

Border haats can be the first of India - Pakistan confidence building measures

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Trade between India and Pakistan has been minimal [since 2019](#), following the Pulwama terrorist attacks and the J&K Reorganization Act of 2019. These events led to punitive 200 percent duties on the Indian side and a suspension of trade from the Pakistani end. Bilateral trade in goods, already much below potential, contracted further between 2012-13 and 2023-24. India's imports from Pakistan collapsed from US \$542 million to a mere US \$3 million. India's exports nearly halved from US \$2.1 billion to US \$1.2 billion over the period,¹ although the latter figure is a big increase from the post-2019 low of \$327 million of Indian exports to Pakistan in 2020-21.

Additionally, people-to-people connections have also come down, due to the strained relations between the two countries.

With a new government assuming power in India in June 2024 and Pakistan installing a new coalition government in March 2024, there is now a political window of opportunity to resume bilateral discussions, particularly on trade, which had survived despite numerous major incidents before 2019.

The arguments for resuming trade are [compelling](#). For Pakistan, expanded trade with India could address some of its significant economic challenges, particularly regarding balance of payments imbalances and inflation in critical goods and services, such as agricultural products and electricity. For India, Pakistan represents a potentially substantial market, akin to Bangladesh. Trade and mutual interdependence could foster peace constituencies on both sides (and reduce the chances of military engagement) and generate millions of higher-quality jobs. Finally, trade goals can be kept separate from the broader relationship: for example, China-India or China-Taiwan trade thrives despite deep distrust between the respective pairs of countries.

Beyond trade, face-to-face interactions are indispensable for fostering long-term understanding and empathy. Such meetings offer unique opportunities for individuals to familiarize themselves with one another, cultivate trust, and gain insight into each other's perspectives.

The Bangladesh-India "[border haat](#)" trade model exemplifies how people-centric trade can serve both economic and social purposes. This essay argues that border haats could be integrated into the trade dialogue between India and Pakistan, when discussions resume.

Border haats are local markets established on international borders between trading countries, designed to facilitate small-volume trading. In 2011, Bangladesh and India flagged off the first of their border haats, aiming to revive the once-thriving economic and cultural ties disrupted by the creation of national borders. Conceived as confidence-building measures, four border haats were

¹ Includes re-exports. In 2023-24, nearly 60 percent of exports/re-exports were petroleum products. Source: [GOVERNMENT OF INDIA, Ministry of Commerce](#)

established between 2011 and 2015: two between Bangladesh and Meghalaya, and two between Bangladesh and Tripura.



These haats have been [remarkably successful](#) in stimulating local economies, empowering women as buyers and even mini-entrepreneurs, curbing smuggling, and easing the burden on border agencies. Most importantly, they have [fostered trust](#) by connecting people across borders, forging new friendships, and reviving old family ties severed by political barriers.

Drawing from this model, it is proposed that India and Pakistan establish two border haats, one at the Wagah-Attari border in the neighboring states of Punjab, and the other one along the Line of Control (LoC). To expedite this process, existing infrastructure at the Attari Integrated Check Post (ICP) could be utilized initially, with the possibility of constructing a dedicated facility in the future. Similarly, the trade facilitation centre at Uri or another suitable facility on the other side of the border could be considered for the LoC border haat.

The regulations governing the Bangladesh-India border haats are relatively straightforward, based on a memorandum of understanding between the two countries. The haat is fenced, with vending permits issued to 50 vendors per country from villages within a 5-kilometer radius of the haat. Buyers are also preselected, limited to 150 people per side, with additional attendees accommodated on a first-come, first-served basis. The haat operates once a week, with the potential to increase frequency. Most matters are decided by the border haat management committee on each side. The per-person daily purchase limit is currently \$200, and trade can be conducted in Indian rupees, Bangladeshi taka, or through barter. Trade is restricted to local fresh products, minor forest produce, cottage industry products, garments, basic household items, and local indigenous products.

Border haat trade differs from trade across the [Line of Control](#) (LoC) between India and Pakistan. LoC trade, conducted on a barter basis, lacked sufficient face-to-face interactions between buyers and sellers, as well as between buyers themselves. This trade was suspended in 2019 by the Indian

government due to concerns about smuggling and financial irregularities. When India-Pakistan trade talks resume, LoC trade should also be reconsidered.

It is easy to imagine a thriving India-Pakistan border haat, with simple regulations and adequate security screening as key ingredients. People's enthusiasm should take care of the rest.

Border haats can only form a very small part of overall trade, in terms of numbers. But, as the Bangladesh-India examples show, they go beyond the numbers, transcending mere economic transactions and serving as vital conduits for people-to-people connections and better understanding. Given the current state of India-Pakistan relations, they could potentially play an even more important role in bridging the divide.

It would be a heady mix of business and pleasure.