



India, China and the Nathu La Realizing the Potential of a Border Trade



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The resumption of the Nathu La border trade in July 2006 after the 1962 Sino-Indian conflict marked a new direction in bilateral relations between the two neighbours. Today, Nathu La has become the only border trade post linking India's Northeast with TAR and Southwest China. However, there is a huge different between the potential of trade and the actual performance.

Has the Nathu La border trade run off its steam? Or yet to take-off to realize its full potentials?

TRADE ACROSS NATHU LA

The bilateral trade between Sikkim and Tibet through Nathu La via Gangtok, and Jeleppla via Kalimpong flourished during the early twentieth century. The traded items were not only the local produce, but included scores of other goods such as petroleum products (kerosene, petrol), auto-machinery, watches, agricultural tools and implements that were brought from Siliguri town of West Bengal.

The Sikkim Tibet Convention (1890-93) between British India and China was signed to define and settle boundary matters which became the basic principle and tool of conducting trade between British India and Tibet. A trade mart at Yatung on the Tibetan side of the frontier was opened to all British traders, and the British government was free to send officers and reside at the mart and

This brief is a part of a series on Nathu La within the larger IPCS project on improving connectivity between India and China. Also see the IPCS Task Force report titled "Trans Himalayan Trade and Development 2020: Looking Beyond Nathu La."

oversee the business, open shops, go-downs. However, the trade was prohibited in arms, salt, liquors, narcotics and intoxicating drugs. Similarly, the 1904 Convention allowed more trade-marts apart from Yatung at Gyantse and Gartok in Tibet. It also led to amendments of the articles and terms of the earlier 1890 convention.

However, the trade hardly had local participation both in goods and destination. The majority of products traded were from the plains, and Nathu La and Jeleppla acted as transit routes for goods trading to and fro across the border.

Since the re-opening of Nathu La for border trade, there has been no substantial movement. It has become an annual ritual with mere announcements to tokenism of bonhomie. With this pace and development, the policy targets projected by the Nathu La Trade Study Group (NTSG), is unlikely to be achieved.

Nathu La Trade Study Group Report, 2005

The Government of Sikkim constituted NTSG in 2003 under Mahendra P. Lama which submitted a detailed report in mid-2005 and observed Sikkim as an isolated landlocked state can reap huge benefits to itself and to other areas of Northeast India and West Bengal with the opening of the border trade at Nathu La. With Siliguri in West Bengal, as a trading centre, Sikkim can become a major dry port catering both the state, adjoining areas and to TAR.

The report projected cumulative trade flow through Nathu La would be Rs.2266 crore (US\$ 580 million) by 2010 and Rs.12203 crore (US\$ 2 billion) by 2015 (NTSG Report, 2005). Looking at these figures, the proposed volume of bilateral trade



between the two economies looks impressive through Nathu La. However, the trade figures through the pass till 2010 show a dismal outlook of the promises and prospects.

The report titled "Sikkim-Tibet Trade via Nathu La: A Policy Study on Prospect, Opportunities and Requisite Preparedness" made the following major policy options and recommendations, with special emphasis on phasing of actions. This include:

2005-2010: Initial trading actions on both sides backed by basic existing infrastructures, and start building wider and deeper infrastructural facilities

2010: Major trading actions based on upgraded and developed infrastructures

2012: Integration of Trade and Tourism activities for which a fresh bilateral arrangement made to facilitate the movement of tourists across the border

2012-2015: Package tours and open tourism

2015: Inclusion of movement of freights to and from the neighbouring countries including Bangladesh, Bhutan and Nepal through this route

2018: SAARC Tourism, Integrate with other tourism activities of the region

Other recommendations include the following: Centre-State Coordination & protection of local Sikkim's interests; Infrastructure Building through development packages-building and upgrading of storage facilities, parking bays, security and medical facility at Sherathang and Nathu La; Improvement of the existing highways, and alternative route to Nathu La; Restructuring of Transport Services-freight business, passenger, container and warehousing; Installation and up-gradation of banking services, taxation, custom facilities; Sustainable and ecological management of the region; and Construction of Airport facilities, museum, etc.

