



Sino-Indian Border Trade: The Promise of Jelep La

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A decade has elapsed since the re-initiation of the border trade between India and China through Nathu La, though the Indian side remains undecided on many fronts. Among others, one of the most crucial is the lack of willingness for infrastructural development against China's agility for road-building. Notwithstanding, trade balance through Nathu La has continued to be in favour of India. This is in stark contrast to the steep imbalance that India suffers with China through other Indian border posts, such as Lipu Lekh and Shipki La in Uttarakhand and Himachal Pradesh. Interestingly, the relative trade imbalance that exists through Nathu La does not seem to be of much concern to China, so far. The lack of Chinese protest here raises the question of whether this represents China's strong commitment to

trade or an instance of trade diplomacy towards India.

This paper first, seeks to highlight the possible reasons for the trade gap between India and China through Nathu La. Second, considering India's comparative advantage and potential through this sector, it suggests re-opening of Jelep La as a viable option for further enhancing bilateral trade. The historical significance of Jelep La from Kalimpong in North Bengal suggests the vibrancy of this route and that the topography facilitates smooth access to Tibet. Further, it can act as a potent force for bridging the spatial differences, promoting mutual cooperation and fostering healthy interdependence between the two neighbouring countries.

Methodologically, the first part of the paper is based on news reports while some archival sources and secondary literature constitutes the sources for the second part.

Sino-Indian Border Trade: From Late 20th century to Early 21st century

As India and China began normalizing their relations in the mid-1970s, they also initiated a process of dialogue. After the border closure for almost three decades, the historic visit of Rajiv Gandhi in 1988 added a positive dimension to bilateral ties (India Today 1989). This enabled both countries to explore the feasibility of trade ties and identify areas of common economic interest. The series of talks resulted in the ‘Memorandum of Understanding (MoU) on Resumption of Border Trade’ on 13 December 1991 (MEA 2003). The MoU led to the re-opening of the first two trade passes across Lipu Lekh and Shipki La in Uttarakhand and Himachal Pradesh respectively (Ministry of External Affairs, Government of India, 2005). At this juncture, the economic reforms adopted in 1991 in India coupled with China’s ‘opening up’ of its peripheries about 1987, contributed immensely towards the rapprochement (Vishal and Muthupandian 2015).

A stimulus was given to this process of bilateral economic engagement in 1992 when both India and China became dialogue partners in the Association of South East Asian Nations (ASEAN). The trend continued with both countries signing the

Bangkok Agreement in October 2003 and deciding to offer some trade preferences to each other (ASEAN 2003). Under the Agreement, China offered tariff preferences on 217 items including foods, chemical products, drugs, textile products and machinery products. India offered tariff concessions on 188 items including primarily chemicals, paper, steel, rubber, electric machinery, railway products and toys. They also agreed to initiate open border trade along the old Silk Route and expressed interest in participating in multilateral trade system as per WTO assurances (MEA 2005). The Chinese government’s attempt to expand bilateral trade and economic reforms through various forums and different channels was stated under Article Five of its amended Foreign Trade Law of 2004 as well (China.org 2004).

The opening of Nathu La renders the Eastern Himalayas as a gateway for global economic players

The visit of Indian Prime Minister Atal Bihari Vajpayee to China in 2003 and thereafter, of Chinese premier Wen Jiabao to India in 2005 resulted in the signing of a joint declaration of trade on the Sino-Indian border (MEA 2010). In June 2006, after protracted bilateral deliberations, the Nathu La was thrown open for bilateral trade, marking the “year of friendship” between the two Asian giants (The Hindu 2004a). The agreement was a clear indication of China’s acceptance of Nathu La as a border between the two countries and by extension,

Sikkim as a part of Indian Union (*The Hindu* 2004b; *The Tribune* 2004)).

The opening of Nathu La was a significant decision as it implied a push for the reintegration of India's local economies with China's southwest provinces, thus rendering the eastern Himalayas as the gateway for global economic players and also revived a new phase of bilateral cooperation between the two countries.

