

MARKETS AND GLOBALIZATION

International Food Policy Resource Institute

Theme-Markets and Globalization

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1. Introduction

Globalization and increased trade for developing countries in recent decades comprise the most distinctive feature of agri-food chains. Enhancing sustainable agricultural value chains and trade is crucial to reducing rural poverty, improving food security and nutrition, stimulating economic transformation, and fostering inclusive growth in India. With increasing market integration endeavors during the past decades, India has made notable progress in agricultural trade facilitation and value chain development that can contribute to better food security, nutrition, and growth outcomes. These improvements, however, are reaching a tipping point where India's market integration has been subpar because of: (1) dynamic and fast-changing trade and investment environment and rising globalization of the value chains with major outside partners; (2) market volatilities and turmoil brought by regional political tensions, pandemic shocks, ecological degradation, and climate change; and (3) the diverse range of situation regionally within India in a globalizing environment at varying development stages and heterogeneous endowments while uniformly experiencing dramatic demographic transition, urbanization, and dietary changes.

2. Sustainable agricultural value chains and trade

2.1 A call for a mechanism for India's Food system

A pathway forward and mechanism for India's food system is thus called for, including reducing trade barriers to increase market integration, promoting trade-induced and trade-led agricultural transformation. With globalization and trade there is need for inclusive value chains based on finely defined comparative advantage requiring institutional as well as technological innovations to enhance integration, and sustainability. With the increased and rising similarities of agricultural value chain driven trade to those in manufactures and services, a number of actions are critical to achieve the following goals: (1) increase India's share of intra-regional, supra-regional and global agricultural trade with a closer linkage and interdependence among domestic, regional and global value chains; (2) increase the harmonization of product standards and coordination of agriculture and trade-related policies including facilitation as well as knowledge sharing on trade flows with greater, neutral and timely trade information through digitalization and institutional innovations (farm registry and innovations on firm farm linkages) (3) increase domestic and cross-border logistic and infrastructure efficiency for a stronger trade-induced value chain integration taking into account the whole matrix of trade costs across all possible trade links; and (4) increase sustainability (planetary and public health) and resilience of the agri-food system with cascading trade, demographic, political and climate shocks.

2.1.1 Innovations and value chain development

In terms of innovations and value chain development, key tasks include : (1) increase benefits of

agricultural transformation and trade integration to less-developed areas in India as well as to the economically and nutritionally vulnerable population by gender, ethnicity and location; (2) increase more gainful and inclusive employment opportunities by leveraging innovative technologies such as digitization and targeted capacity building to engage disadvantaged and digital technology enabled actors among women and youth; and (3) increase the sustainability of value chains by designing appropriate incentive structures and repurposed policy supports to facilitate the adoption of sustainable practices both along and across value chains to incorporate small stakeholders and traditional sectors.

3. For discussion during the workshop

3.1 Innovations, incentive structures and policies

The discussion should focus on evidence on what types of innovations, incentive structures, and policies are most effective in creating more equitable sharing of income opportunities in growing agri-food value chains. Specifically:

1. To improve inclusive trade and market integration by quantifying the effects of trade barriers in its entirety taking actual and potential trade across all possible relationships into consideration.
2. To promote trade-induced value chain innovations with inclusive technology (digitization), institutions (e.g., inclusive contracting and certification systems), and cluster-based development of agri-food industries through risks and economic assessment.)
3. To improve input market function by identifying factors in trade that are bottlenecks (example mechanization) to assure the adoption of appropriate agricultural inputs.
4. To improve food safety and sustainable agri-food transformation by using more risk-based assessment for interventions; and
5. To pilot and assess the potential for and tradeoffs associated with the adoption of the identified innovations to scale using tailored solutions based on the political economy and political process

3.2 Synergy with SDGs

Achieving the UN Sustainable Development Goals requires widespread adoption of innovations and creation of commensurate incentive structure for food value chain actors from farm to fork. Both regional and global synergy and inter-regional cooperation are of significance for welfare gains for India. The following tasks comprise important component of the work-

1. Assess national level agricultural value chain and GVC integration
2. Identify key products and partners to visualize global value chains and spatial clusters
3. Reveal market integration impacts on value chain dynamics inclusive of both formal and informal trade links
4. Identify constraints and suggest policy improvements to address deficiencies and below potential functioning of the value chains
5. Assess poverty alleviation, rural transformation, inclusiveness, chemical use, microbiological and disaster risk reduction outcomes with new models of value chain development
6. Examine impacts of technological (e.g., digital agriculture) and institutional (e.g., inclusive contracting) innovations on value chain functioning
7. Distill lessons learnt on new product and partners margin from new successful innovative models elsewhere and promote wider use
8. Build the resilience and transformations for dealing with compounding shocks

9. Design trade facilitation strategies for improved functioning of input markets incorporating linkages with inputs and output markets and trade flows
10. Enhance inclusive and efficient value chains through the promotion of restructured value chains of key existing products and products which could emerge with reduced barriers
11. Understand and analyze interlinkages with output and input markets in value chain integration
12. Identify key barriers to India's agricultural technology adoption with a focus on cross-country comparison of knowledge-sharing systems
13. Enhance regional exchange and capacity building on risk assessment and risk communication incorporating the burden of trade costs in terms for nonurgent trade flows.

4. Outputs

Based on the group discussion consolidated inputs will be provided in possible development of a Food Systems strategy for India.