maximum effectiveness of development efforts.

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Share of agribusiness in GDP, selected countries

Country	Share of GDP			Share of manufacturing and services in agribusiness
	Agri-culture	Agriculture-related manufacturing and services	All agri-business	
	(percent)			
Philippines	21	50	71	70
India	27	41	68	60
Thailand	11	43	54	79
Indonesia	20	33	53	63
Malaysia	13	36	49	73
South Korea	8	36	44	82
Chile	9	34	43	79
Argentina	11	29	39	73
Brazil	8	30	38	79
Mexico	9	27	37	75
United States	1	13	14	91

Sources: Pryor and T. Holt, *Agribusiness as an Engine of Growth*, USAID, forthcoming in 1998.

Note: All agribusiness is defined as agriculture plus the shares of manufacturing and services that are related to agriculture.

- Develop necessary management and marketing skills and support services to enhance local development opportunities.
- Develop dynamic market systems and complementary infrastructure services.
- Establish comprehensive rural financial markets.
- Create market-driven agricultural technologies for achieving growth.
- Utilize natural resource management practices to enhance sustainable use.
- Develop alternative investment, growth, and welfare strategies to expand rural well-being.

The new paradigm will not be institutionalized soon unless high-level commitments are quickly mobilized to forge the new system. The major adjustments described will have to occur during a period of very high stakes and uncertainties. The new global economic system has been launched, and there is great hope that this will be the basis for improved economic well-being that is socially, environmentally, and politically sustainable. The successful transformation of literally hundreds of millions of farm enterprises and the gainful employment of a similar number of rural dwellers, many of whom are poorly prepared to respond to new demands, are at stake.

Leaders from the developing and the developed communities and their donor agencies now have a special opportunity to chart a course for a more sustainable and prosperous century. Developed countries, many building on traditional international ties and their experiences with market-based growth, and some with considerable prior international agricultural development achievements, should urgently support and help coordinate the global transformation process. Under such an initiative, the prospects for maximum global well-being will be enhanced considerably.