

Border Haats as Centres for Exchange of Agricultural Inputs, Ideas and Practices

Sudhir Chandra Nath*

Border haats are rough and ready markets organised on a specific day of the week for a specific duration. No tax or customs duties are levied on the products bought or sold through the border haats. Presently, there are four operational border and six sanctioned border haats along the India-Bangladesh border. These border haats are located in distant locations that are not well connected with urban centres. Agriculture is the mainstay of a majority of the villagers residing in the vicinity of the border haats.

Various studies underline that significant trade in agricultural inputs happens between the two countries through informal channels. A study by CUTS established that these border haats not only had a positive impact on the lives and livelihood of the border communities but were also instrumental in reducing informal trade.

This Briefing Paper argues that the benefits from border haats could be further upscaled if farmers residing on either side of the border are allowed to exchange various agricultural inputs and associated knowledge on agricultural practices through the border haats.

Introduction

In 2010, the prime ministers of Bangladesh and India signed a comprehensive framework agreement covering a range of issues, one of which was a memorandum of understanding (MoU) to promote cross-border trade and cooperation through the establishment of border haats.¹

Subsequently, four border haats were established along the India-Bangladesh border. Following a revision of the MoU in April 2017 (an addendum had been signed in 2012), Governments of both India and Bangladesh decided to open six more border haats. These steps expanded the scope for trade and economic activities for the border communities residing close to the border haats.²

¹Head of Business, Advanced Chemical Industries Limited, Dhaka

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The border haat initiative recognised and re-established the long-standing people-to-people ties in this sub-region, where well-established demand and supply structures had been severed, following the partition of Bengal.

The initiative also sought to reduce informal trade by diverting such trade to formal channels and by doing so it reduced smuggling and associated unlawful and disruptive activities in the relevant border areas. This undoubtedly promoted goodwill among the bordering communities and reinforced people-to-people connect in the region.

Also, the initiative sought to provide market avenues to the border communities residing in less developed and sometimes remote border regions. On all counts, the venture proved to be successful.

About Border Haats, some examples

Border trade is often defined as trade destined for markets within five kms of the border and usually involves nonstandard channels, that is, not through the Land Customs Stations (LCS), often in small quantities rather than in bulk.

Border markets exist throughout the developing and developed world. The markets range widely in scale and ambition and are based on unique local realities and supporting policies. Some of the big national, regional and international bazaars in Central Asia, which have a centuries-old tradition of bazaars, are now complemented by a sophisticated logistics infrastructure and are akin to shopping malls in industrialised countries.

Khorgos bazaar, a market at the China-Kazakhstan border, was once an important stop along the Silk Road. It was considered a showcase of border trade in Central Asia, characterised by the

document-free movement of traders and the duty-free movement of goods and services. The World Bank (2007) documents that 1,300 Kazakh traders – 46 per cent of whom are women – cross into China, daily, to purchase goods to be resold back in Kazakhstan.

Imports from China not exceeding 50 kilograms by weight and \$1,000 by value are allowed into Kazakhstan, duty-free. If the traders wish to import more, up to 10 tonnes of agricultural goods and up to two tonnes of industrial products, both not exceeding \$10,000 in value are permitted to do so on a flat-rate duty of 17 per cent. The market and its ancillary services offer employment to 30 per cent of the active population in the Kazakh border town of Jarkent (Kaminski and Mitra 2012).

The area has become a free trade zone – The Khorgos International Centre for Boundary Cooperation – and has been operationalised since December 2011. However, this expansion met with mixed reviews (Shepard 2016; Trilling 2014).

Amidst isolated farming communities at the Indonesia-Malaysia border, the small Malaysian town of Serikin has developed into a weekend hub of semiformal trade, where more than 180 traders, mostly from Indonesia, sell their wares (Awang et al. 2013), mostly garments and fabric, food and beverages, furniture and handicrafts, and electrical and household goods, all priced relatively cheap, but higher compared to their home country.

The traders feel that Serikin offers secure business opportunities and easy cross-border procedures. Locals have benefited by supplying the traders, services such as rentals of stalls, parking places at homes, and storage space. Ancillary services have sprung up, including room stays, hostels and restaurants as traders are allowed to



stay over weekends. Monthly profits from these services are high.

