



## Well Connected Borders promote Local Economic Benefits: Contrasts between India-Nepal and India-Bangladesh

Event Summary

Thursday, December 7, 2023

- The Centre for Social and Economic Progress (CSEP) hosted the 20th edition of its Foreign Policy and Security Tiffin Talk series on ‘**Well Connected Borders promote Local Economic Benefits: Contrasts between India-Nepal and India-Bangladesh**’ with **Dr. Sanjay Kathuria** and **Dr. T.G. Srinivasan**, Visiting Senior Fellows, CSEP.
- Dr. Kathuria and Dr. Srinivasan made a joint presentation to argue that trade across functioning, well connected borders increases welfare, reduces poverty, and enlarges agglomeration benefits. The first half of the presentation explained the motivations and the context of the project, along with the methodological approaches. In the second half of the discussion, the scholars explained the findings and offered recommendations for policy makers on how to make incremental changes.
- The discussion was moderated by **Dr. Constantino Xavier**, Fellow, CSEP. **Ambassador Shivshankar Menon**, Distinguished Fellow, CSEP, and **Ms. Riya Sinha**, Associate Fellow at CSEP served as discussants. Participants in the discussion included serving and retired diplomats and scholars from India’s leading universities and think tanks.
- The Tiffin Talk series features scholars presenting their recent, evidence-based research to peers and practitioners. This series of closed-door seminars seeks to facilitate dialogue between researchers and policymakers on India’s foreign and security affairs.

### Enhanced Connectivity and Poverty Reduction

The scholars emphasised that although intra-regional trade in South Asia is well below its potential, bilateral trade and connectivity have flourished between country pairs India-Nepal and India-Bhutan, even as they remain weak in case of India-Bangladesh. They argued that trade has played a critical role in global poverty reduction. Increased trade is also purported to decrease the probability of conflicts, and play a role in fostering broader social progress and empowerment, particularly of women. It also creates resilience because of diversification of supply chains. Based on this, the objectives of the study were to evaluate if well connected

districts contribute to poverty alleviation and investigate the causal link between increased connectivity and reduced poverty for the 35 million poor people living in districts near international borders.

In order to make a case for reducing trade barriers, the scholars spatially mapped the change in poverty between 1996 and 2013, measured in terms of consumption. It was observed that connected border districts outperformed the unconnected ones in terms of per capita consumption. More specifically, the ‘soft’ connected borders were more conducive to increased consumption than the ‘hard’ connected ones. By using satellite images of the night time light use, the scholars showed the spread of economic activity across border areas.

## Initiatives and disruptions towards border trade

Further, it was argued that initiatives, such as border haats, along the India-Bangladesh border have increased positive people-to-people interactions apart from benefitting the local economies. A participant commented that border haats have not only economic but also socio-political benefits, for instance, they are good for women, for building trust and for promoting micro-enterprises that supplement local incomes. However, a participant highlighted the limited economic impact of border haats given the low volume of trade and commodity restrictions.

In order to further consolidate the case for correlation between increased connectivity and poverty reduction, the scholars studied the disruption in trade caused by the 2015 blockade on the India-Nepal border. They argued that the blockade resulted in several adverse effects due to decline in trade, for example, rise in inflation, increase in the percentage of poor population, etc. They also suggested several policy recommendations like providing visa-free entry, creating more border haats, experimenting with export processing zones, etc.

## Curbing informal border movement

Participants noted that trade is not a one-sided activity and entailed benefits both ways. The issue of informal trade and its impact on poverty reduction was raised by several participants. The discussion also touched upon the relation between trade and conflict in vulnerable areas. Some participants also focused on the security

perspective in border districts. They highlighted the issue of contraband trade and human trafficking and the necessity of careful monitoring of goods and people across borders. Remedial measures towards this included the use of efficient sophisticated technology, such as truck scanners and cameras.

One participant emphasised on the impact of cross border migration and remittances on poverty reduction. Towards this, a suggestion was made towards the role of multilateral institutions like the Asian Development Bank and civil society organisations in nudging government agencies towards great acceptance of cross border movements.

## Role of the government

Participants also highlighted the important role of politics in making economic decisions, for instance, difficulty in co-ordination between different bureaucratic agencies or between central and state governments, etc. They talked about the top-down role of the state in promoting trade as part of poverty alleviation policies. Others highlighted the role of the state politics in securitising border trade by focusing on the law and order. Participants also made observations about the different perspectives of the bureaucratic and political actors in different countries and the ways to overcome political differences. While various viewpoints were offered on how to increase the impact of this research, there was broad agreement on the conclusions drawn by the scholars on the necessity of improving connectivity and trade across borders through incremental measures.

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*All content reflects the individual views of the participants. The Centre for Social and Economic Progress (CSEP) does not hold an institutional view on any subject.*

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