



# Trade Flow Analysis in India, Nepal, and Sri Lanka: Research Highlights and Lessons

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At the 'National Training on Agricultural Trade Policy Analysis'

(Co-organized by RIS in collaboration with CRRID, PRCI, and IFPRI)

Sept 29, 2022



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FOOD SECURITY POLICY RESEARCH,  
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## KEY AREAS OF PRESENTATION

- Overview of the Feed the Future Innovation Lab on Policy, Research, Capacity, and Influence (PRCI)
- Introduction to the Trade flow analysis research
- Key Findings and Lessons for research priorities



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# FEED THE FUTURE INNOVATION LAB ON POLICY, RESEARCH, CAPACITY, AND INFLUENCE (PRCI)

- An innovation lab supported by USAID's Bureau for Resilience and Food Security (RFS)
- Focus on conducting food security research and building capacity to inform policy-making
- A partnership with local policy research institutes in Africa and Asia to deliver on their vision to conduct high quality food security research that influences the food security policy debate



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# PROGRAMMATIC ELEMENTS

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Competitive Selection of Centers  
for Trade Policy Leadership

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Active Mentoring of Researchers  
and policy analysts

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Annual Research Conferences and  
training activities

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Creation and Strengthening of  
Partnerships and Networks



## EXPECTED OUTCOMES FROM TRADE ANALYSIS

- Local Centers' capacity is strengthened around self-defined priorities
- Strong links are created between global and regional/national research priorities
- Decision makers at local, regional, and global level demand more empirical research as an input into their decision making
- Improved policies and programs generate sustained and inclusive agricultural and rural transformation



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## HOW DO WE ACHIEVE TRADE OUTCOMES?

**Co-create:** Consultative approach and networking at the regional and national levels

**Excel:** Institutional capacity strengthening and policy research in trade policies

**Integrate:** Joint product approach and unified research programs with national and implementation institutions

**Customize:** Develop your own research and capacity priorities for trade policy analysis



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# PRCI LEAD CENTERS AND COUNTRY PARTNERS

## Lead Centers

- ❖ South-East Asia: Kasetsart University (Thailand)
- ❖ South Asia: Research and Information System for Developing Countries (India)

## Country Partners

- ❖ South-East Asia: Cambodia Development Resource Institute (Cambodia), Institute for Industry and Commerce (Laos)
- ❖ South Asia: Institute for Integrated Development Studies (Nepal), Institute of Policy Studies of Sri Lanka (Sri Lanka)



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# RESEARCH, CAPACITY AND INFLUENCE PROCESS

- **Strengthening trade policy research, data, and analytical capacity** of researchers from lead centers and partner institutions in South Asia (India, Nepal, and Sri Lanka) and South-East Asia (Cambodia, Laos, and Thailand)
- **Conducting multi-stakeholder engagements** through policy and research dissemination workshops to identify gaps and policy priorities
- **Creating sustainable impact by strengthening the capacity of a lead center** to conduct training workshops on topics for which they were trained under PRCI
- Resulted in multiplier effects in the region





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## NEPAL TRADE FLOW ANALYSIS (KEY FINDINGS)

- Focus on agri-food products
- Uses the BACI International Trade Database at the Product-Level
- Dataset at Harmonized System (HS) code 4
- Sample period was between 1998 and 2018.
- Nepal is part of several regional trade integration frameworks (eg. SAARC, BIMSTEC) and has signed several bilateral treaties



## NEPAL . . . .

- But **inadequate compliance** with international standards,
- Poor **trade infrastructure**,
- High **transaction cost, and bureaucratic hurdles**
- Nepal's export potential in both agro and non-agro products not exploited
- Barriers such as **free movement of capital**
- **Harmonization of standards** have also limited trade with partner countries



# NEPAL TRADE FLOW ANALYSIS (KEY FINDINGS)

- While exports have largely remained poor, there has been **steep increase in the imports**
- **Likely causes are a rise in remittances**, that form a major part of over half of Nepali households
- **increasing reliance on foreign goods** for meeting basic necessities caused by dismal domestic outlay
- **Poor export performance** has been exacerbated by supply side constraints such as inhospitable business environment, infrastructure bottleneck, and unreliable utilities such as water and electricity



## NEPAL TRADE FLOW ANALYSIS (RECOMMENDATIONS)

Three policy recommendations that would help Nepal boost exports of agro-products:

