

CHOICES

The magazine of food, farm, and resource issues

A publication of the
Agricultural & Applied
Economics Association

Emerging Countries: Converging or Diverging Economies?

Shida Henneberry

According to the World Bank, the five largest emerging markets (EMS) are China, India, Indonesia, Brazil and Russia. The emerging countries have restructured their economies along market-oriented lines and in the process have offered a wealth of opportunities in trade, technology transfers, and foreign direct investment. Nonetheless, their future role in global trade and growth potentials remain uncertain. Despite sharing many similarities, each country has gone through its own unique economic and political reforms to get to where it is today. Because state-led economic development failed to produce sustainable growth, many of these countries have gone through major political and banking reforms. As the two-way trade and capital flows between EMS and industrialized countries have flourished, foreign investment has replaced foreign assistance and global inter-dependency has taken the place of dependency.

As a group, the emerging countries have become a major power driving global agricultural markets. China and India, the only two countries in the world to have a population greater than 1 billion, together are home to more than a third of the world's population. The emerging countries' large population and their fast growing economies have provided a significant market for food and agricultural commodities. Accompanying their GDP growth, per capita demand for animal protein has risen in the EMS. Driven by increasing productivity and land expansion, their agricultural GDP has also been growing. However, because of land and other resource limitations, production increases have not kept up with the growth in food demand and therefore food imports have increased in some of these markets. For example, Russia and China are becoming major meat importers and have potential of becoming the U.S. top meat markets. Others, such as Brazil, are major agricultural suppliers to the world markets.

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Another notable change in some of these countries has been the rural-urban migration of their population, driven by rapid economic growth and job possibilities in urban areas. The rural-urban migration has created new economic issues that have resulted from the widening of urban income and wealth disparities. The demographic trends have changed the type of foods that consumers demand and where they allocate their food expenditures. These trends have significant implications for food exporting countries.

Despite their commonalities, these countries have very different economic structures. Economies of some are more driven by government policies, while others are more free market and comparative advantage driven. The challenge facing these countries includes sustaining economic growth, a more equal distribution of income and reduction in rural poverty, improving infrastructure and reducing financial constraints in the farming sector (especially for small holders), ensuring environmental quality, and satisfying the growing demand for animal protein.

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These papers address some of the crucial forces driving the economies of these countries, discuss food demand and supply, and highlight related economic and political reforms in China, Indonesia, India, Russia, and Brazil.

For China, Fred Gale and Shida Henneberry describe how domestic production and imports have accommodated dramatic improvements in living standards and dietary change during the last three decades. Chinese diets and farm production are flexible and responsive to market prices. The role of policy versus reformed markets in agricultural commodities on prices and China's participation in global trade are discussed, with a focus on pork and soybeans.

Richard Barichello and Arianto Patunru examine Indonesia's agricultural sector's performance in domestic and global markets. They identify the key issues in Indonesia's agricultural sector, including slow productivity growth, producer-consumer conflicts over high farm prices, politics and public support for biofuels, poverty, and environmental challenges. They conclude that these factors combine to give reason for reform of agricultural policies in Indonesia.

Ashok Gulati, Maurice Landes, and Kavery Ganguly describe India's agricultural challenges to most effectively make the transition from ensuring adequate wheat and rice supplies to improving food grain management, enhancing the safety net for the poor, and managing rapid agricultural diversification. They further identify expanding the role of the private sector and linking small farmers with increasingly dynamic and diverse markets as key policy challenges in the near future.

William Liefert, Olga Liefert, and Eugenia Serova examine how Russia's importance in world agricultural markets has expanded during the 2000s. The two main developments are that Russia has become the second largest agricultural importer in the world among emerging markets, after China, and a major exporter of grain. Meat imports in particular are substantial. Russia's current agricultural trade is a major change from the Soviet period, when Russia, and the Soviet Union as a whole, imported a large amount of grain, soybeans, and soybean meal to support high levels of domestic production of livestock products.

Constanza Valdes, Igeez Vidigal Lopes, and Mauro de Rezende Lopes examine Brazil's recent socioeconomic shifts and discuss how these factors have led to structural changes in food demand and have impacted agricultural output and Brazil's role in global agricultural markets. Brazil's biofuel industry and its effect on the availability of grains and oilseeds for domestic food and feed uses and exports are discussed. Sustaining productivity growth to meet increasing domestic demand and, at the same time, maintaining its position as a major supplier of agricultural commodities to world markets are identified as major policy challenges.

This collection of papers underscores the complexities of the economies in these countries and the challenges faced by their policy makers in reducing poverty, increasing agricultural production, satisfying changing consumer demand, protecting domestic producers, and in making the transition from a developing country status to an emerging country with its own set of issues. The political and economic issues examined in these papers are likely to remain the key issues in determining the role of the emerging countries in global markets for the foreseeable future.

Shida Henneberry (srh@okstate.edu) is Professor, Department of Agricultural Economics, Oklahoma State University.