

Understanding the Dynamics of Informal Cross-border Trade in Agricultural Products in Eastern South Asia

Friday, August 4, 2017

Seminar Hall 2&3, India International Centre, Max Mueller Marg, New Delhi

Background Note

Objectives

1. To present key findings of the diagnostic study on informal cross-border trade in agricultural inputs across the borders of India-Bangladesh and India-Nepal, and its impact on livelihoods of local farmers
2. To propose policy reforms on informal cross-border trade in agricultural inputs in the Eastern South Asia region

Background and Context

Eastern South Asia shares deep-rooted history, culture and economic ties, but the political boundaries between India, Bangladesh and Nepal, have divided the region into different countries. Though, these political boundaries have created hurdles to transact, they do not affect the flow of resources and people across the borders. Due to these hurdles, for easy flow of resources, informal channels to trade are adopted. This informal sector is that part of the economy that is neither taxed, nor monitored by the government. In order to understand the informal nature of cross-border trade, its extent and its impact on the local economy of the region, CUTS International undertook a study “Linkages and Impact of Cross-border Informal Trade in Agricultural Input Commodities in Eastern South Asia”.

The limited literature on informal cross-border trade provides high tariffs and non-tariff barriers as main drivers, which are said to be addressed by implementing bilateral or regional free trade agreements. However, the three countries under the study already have these arrangements and despite them, there is huge informal cross-border trade. Also, there exists no data on informal cross-border trade in agricultural inputs, which is influenced by an entirely different set of drivers.

To understand these drivers of informal cross-border trade in agricultural inputs, CUTS along with its partners: Unnayan Shamannay in Bangladesh and South Asia Watch on International Trade, Economics and Environment in Nepal, carried out an extensive fieldwork at selected locations in border areas of India, Bangladesh and Nepal. This meeting is to present the survey findings and seeking feedback from the subject experts. It is expected from the meeting to figure out benefits and/or challenges of formalisation of cross-border informal trade in agricultural inputs, which can eventually enhance economic and social welfare for the farmers and the local economy.