Nathu La Trade: Present Scenario

Sikkim in the northeast India with 7,096 sq. kms of land and a tiny population of 540,000 was incorporated into the Indian union in 1975. It occupies a significant geographic position with Bhutan in the east, Nepal in the west and the Tibet Autonomous Region in the north. At present, the 206km-long Sikkim-Tibetan border that was drawn in the Anglo-Sikkim convention of 1890 is the only settled border that India shares with China. China's refusal to concede India's sovereignty over Sikkim had been a bone of contentions between the two nations. In 1950, a treaty signed between India and Sikkim ratified the status of Sikkim as an Indian protectorate with the Chogyal as the monarch. But differences between the Chogyal and those seeking a union with India finally led to the total collapse of the administration, and the government that came in subsequently decided to become the

22nd state of India on 16 May 1975 (Dutta 1984).

Nathu La situated at an elevation of 4,450m above sea level represents one of three Indian trading border posts with the Tibet Autonomous Region in China. It lies 56kms away from Sikkim's capital Gangtok and 52kms from China's border town Yadong. Trade markets only remain open from Monday to Thursday every week - 7:30 am to 3:30 pm Indian time (10 am to 6 pm, Chinese time) from May to November (Ministry of Development of North East Region).

The modalities for trade had already been laid down in the 'Protocol on Entry and Exit Procedures for Border Trade' signed in 1992. Under the terms of Article I of the 2003 Memorandum, India designated Changgu (later Serathang) in Sikkim and China designated Renqinggang in the Tibet Autonomous region (TAR) as places for border trade marts (Ministry of External Affairs of India 2003). Initially the trade was tightly controlled, with just 60 vehicles and 100 traders allowed to pass through.

To study the prospects of border trade, the Sikkim government constituted a Study Group headed by Mahendra P Lama of the Jawaharlal Nehru University. The Report of the Study Group titled, 'Nathu La Trade: Prospects, Potentials and Opportunities', which was submitted on September 2005, had an optimistic tenor (*Business Line* 2006).

The total value of export from India to China increased from Rs.8.87 lakhs in 2006-07 to Rs.1.35 crore in 2009-10 but the value

Due to zero imports in 2010-11 Chinese officials defied the Delhi-Beijing border trade deal and demanded customs duty from Indian traders

of import from China to India came down from Rs.10.83 lakhs to Rs.2.96 lakhs in the above mentioned years with zero imports in 2010-11(Sikkim Ministry of Commerce and Industry 2010). As a reaction, Chinese officials in 2011 purportedly defied the Delhi-Beijing deal on border trade and demanded customs duty from the Indian traders (*Deccan Herald* 2011). The attempt was met with no result and the only changes that followed was the revision of the list of tradable items, which allowed traders from both sides of the border to export and import more commodities in 2012. Volume of trade has massively increased since then.

The total exports from India to China in 2015-16 amounted to Rs.47,35,77,617 crores and the imports stood at just Rs.7,23,93,671 crores (*The Voice of Sikkim* 2015). During the 2016-17 trading season exports saw further 16 crore increased while the import was plummeted by 5 crore against previous year (*The Times of India* 2016). Whereas, the highest trade exports recorded through other overland routes to China such as Shipki La and Lipu Lekh was Rs.53600 and Rs.16040 with an import of

goods worth Rs.43,600 and Rs.27,612 in 2015 (*Hindustan Times* 2015; *India Today* 2015). Evidently, India enjoys favorable trade balance through Sikkim sector, which clearly indicates the considerable scope for achieving larger targets.

This favourable balance also provides an exception to the steep trade imbalance that India suffers with China which has climbed to a whopping US\$70.730 billion in 2015-16 with a massive deficit of US\$52.680 billion (*Economic Times* 2016).It is the lower trade barriers that have helped Sikkim to reap benefits and expand the trade enterprise. Initially, with the vision of protecting the domestic market only 44 items were agreed for trade; 29 items for export and 15 items for import. Corresponding to the demands of Sikkim govt. in 2012, the trading list was expanded and five new items for import and seven for export were added (Ministry of Development of North East Region).