The Nathu La Study Group's optimistic recommendations seem far-fetched today since its submission in 2005. The lack of development and progress in all aspects except the inflow of domestic tourists and visitors in the area is stagnant.

Nathu La Trade Study Group Report: A Critique

Outlining the macro perspective, the study group missed the local aspirations in the state. It ignores the social and economic conditions at the micro levels. The comparative study of other two border trade routes (Sipkila and Lipulekh) has helped the NTSG to look into the various issues in more comprehensive manner. However, the volume of business activities and trade is not satisfactory as projected. On the other, the ruling Sikkim Democratic Front (SDF) government coming to power in 1995, had in election meetings, campaigns and the party manifestoes echoed the opening of these traditional routes, which can bring economic prosperity through business, trade and tourism. As the route opened, the liberalization of earlier rules led to rapid increase of tourists and visitors in the area every year which earlier was a highly restricted to the civilians.

The report's optimistic recommendations seem far-fetched today since its submission in 2005. The lack of development and progress in all aspects except the inflow of domestic tourists and visitors in the area is stagnant. The slow progress of road widening, alternate routes and out-dated trade basket of the border trade has made invited many detractors in criticizing the rationale of the resumption of the trade. Some of the hindrances to be addressed urgently include infrastructure development; broad inclusion of trade items and inclusion of more stake holders (locals & non-local business communities, states & regions)

These dimensions have profound impact on the overall trade across the border since its resumption in 2006. Every study done post 2006 on the NBT has found these issues as major impediments to the growth of trade.

Though the trade flows between the two countries has been increasing, but the NTS Group Report's projected target of trade figure of Rs.2266 crore (US\$ 580 million) by 2010 has already missed the target. This ambitious target projected then was an ideal but nothing appreciable has really happened to the border trade. Since 2006-2011, the total export figures amounted to approximately US\$ 1.5 million, and the import figured approximately US\$ 50,000, bringing the total trade to US\$ 1.55 million through Nathu La. The overall border trade in 2012 was much higher compared to the earlier cumulative import figures amounting to approximately US\$ 200,000 and total exports of US\$ 1.125 million. This rapid spurt in both increase in export and import relates to the increasing bonhomie between the two neighbours. Unless the regional security environment is guaranteed peaceful, the trade

can increase manifold.

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NATHU LA BORDER TRADE: MAJOR IMPEDIMENTS & RECOMMENDATIONS

The following are needed to realize the potential of trade across the Nathu La.

An all weather infrastructure as suggested by the Study Group as well, including roads, banking and insurance services, telecommunications, container depots and warehousing should be the priority. These basic amenities for the trade have not been taken into account, but rather ad-hoc temporary solutions are initiated to meet the exigencies. The existing infrastructure has failed to withstand the present state of load factor whereby multi-axle vehicle and trucks hardly ply. In reality, the pace of road widening in bits and pieces along the highway has further delayed the transport of consumer goods from Siliguri to Gangtok. Though the Border Roads Organization (BRO) have been manning this route (31A National Highway), the adhocism in this vital organization has delayed the pace of infrastructure development.

The awarding of bids to private contractors by BRO, and flouting of rules by them have seriously undermined the development of the state, and especially in the border areas. The point-to-point time initially calculated by the NTS Group from Siliguri to Nathu La of 190 minutes today takes approximately 120 minutes from Siliguri to Gangtok, forget the time to Nathu La. Though a landslide prone area, the route becomes increasingly difficult during the monsoon. The trade season also is held from May to November, which coincides with the long rainy season.

Developing an alternate route is very important, for example the old Jelepla route from Kalimpong. The route from Rangpo-Rorathang-Nathu La, which is still functioning, can be explored and widened as an alternative route beside Kalimpong and Gangtok. The development of Haldia-Siliguri stretch can also give thrust to the urgency of constructing these routes.

