

# International agricultural markets, trade and development

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Some books I will use:

- ▶ Markusen et al. International Trade: Theory and Evidence (available on-line)
- ▶ A. Maddison, The World Economy: A millenium perspective, OECD, 2006.
- ▶ H. Siebert, The World Economy,
- ▶ D. Gowland, International Economics

# We want to be able to explain

- ▶ Global events that impact the world economy
- ▶ Growing interdependence in the world economy (globalization)
- ▶ Impact of the rise of China and the fall of the Soviet Union
- ▶ Impact of commodities markets on trade
- ▶ Why some countries are rich and some countries are poor (The problem of development)

# Picture 1

150 years ago Japan was a closed economy. With almost no relations with the outside world. Beginning in 1868 with the Meiji revolution Japan began to open itself to the outside world. In the early years Japan began to produce goods domestically rather than importing them (import substitution strategy) later they began to export and after the second World War became one of the dominant exporting countries in the world.

## Picture 2

After 1945 Eastern European countries failed to catch up to the US despite relatively high growth rate, during the 1970's growth slowed in these countries, during the 1980's these countries collapsed. However, China avoided this collapse.

## Picture 3

Economic growth in different parts of the world followed different patterns. Latin America had low growth until the late 1990s. They followed a strategy of import substitution. The Asia Pacific region took an export oriented strategy and opened their economies to competition. Socialist countries stagnated. Western Europe caught up with the US before falling behind in the 1990s.



## Picture 4

End of the 1920's Great depression led to the breakdown of the world economy , trade fell, 2008 for different reasons we saw something similar happening with the global financial crisis that is still affecting countries around the world

## Picture 5

The oil crises of the 1970s resulted in obsolete old technology declining capital productivity redistribution of income and wealth and later triggered a debt crisis in developing countries.

## Picture 6

Since the 1980s there has been mounting concern about increased scarcity of environmental goods and the impact of people on the natural environment, depletion of the ozone layer, global warming overfishing and pollution of the worlds oceans. How can we create institutions to manage and protect the global environment and what role does trade play in this.

# Picture 7

Collapse of eastern Europe and the integration of China into the world economy the supply of labor has expanded massively, what are the consequences of this for trade and the global economy.

# A picture of my own

Rising oil prices in the mid-2000's and generous subsidies for bio-fuels led farmer's to substitute away from growing grain for food to growing grain for fuel (bio-fuels), The increased price of fuel drove up the costs of farming leading to reduced yields. Prices increased and a food shortage occurred in developing countries.

# Why do countries trade with each-other?

Why do countries trade with each other? In particular:

1. We want to show that trade is beneficial to the nation as a whole not just to importers and exporters
2. We want to show minimum conditions for the existence of trade

# Theories of International Trade

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- ▶ Ricardian model
- ▶ Heckscher-Ohlin-(Samuelson) Model
- ▶ Specific factors(Ricardo-Viner) model
- ▶ New Trade Theory (Imperfect competition and international trade)
- ▶ Melitz model (heterogeneous goods)
- ▶ Gravity models (more empirical)

# The End

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Thanks for listening!