An individual renting business space could earn as much as US\$500 a month, while a restaurant owner could make as much as US\$210 per month. Other than selling products, the Indonesian traders also buy various items for domestic consumption. Toilets and bathing areas behind the shops are offered on a pay-per-use basis and the local municipality charges from each stall a nominal fee for cleaning up.

Some of the products purchased in Serikin are also sold by Malaysian women in their local markets. Thus, while the Indonesians trade in goods, the Malaysians trade largely in services.³

In contrast, cross-border trade in the Great Lakes Region in Africa is largely informal, hazardous, and micro in scale (Brenton et al. 2011). At some border crossing points (for example, Goma, in the Democratic Republic of Congo–Gisenyi, Rwanda), formal trade takes place along the “grand” barrier at a formal border crossing point.

Informal cross-border trade flows through the “petty” barrier alongside the grand barrier.

Informal traders, mostly women, carry basic foods and commodities through the petty barrier. Informal crossings reportedly involve a great deal of harassment and extortion.

In South Asia, there are border markets in areas where the border is either hard (Bangladesh-India and India-Pakistan) or, or is *de facto* - open (Bhutan-India and India-Myanmar). Border trade in South Asia reconnects communities that share a common culture and who historically traded with each other before the border demarcations and enforcements severed traditional ties.

For example, traditional tribes in northeast India’s Mizoram state live in India and Myanmar. They continue to trade informally along the 400-kilometer open border or at the one formal border crossing point in Zokhawthar, near Champhai (RIS 2011).

Border trade between India and Myanmar is allowed on 40 types of products at 5 per cent duty, as initially determined by the Border Trade Agreement of 1994. A great deal of informal trade and smuggling continue to take place along the entire open border between Myanmar and northeast India (De and Majumdar 2014).

Recognising traditional trade links and responding to the demands of communities and political leaders in Mizoram state, the governments have allowed visa-free movement of people within 16 kilometers of the border and for 72 hours. There are demands to return to the freer regime of 60 kilometers and 60 days (Kashyap 2017).

However, the free passage of people is not always feasible along the border and crossing points in South Asia because of problems ranging from insurgency to smuggling and illegal migration.

Bilateral Trade Scenario of India-Bangladesh

Bangladesh is India's most important trading partner in South Asia. Trade and commercial ties between the two countries have witnessed tremendous growth over the last few years with bilateral trade growing more than three times to US\$9.5bn in 2017-18, from US\$3.11bn in 2008-09. Bangladesh imports from India, products valued at US\$8.62bn whereas its exports to India products valued at US\$873.27mn.

Major imported products from India include Raw Cotton, Yarn and Fabric, Cereals, Vehicles, Machinery, Boilers and Equipment, Residues and Waste, Edible Vegetable, Electrical Machinery, Iron and Steel, Plastics and Plastic Goods, Organic Chemicals among others.

Major products exported by Bangladesh to India include Readymade Garments, Jute and Jute Goods, Animal or Vegetable Fats and Oils, Rags and Other Clothing, Lead and Lead Goods, Fish and Crustaceans, Beverages, Spirits and Vinegar, Copper and Copper Goods, Plastics & Plastic Goods among others.⁴

Informal Trade Scenario of India-Bangladesh

Apart from trade through formal channels, significant trade in agricultural items takes place through various informal channels. The majority among them include seed varieties of rice, jute, pulses, other vegetables and spices like tomato and onion, fresh vegetables, betel nuts, seasonal fruits such as mango, banana, apple and guava. Informal trade also includes spices like fresh onion, turmeric and ginger. Some of the other food items traded through informal channels are sugar and salt.⁵

Additionally, various agricultural inputs like pesticides, fertiliser, animal feed, fish feed, animal and fish vaccines are also traded through informal channels. Demand for Bangladeshi seeds for Bitter gourd, Cauliflower, Cucumber, Turai (Jhinga) and herbicide is significant. According to the farmers, seeds and herbicides in India are costlier whereas the productivity or quality is not at par with the seeds or herbicides of Bangladeshi origin⁶.