Converting Rangpo as an inland port, an idea conceived by the NTS Group has not even started. Rangpo, a border town between Darjeeling District of West Bengal and Sikkim can play a nodal place for warehousing and storage point for goods of trade. Even rail link if laid, can add to better transport. Today, this place has shown signs of rapid development, thanks to the growth of educational institutions, hydel projects, and pharmaceutical plants in the vicinity. However, the role of this place with respect to

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Nathu La is not seen. Apart from Rangpo, the existing warehouses are small and insufficient in Nathu La trade mart-Sherathang. Some Indian traders argue that there are better storage facilities in Rengqingang on the Chinese side. Thus there is an urgent need of state of the art warehouses for goods and products, whereby both sellers and buyers can store their items, especially the perishable ones.

Lodging facilities for the traders both budget and luxury accommodation can be built for people to stay and trade. This will help not only the traders and businessmen but also the tourists and visitors. It can really help the locals in earning extra income. However, sustainable tourism should be encouraged rather than the mass arriving having no sensitivity of fragile Himalayan ecology.

Expanding the trade items has been repeatedly emphasized by both the sides of the border. The 29 items list remains outdated. Globalization and rapid technological development today has given us plethora of consumer goods and services that can be traded. Informal trade is more than the formal trade which signifies that trade in banned items is more than the trade in listed items. The recent inclusion of five products such as readymade garments, shoes, quilt/blankets, carpets and local herbal medicines – were allowed for import from TAR. The new items of export are processed food item, flowers, fruits and species, religious products such as beads, prayer wheel, incense sticks and butter oil lamps, readymade garments, handicrafts and handloom products, local herbal medicine. With this increase the import items has gone up to 20 and exports to 36 respectively (DGFT, May 2012). Though it has been welcomed by many traders, many more have to be included to make it more meaningful and sustained.

Sikkim, an organic-horticultural state can greatly contribute to the trade making it more inclusive,

as the earlier was mostly dominated by the inhabitants of the northern and eastern part of the state. Inclusion of flowers, horticultural crops, herbs, etc has given the people of other districts more incentive to participate in the border trade. This dimension of inclusiveness has no mention in the NTS Group Report. On the other, the traders from other part of India especially the Northeast can also benefit in the long run.

Inclusion of more stakeholders in the border trade is important, as today, it is not mere trade between the people of the border regions of the countries, but it is more inclusive. With rapid globalization and mobility of human population, border trade can be wider and not exclusive. The expansion of trade basket can bring in more people to trade in various commodities of their expertise. These can bring in formalization of trade and precious revenue to the state, region and country. The building of infrastructures in the route or corridor can generate employment to the people, as Sikkim being a labour deficient state can be generous to the migrant labourers. This can be seen in number of projects already in progress.

In the long run, inclusion of other countries such as Nepal, Bhutan, Bangladesh, can lead to further deepening of the trade. Taking on board, the benefits of the border trade far outweighs its demerits and challenges. The development of the trade corridor from Nathu La to Haldia though ambitious, can be studied. The prosperity of the corridor can percolate to the region, especially India's Northeastern states. Moreover, this trade route can link South Asia to interior regions of China like Tibet and Xinjiang, where cultural traditions have strong sense of bond and interactions. Tourism and hospitality industry in the state can benefit from the Nathu La trade too, as many visitors from our northern neighbour can come to visit Northeast India and vice versa.

Absence of book and record-keeping of banned items at the customs, have amplified the problems of both imports and exports. The increasing trades of these items have shown negative trends. Thus inclusion of more items is necessary in sustaining this endeavour and realizes its full potential. Besides, the state administration's functioning only through populism and sectoral interests have not done any good to the trade. The recent directive of the state administration on tourists and visitors to

quit the spots such as Tsomgo Lake, Baba Mandir, Nathu La Pass by 2.00PM can deter the inflow of precious revenue to the state in pretext of vagaries of weather (Sikkim Express, 2012).

To conclude, overall, the present situation of Nathu La Trade requires a new study on all dimensions not just the trade. The local people, their livelihood, social, political and security aspects has to be explored to make it more meaningful, efficient and successful. The inclusion of more traders and items in the trade basket can also bring in more revenue and benefit the stakeholders. Foremost, the infrastructural development needs the utmost importance and priority to make it all-weather possibility. Participation of local and regional actors and stakeholders in more meaningful way can make this border trade more successful and realize its fullest potential.

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