

## **Insights into Informal Cross-Border Trade in Agri-Food Commodities in South Asia**

16 May 2024 | Kathmandu, Nepal

When it comes to intra-regional trade, South Asia is infamously considered as one of the least integrated regions. However, the recorded trade presents only a partial picture of cross-border trade as a significant number of goods get exchanged informally. Informal cross-border trade, particularly in agri-food commodities, is prevalent in the region. Between the long and porous border between Nepal and India, informal cross-border trade in agri-food commodities is a well-known reality, involving unrecorded flows of goods that escape official statistics. Similarly, although the movement of people across the India-Bangladesh border is not as free as that between Nepal and India, informal trade is prevalent there as well. Trade in agri-food commodities holds importance for these countries as domestic production of staple items fails to meet domestic demand, making imports essential for food and nutrition security as well as supporting agro-processing industries. More importantly, agri-food imports, particularly unrecorded exchanges, offset the policies and become a source of ineffectiveness for domestic policies in these countries.

The interest in informal trade is largely driven with the objective of formalizing trade to the extent possible. To this end, beyond the quantum of informal trade, its drivers vis-à-vis formal trade, what gets traded, how the trends vary over time, the drivers of allocation between formal and informal trade, institutional arrangements initiating and sustaining informal trade, mechanisms for contracts, and price formation and discovery, are pertinent questions from the policy perspective of aiming to achieve comparatively high levels of formal trade. It is essential to realize that informal trade occurs only when the benchmark i.e., formal trade, exists (at least in potential). Also, trade occurs through value chains where exchanges of outputs and inputs are often linked, and their contingencies need to be incorporated.

To understand the dynamics of informal trade in agri-food commodities, including the inputs such as seed, fertilizer, and agricultural machinery, South Asia Watch on Trade, Economics and Environment (SAWTEE), in partnership with the International Food Policy Research Institute (IFPRI), conducted a study as part of a regional research initiative. This study examines the nature, modes, and drivers of informal trade between Nepal and India. IFPRI has done a similar study in collaboration with Indian Council for Research on International Economic Relations (ICRIER) to assess cross-border informal trade in agri-food commodities between Bangladesh and India. This workshop on 'Insights into Informal Cross-Border Trade in Agri-Food Commodities in South Asia', aims to present the findings of these two studies before policy makers, private sector representatives, representatives of farmers' organizations, members of civil society and experts, followed by a panel discussion on the topic to generate ideas for further research and policymaking.