

## **Stakeholder Consultation**

# **Linkages and Impacts of Cross-Border Informal Trade in Agricultural Inputs in Eastern South Asia**

organized by

**South Asia Watch on Trade, Economics and Environment (SAWTEE)**

**in association with**

**CUTS International**

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Maya Manor Boutique Hotel, Hattisar

## **Programme Report**

South Asia Watch on Trade, Economics and Environment (SAWTEE) organized the programme in association with a Jaipur-based think-tank, CUTS International organised a programme to share the findings of a study “Linkages and impacts of cross-border informal trade in agricultural inputs between Nepal and India” on 2 May, 2017 in Kathmandu.

Under the project, a study was conducted to explore the extent of informal cross-border trade in agricultural inputs across specific locations along the India-Nepal border and figure out the impact and drivers of such informal trade.

The major finding of the study is that Nepali farmers are dependent on informal trade to meet their requirement of seeds, chemical fertilizers and agriculture machineries. Presenting the findings, Ms. Dikshya Singh, Research Officer at SAWTEE, pointed out lack of timely and reliable availability of fertilizers is the major reason for farmers in these border areas to buy fertilizers from across the border. Moreover, difference in price, almost 20 per cent less in India than in Nepal due to Indian government’s subsidy, seem to be prompting Nepali farmers to buy fertilizer from India, she added. Likewise, study also found that farmers are buying restricted Indian varieties due to better productivity of those varieties.

While presenting the scenario at the Indian side, Mr. Suvayan Neogi, Research Associate at CUTS International pointed out that the Indian farmers at the border buy wheat seeds from Nepal in the similar manner due to Nepali seeds better productivity.

During the programme, experts emphasized the need for providing timely inputs such as seeds and fertilizers to farmers so that their informal trade could be minimized at the Nepal-India border, during an interaction organised here today.

Speaking during the programme, Dr. Yogendra Kumar Karki, Joint Secretary, Ministry of Agriculture Development explained that the biggest cause of informal trade is the gap between what is needed and what can be provided by the government, especially in the case of fertilizers. He also acknowledged the procedural hassles related to approving and registering new seed varieties that have encouraged the farmers to buy unregistered seeds from across border, which at times result in bad harvest. Dr. Karki further said that the government is willing to provide monetary support to private companies willing to produce agri-tools and equipment.

Similarly, Mr. Rabi Shankar Sainju, Joint Secretary at the Ministry of Commerce added that the policies to curb informal trade exist but the institutionalization of those policies is weak resulting in their implementation difficult. He pointed out that the most suitable way to formalize the informal trade at borders could be organizing border *haats* where farmers and traders from both sides could buy and sell necessary items up to certain volume. He further said that the Department of Customs is expediting the process of implementation of the single window system which will coordinate with about 64 government institutions to smoothen the border trade.

Mr. Purushottam Ojha, Former Commerce Secretary emphasized that Sanitary and Phytosanitary (SPS) measures are important as poor quality seeds have the potential to destroy the harvest of a whole village. Therefore, it is necessary to strengthen SPS measures and harmonize it with India so that it does not deter formal trade. He further added that the non-tariff barriers to trade is a culprit that contributes substantially to informalization of Nepal-India trade.

Dr. Posh Raj Pandey, Executive Chairman of SAWTEE was of the view that trade facilitation in frontier trade, separate from international trade, and differentiating procedural requirements for agricultural products can reduce informal trade at border areas. He proposed the formation of an autonomous Standards Authority to oversee the SPS and technical-barriers to trade (TBT) related matters to facilitate the seamless trade which shall help formalize our trade with India. He further said that it will be wise to improve our agriculture productivity than to increase agriculture subsidy as Nepal do not have resources to provide agriculture subsidy at par with India.

Participants of the programme pointed out the need to regulate the amount of pesticides and other similar agro-chemical that enters Nepal in informal manner. The need to educate farmers on the health hazards of fertilizers was also emphasized.

The programme saw the participation from about 30 persons including representatives of state-backed agriculture inputs supplier, seed regulatory authority, farmers and consumer associations, media and the private sector.