

Border Haats between India and Bangladesh as a tool to reduce informal cross-border trade between the two countries

Background and Context

Since early ages, the countries of South and Southeast Asia have had cultural, linguistic and trade links. However, significant political developments in the region during the past few decades had a negative impact on these ties. Cross-border trade and other engagements suffered due to growing mistrust among the member countries. While the region remained one of the prime geo-strategic areas globally and became a much sought-after market owing to its demographic dividends, it also became home to large percentage of poor and destitute population.

Let's take an example of India and Bangladesh. The countries share 4100 kilometres of international border. Bangladesh remains India's biggest trade partner in South Asia; and ranks 26th among all of the Indian trading partners. Several studies have noted that owing to large border, the volume of informal cross-border trade especially in agricultural items between the two countries is significant and at times higher than the formal trade. This is majorly a by-product of poverty and illiteracy that exist in most of the border regions, especially those located in the remote areas. Studies have revealed inhabitants living along the border areas of the two countries are mostly unaware of the systems and processes of formal trade. This has been considered as one of the major hindrances to their economic progress.

There are several reasons that encourage cross-border agricultural trade between India and Bangladesh. For instance, India provides heavy agricultural input subsidies to domestic buyers. This often results in significant price differential between the same inputs in India and Bangladesh. Farmers staying at the border areas may take

advantage of this price arbitrage and participate in cross-border informal trade to make extra profits. In this context, it needs to be noted that most farmers in the border areas are small or marginalised with small land holdings. They often suffer from extreme poverty which encourages them to join cross-border informal trade practices, without being aware of the losses they cause to their governments, quarantine and related issues, etc. It is also important to note that informal cross-border trade has positively contributed to the socio-economic transformation of some of economic agents (farmers and traders) in the border areas, which cannot be ignored. Moreover, informal trade is quite often the instrument for economic progress of women due to the simpler laws and procedures.

Both India and Bangladesh have made considerable efforts to channelise the informal cross-border trade to formal trade. Arrangements such as border haats are considered as good way to tackle the problem of informal trade. These arrangements offer simplified cross-border economic transaction opportunities to the marginalised inhabitants, including women, residing along the border areas and hence can replace informal cross-border trade to a large extent.

The significance of the border haat model also increases given the recent negotiations between India and its neighbours to increase people to people contact and bring more openness to cross-border activities. The already established border haats (local markets) along the India-Bangladesh border have shown a lot of promise towards building trust and higher trade openness.

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A recent CUTS study revealed the positive impact of border haats on the border community in Tura, Meghalaya. According to the study with the advent of the border haats informal cross-border trade surrounding the region declined. Many previous informal traders transformed into formal vendors at Kalaichar. This gave much needed economic boost to the border area development.

With the four operating border haats along the Indo-Bangladesh Border registering almost INR 17 crores businesses in five years, the future looks bright. With many more border haats proposed along the India-Bangladesh border, it is expected to have a significant positive impact on livelihood and socio-economic development of the Indo-Bangla border.

Given this background, this project proposes to provide gender-inclusive evidence to support the agreement on trade facilitation by establishing border haats as a tool to reduce informal cross border trade between both the countries.

Objectives & Purposes

The main aim of this project is to improve livelihoods prospects of people, particularly women, living near the border areas of India and Bangladesh through the establishment of border haats as tool to reduce informal cross-border trade.

The project objectives are as follows:

- To collect gender-inclusive evidence including case studies to study the prospects of establishing border haats as a tool to reduce informal cross-border trade between India and Bangladesh.
- To create awareness and generate consensus on the prospects of establishing border haats as a tool to reduce informal cross-border trade between India and Bangladesh.

Activities

This project is expected to be completed in 24 months (October 2018 to September 2020). This will be carried out with different activities in both the countries. All activities will be undertaken by CUTS in partnership with Unnayan Shamannay,

Dhaka. It will encompass all the activities in two phases – (1) field-based research; and (2) creating awareness and generating consensus.

The project aims to contribute to the first objective (i.e. to collect gender-inclusive evidence including case studies) via multiple research activities and by producing relevant research outputs. These are noted in sections given below:

- Formation of Project Advisory Committee (PAC) and State Level Mentors (SLM) comprising of around four key experts who will guide the designing, planning and implementation of the project. PAC members will be from Bangladesh - experts in the thematic area with a focus on border haats and informal cross-border trade and/or India-Bangladesh trade relations, similarly two will be from India. The PAC members will contribute small thematic viewpoint papers on prospects of establishing border haats as a tool to reduce informal cross-border trade of agricultural commodities between India and Bangladesh.
- Project inception meeting and exposure visit of one border haat in Agartala, Tripura with its partner from Bangladesh. The meeting is estimated to be a full-day event with participation from project partner and the PAC, SLM and other relevant stakeholders from different government departments.
- Undertaking scoping visits in around 4-8 locations of border areas of India and Bangladesh after extensive secondary literature review and desk research. An exhaustive critical review of current and relevant literature on formal and informal cross-border trade between India and Bangladesh will be conducted to develop better understanding of the issue and to identify the research gaps.
- Conducting questionnaire-based field surveys at the selected border locations to capture the drivers, gender dimensions, economic prospects, impact on livelihood, etc. of informal cross-border trade between India and Bangladesh to understand the prospects of establishing border haats.

- Come out with specific survey report, aimed at specific awareness initiatives for the following months. This report will comprise of an analysis of the drivers, direction and nature of informal trade in agricultural products, impacts on livelihoods of marginal economic agents associated with farming and gender dimensions and prospects of establishing border haats. Two policy briefs will be produced to highlight cross-border-specific policy issues that will facilitate the establishment of border haats as a tool to reduce informal cross-border trade between India and Bangladesh.
- Conduct series of awareness generation and stakeholder consultation meetings at all the locations where field work is supposed to be conducted.
- Organising a one-day meeting each in India and Bangladesh, to present the findings from the study and also is aimed at creating policy awareness and consensus among the diverse set of national level and state-level government and non-government stakeholders about the prospects of establishing border haats as a tool to reduce informal cross-border trade between India and Bangladesh.
- Exposure visits to create awareness among various stakeholders about the prospects of establishing border haats as a tool to reduce informal cross-border trade.
- A consolidated research report with the project findings from the scoping visits, field

surveys, grassroots meetings, and stakeholder consultations. This report will categorise country-specific policy recommendations about the prospects of establishing border haats as a tool to reduce informal cross-border trade between India and Bangladesh.

- Organising a one-day dialogue in New Delhi to present the research report among the larger group of stakeholders from India and Bangladesh.
- Monitoring an evaluation team will carry out project deliverable monitoring throughout the project duration. At the conclusion of the project, CUTS will undertake an evaluation to compile the monitoring and evaluation (M&E) report.

Expected Outcomes

The project is expected to achieve the following outcomes:

- Provide cross-border specific and gender-inclusive evidence on the prospects of establishing border haats/border markets as a tool to reduce informal cross-border trade between India and Bangladesh.
- Create awareness and generate consensus on the prospects of establishing border haats/border markets as a tool to reduce informal cross-border trade between India and Bangladesh among a diverse set of stakeholders including female traders.