- Nepal needs to formulate policies that enable Nepali agro firms align with global value chains through promoting foreign investment in agriculture sector, including offering an environment where benefits of technology transfer can be absorbed
- Second, it needs to invest in both hard (integrated port, roads, metrology, among others) and soft (treaties, agreements, custom integration, among others) infrastructure
- Third, it must improve the business environment by addressing bureaucratic hurdles and lowering transaction costs through liberalizing tariffs on agriculture equipment, improving access to credit and sharing information on the trade preferences to exporters



## **SRI LANKA TRADE FLOW ANALYSIS (KEY FINDINGS)**

- **Analyzed the growth of Sri Lanka's agricultural trade** while examining its position in the world's agriculture trade using existing trade data and the BACI database
- **Sri Lanka is susceptible to external and internal shocks** as it is highly dependent on external. With COVID-19 situation, most of the food value chains were disrupted, and the existing trade patterns were changed



## SRI LANKA TRADE FLOW ANALYSIS (KEY FINDINGS)

- The share of agriculture exports from total exports of Sri Lanka has fluctuated over time
- The top agricultural import commodities included wheat, milk and cream, cane and beet sugar, vegetables, rice, palm oil, etc. in the period 2008-2018
- The leading export agricultural commodity include tea, cinnamon, and fish
- There is untapped export potential to the existing export destinations and other emerging markets for main 3 export commodities



## SRI LANKA TRADE FLOW ANALYSIS (RECOMMENDATIONS)

- The government should take the **trade flows** into consideration
- Going for **an emergency trade measure** during a shock
- **Policy strategies** should be initiated to tap these untapped export potentials



## **SRI LANKA TRADE FLOW ANALYSIS (RECOMMENDATIONS)**

- **Export marketing strategies** should be updated and improved catering the current trends of the markets adopting digital marketing strategies such as block chain method
- Export marketing strategies should **give a special consideration on blue ocean strategy** which is the technique used to target less competitive export partners in an era where the competition is very high
- **Product diversification and adopting modern technologies in manufacturing process** should be given the major consideration in export-oriented policies of the country





## **AGRICULTURAL TRADE IN THE BIMSTEC REGION (KEY FINDINGS)**

- Agrifood trade – nature of trade
- Country as unit of trade
- Firm as a unit of analysis
- How to bring the barriers – tariff and non-tariff barriers
- Real barriers – time cost trust – food safety as part of international trading arranging



## **AGRICULTURAL TRADE IN THE BIMSTEC REGION (KEY FINDINGS)**

- BIMSTEC - ASAEN secretariat
- Accelerating the trade in Asia
- Facilitating trade policies regionally
- Framework for facilitating trade
- What practical interventions needed
- Networks for taking it forward
- Need a few specific set of policies



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## **AGRICULTURAL TRADE IN THE BIMSTEC REGION (KEY FINDINGS)**

- Trade patterns
- Trade potentials
- Target areas – trade zones
- Focus on intra-ASEAN intra-BIMSTEC-trade
- Vietnam – higher value proposition



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## **AGRICULTURAL TRADE IN THE BIMSTEC REGION (KEY FINDINGS)**

- Capacity at the policy level
- Organizational level
- Human resources – policy analysis skills
- China Ministry of agriculture and rural affairs
- Alibaba – massive trade expansion
- Learning from the business side of trade



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## **AGRICULTURAL TRADE IN THE BIMSTEC REGION (KEY FINDINGS)**

- **Within regional** trade
- **Nature of trade** has to be studied
- **Product differentiation** is key
- **Landscape** of trade policies
- Reengaging the **networks** in the region



## AGRICULTURAL TRADE IN THE BIMSTEC REGION (RECOMMENDATIONS)

- Increase the **competitiveness**
- Build on the experience of the regional countries
- Effective **coordinating mechanism** needed
- 2 pathways
- Intelligence tools provide regular interaction –  
**research-driven approach**
- To convince policymakers
- Start from the **specific case** – leverage from the  
specific case



## AGRICULTURAL TRADE IN THE BIMSTEC REGION (RECOMMENDATIONS)

- Look at the intervention packages
- Trade Vs **food safety** standards
- Standing in isolation
- Animal diseases – **trade barriers**
- Managing **pest / diseases**
- **Climate** neutrality
- Certification of **low carbon footprint**



# SRI LANKA TRADE FLOW ANALYSIS (RECOMMENDATIONS)

- Small and medium enterprises
- Scope and analysis
- Engage with ASEAN states
- Going beyond BIMSTEC region
- What is needed – increase intra-regional – international trade
- Beyond policymakers and business – farmers and farmer groups
- Trust issues – tracking – blockchain technology
- Traceability and food safety
- Have an opportunity to work to build on the opportunity to go beyond analysis to meet the needs of the policymakers