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As a result, Indian farmers buy these items informally from their Bangladeshi counterparts.

India-Bangladesh Border Haat

As of date, Bangladesh-India has four border haats that operate once a week. Total Bangladesh-India trade reached US\$6.8bn (₹44,294 crore or Rs 442.9 billion) in 2015-16. The total trade at each haat is estimated by the state governments to be around US\$600,000 (₹4 crore or ₹40 million) a year.

Even if the purchase limit at the haats was doubled to US\$200, the number of days of operation raised to two days a week and many more haats, say 50, were established along the border, these markets could generate a total trade of US\$120mn (₹800 crore or ₹8 billion) a year, which would still only be slightly more than 1 per cent of the total formal trade between Bangladesh and India.⁷

Border haats have also created earning opportunities for the vendees who buy the products from the haats and sell them in the local markets and thereby manage to earn some profit. These border haats are not only instrumental in boosting trade but also in generating livelihood opportunities for the residents of the area.

Border haats have, therefore, directly impacted income generation opportunities for all the participating stakeholders, such as vendors, transporters, labours, service providers and even vendees.

Border haats have not only created livelihood opportunities for the people residing in remote border areas but also for these residents to avail of

necessary goods at reasonable prices. Additionally, border haats have also been instrumental in reducing informal and illegal trade.

One must also consider that the border haats have created a platform where women can participate in the trade that takes place on the haat days. However, there is scope for increasing women's participation through the border haats.⁸

Additionally, the haats have become centres for people-to-people connect where friends and family members can meet, connect and socialise without having to go through cumbersome passport or immigration formalities.

Facilitating Cross-Border Exchange in Agriculture

Given the various commonalities in terms of food habits and agricultural practices, the border haats could play an important role as centres of exchange not only for agricultural products but also in respect of agricultural technologies and practices.

Exchange of Food Commodity

Border haat can provide a platform where farmers from both India and Bangladesh, residing in the vicinity of the haats can exchange their surplus production of agricultural and horticulture products. Some of the important commodities could be rice, wheat, pulses, spices and vegetables.

Exchange of Agro Inputs

Border haats can provide a platform for the exchange of various agricultural inputs like – seeds, pesticides, fertilisers and herbicides. Exchange of these inputs through formal channels requires fulfillment of some sanitary and phyto-sanitary obligations. To bypass these often cumbersome



and time-consuming processes involved in the formal channels, these agriculture inputs are traded through informal channels and often in significant volumes.

Allowing trade in these products via the border haats could lead to a significant decline in the volumes traded through informal channels. However, this would require putting in place appropriate measures to ensure biosafety. In this regard, the governments in both India and Bangladesh could mutually prepare a list of agricultural inputs having appropriate certifications/licences related to biosafety.

Access to Agricultural Implements

The border haats are generally located at border points that have limited connectivity with their nearest urban centres/markets. As a result, for people residing in remote border locations, they either do not get access to the improved agricultural implements or they have to pay amounts higher than the market price (which also involves the carrying cost) for purchasing the implements.

If allowed, the border communities could get access to various agricultural implements from their neighboring countries through border haats.

Additionally, when it comes to after-sales service, it becomes easier to get the required service from across the border, rather than getting it from distant urban centres.

Benefits from Trade in Agriculture

Understanding Demand Complementarities of Agri-inputs

A detailed market study needs to be undertaken to take stock of the demand and supply gap in specific agricultural inputs in the border villages. This will help in identifying, which agri inputs have high demand (and short supply) in the border villages and explore how the two countries can complement each other in addressing the demand-supply gap.

Promote Rural Entrepreneurship

It is imperative to create rural entrepreneurs who would be involved in the trade of agricultural inputs and implements. Agriculture is a diverse subject where every seed has a unique production technology. This underlines the need for imparting proper training among the rural entrepreneurs on agro-inputs.

This, in turn, can ensure quality service and support to the rural communities, especially farmers. Every seed has a production technology so, proper training is important for purpose of ensuring production.

