# Chapter 55
# Sustainable Rural Development in the Conditions of Trade Integration:
## From Challenges to Opportunities

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## ABSTRACT

*The chapter aims at overview of the main approaches to agricultural policies in developed and developing countries and investigation of perspective ways to ensure sustainable rural development in the conditions of liberalization of trade in agricultural commodities and food. The issues of sustainable rural development and main influences of trade liberalization are considered in the light of food security, alternative income opportunities in rural areas, and support of local identities. When analyzing the economic potential of rural areas, the following indicators are studied: natural conditions; assets; general characteristics of labor resources. Some of the indicators, used to be considered as secondary for economic results of agricultural activity, are also considered: living conditions in rural areas; demographic situation; rural social, cultural and leisure infrastructure; access of rural people to modern services of communication, transport, education, medicine, consumer services and other benefits, accustomed for urban citizens.*

## INTRODUCTION

According to the United Nations Environment Program (UNEP), by the year 2025, 83% of the global population (about 8.5 billion people) will be living in developing countries. Vast changes are required in macroeconomic policy in developing as well as developed countries, to satisfy the demands of this growing population for food and other agricultural commodities, as well as to create conditions for sustainable rural development. Rural areas have to meet this challenge, by increasing production in a sustainable way, maintaining and improving the capacity of the higher potential agricultural lands.

DOI: 10.4018/978-1-5225-7311-1.ch055

Interest in agricultural activities is rising worldwide. However, commodity price volatility, growing human and environmental pressures, and worries about food security threaten sustainability of agricultural production and rural development. In the contemporary conditions of liberalization of trade in agricultural commodities and food rural development is influenced by trade regimes, changing import tariffs, national agricultural policies, and state support of agricultural producers. Developed countries, primarily the USA and the EU, lay emphasis on implementation of a wide range of tools that affect competitiveness of domestic farmers and character of rural development directly and indirectly. Such policies support effective elimination of prices disparity and increase of farmers' incomes. Obviously, developing countries fail to ensure their sustainable rural development proportionally with the USA, the EU, and other developed states. Volumes of domestic support gained by farmers and rural people in developing countries are tenfold lower than in the developed states.

## BACKGROUND

Globalization has created unprecedented growth in global markets. Various researches demonstrate clear links between globalization, trade liberalization, and economic growth. Andersen and Babula (2008) discovered positive relationship between international trade and economic growth. As of Manni and Ibne Afzal (2012), liberalization policy improves export of a country, which leads to the higher economic growth. Parikh and Stirbu (2004) also conclude, that trade liberalization may promote growth from a supply (export) side through a more efficient allocation of resources while it may constrain growth from a demand (import) side.

However, the effects of trade liberalization and integration are different for developed and developing economies. There are two major reasons why liberalization of foreign trade activities and integration are beneficial for developing countries (Krugman, 1990). First reason is a narrow domestic market, since the demand growth in developing countries is usually constrained by low per capita incomes. In such a situation, a liberalized trade regime allows domestic producers to increase exports and expand their outlet area. While the first reason deals with increasing export opportunities, the second one is related to market access. It is an increase in welfare derived from an improved allocation of domestic resources (Manni & Ibne Afzal, 2012, p. 38). Removal of import restrictions through trade liberalization encourages a shift of resources from production of import substitutes to production of export-oriented goods. This, in turn, generates growth as a country adjusts to a new allocation of resources more in keeping with its comparative advantage (McCulloch, Winters, & Cirera, 2001).

While some of the researchers conclude that developing countries and economies in transition could benefit from liberalization, others find the opposite. Open trade regimes force greater reliance on the international market, which is not always good for "weaker" and less competitive developing countries and economies in transition. Many developing countries currently rely on export-oriented production as a mean of generating foreign exchange earnings with which to purchase manufactured goods and food products (Gonzalez, 2004, p. 423). As of Erokhin, Ivolga, and Heijman (2014), developing countries are to a far greater degree concerned that the major part of benefits of trade liberalization goes to the developed states. Kneller, Morgan, and Kanchanahatakij (2008) agree that there is a positive but small impact of trade liberalization on growth.

Greenaway, Morgan, and Wright (2002) find that liberalization affects growth, albeit with a lag. Their study of trade liberalization and growth in developing countries shows that liberalization may af-

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