Promoting Private Sector Engagement

Private sectors (especially in the production and marketing of seeds, fertilisers, pesticides and herbicides) in both countries are working towards promoting good quality agricultural inputs in the rural areas. The private sector in both countries can help in sustaining trade in agri inputs through border haats by giving product distributorship to rural entrepreneurs and supplying the products that have significant demand on the other side of the border.

This will help the rural entrepreneurs in getting the required product from the company at the dealer's price and help the entrepreneurs earn a profit margin on the products sold through the border haats.

Policy and Regulations

There is a need to put in place appropriate regulations to ensure biosafety coupled with approval for the sale of select agricultural inputs, including seeds, through the border haats. Besides, appropriate precautionary steps like certification and licensing need to be worked out to allow trade in only genuine agri inputs through the border haats.

Creating Awareness

The need for creating awareness of new agri inputs would have to be created among the farmers residing on either side of the border. Before an Indian/Bangladeshi farmer buys and uses an agri input of Bangladeshi/Indian origin respectively, the

farmer should be well aware of the ways to use them to avoid any crop loss.

The border haats could play an important role in this regard. On haat days, small awareness generation meetings could be organised at the haat premises, which will help in such cross-border sharing of knowledge on agricultural products and related practices.

Additionally, such knowledge exchange should not be limited only to the farmers but also disseminated among the respective agricultural extension officers so that they could promptly respond to any unintended crop diseases and/or pest attack.

Monitoring and Record-keeping

Agriculture is technology. Technological exchange is a sensitive issue for both countries. Monitoring and record-keeping especially for seed exchange can ensure the traceability of products, which is especially significant from biosafety.

Conclusion

Border haats might evolve into business hubs and serve as centres for agro-input and technology exchange where government and private organisations can play vital roles to facilitate cross-border exchange of not only agricultural produce

Border haat can provide a platform where farmers from both India and Bangladesh, residing in the vicinity of the haats can exchange their surplus production of agricultural and horticulture products

The border haats are not only instrumental in boosting trade but also in generating livelihood opportunities

but also agricultural implements, agricultural inputs and knowledge on agricultural practices.

It can have a positive cascading effect by not only exposing farmers to newer and better inputs and practices but also in promoting rural entrepreneurship, leading to further creation of better income and livelihood opportunities, not to mention the impact this can have in reducing informal trade in agricultural inputs.

Informal trade in agricultural inputs *viz.* seeds, fertilisers, pesticide and herbicides are rampant along border villages in India and Bangladesh, irrespective of the level of security at the borders. At times, such trade could lead to adverse results. The wheat blast⁹ is one of the best examples in this regard. Trading of agri inputs through informal channels leads to a loss in the traceability of an input.

A careful selection of plant species and other agricultural inputs for trade through the border haats could play an instrumental role in not only ensuring traceability of the product but also act as an incentive to various stakeholders to switch to formal channels that are less risky.

Additionally, this could also help in creating and also strengthening value chains among border villages in India and Bangladesh, where, seed and associated inputs could be supplied by one country, the crop being produced in another country and sent back again to the host country for post-harvest processing and marketing.

The creation of such cross-border dependencies is imperative for creating prosperous borders, which can go a long way in creating co-prosperity zones and facilitate better border management.

Endnotes

- 1 A haat is a local market that enables small-volume trading among communities.
- 2 Kathuria, Sanjay. 2018. A Glass Half Full : The Promise of Regional Trade in South Asia. South Asia Development Forum; Washington, DC: World Bank. © World Bank. <https://openknowledge.worldbank.org/handle/10986/30246> License: CC BY 3.0 IGO
- 3 Border haat study 2018
- 4 www.hcidhaka.gov.in
- 5 www.cpd.org.bd
- 6 https://cuts-citee.org/pdf/Research_Report_on_Linkages_and_Impacts_of_Cross-border_Informal_Trade_in_Agricultural_Inputs_in_Eastern_South_Asia.pdf
- 7 Supra Note 2
- 8 *Ibid*
- 9 Wheat blast occurred in Bangladesh for the first time in Asia in 2016. It is caused by a fungal pathogen, *Magnaportheorizae Triticum* (MoT) pathotype. Despite the many efforts to control the disease, it spread to neighbouring regions including India, the world's second largest wheat producer.

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