Tradable Commodities: An Archaic List

The list of commodities to be exported to TAR according to the website of Indian central government's Ministry of Development North Eastern Region are: agricultural implements, blankets, copper-products, clothes, textiles, cycles, coffee, tea, barley, rice, flour, dry fruit, dry and fresh vegetables, vegetables, *gur* (jaggery) and *misri* (rock candy), tobacco, snuff, cigarette, canned food, agro-chemical, local herbs, dyes, spices, watches, shoes, kerosene oil, stationery, utensils, and wheat. On the

import side are commodities like goat skin, sheep skin, goats, horses, sheep, wool, raw silk, yak tail, yak hair, china clay, borax, szaibelyite, butter, goat cashmere, common salt, blankets, and garments (GOI, Ministry of Commerce 2006). Clearly, the high altitude and rugged topography has ruled out the transaction of heavy items. Traders from TAR desire to offer more goods but the trade barrier that India imposes limits such development. Due to the remote locations a robust formal economy as we understand in the modern sense of the term is yet to evolve in these regions and thus there also exists rampant illicit trading. Despite Indian restrictions on imports of Chinese goods through Nathu La — many people would rather trade more marketable high-profit goods like Chinese-made electronics and kitchen appliances than the officially sanctioned wool and yak tails. Traders from TAR never fail to find customers from India willing to transact commodities off the list (*China Tibet Online* 2011).

For China, Nathu la seems to be an important supplier of food commodities to TAR. It is not only due to the fact that it is cheaper to import goods into western China through Sikkim than to bring them all the way from China's southeast but also because it is far easier to link these regions with its extended neighbourhood due to their geographical isolation. Trans-border linkages to enhance sub-regional economy under China's Western Development Strategy form part of China's domestic imperatives (Kurian 2005). As a result, increase in China's trade links with South

Asian neighbours to enhance economic development in the periphery.

Therefore, the PRC's active promotion of connectivity and bilateral trade with India, it can be argued is an extension of domestic policies in its neighbourhood.

Favourable balance of trade at Nathu La provides an exception to the steep trade deficit India suffers with China

China thus, hopes to make neighbouring countries stakeholders in the economic development and stability of the TAR. Also, considering the complex history of Sikkim and its importance to both the countries, analysts argue that trade through Nathu La is part of Beijing's "grand strategy" towards the region.

Further, its emphasis on development of 'periphery policy'/'good neighbourly' relations and partnerships with border countries is catered to preventing external threats from exacerbating internal friction (Singh 2013).

JelepLa: A Possible Alternative Route to TAR?

Jelep La, sits at an elevation of 4,216 metres above sea level. The pass with its gentle gradient was a crucial link in the main trade route from India to Tibet until the border was closed in 1962. It provided an easier connectivity to Tibet and was

considered to be shorter and cheaper to maintain than the Nathu La road (NAI 1905).

This story concerning the Kalimpong-Lhasa route began with early British moves to “open up” Tibet for trade in the late 19th century. It not only reduced the traffic along the Nathu La-Gangtok route but Nepali traders too, preferred traversing this route rather than the traditional Kathmandu–Lhasa one. During this time India’s trade with Tibet proliferated through Jelep La, at the expense of the Nepal-Tibet route, in particular (Harris 2008). Certainly, the geographical diversions and spatial re-orientation of traders after 1962 have transformed the economic geographies of the region. Further, Nepal’s deepening ties with China along with the massive Chinese investments and infrastructural development over the years along the Nepal border have changed the trade dynamics in the region.

Historically, Jelep La provided easier connectivity to Tibet than Nathu La

The array of commodities that was imported to India in transit via Kalimpong included musk, wool, yak tails, silver, and gold. In exchange, exports to Tibet included woollen and cotton piece goods, iron, steel, brass and copper sheets and wares, stationary, sugar, jaggery, dried fruits, dyes, chemicals, kerosene, candles, lanterns, electric torches and batteries, brick tea, aluminium wares, porcelain, cement, leather goods, cigarettes, tobacco leaf and pharmaceutical goods

along with high-end Swiss watches (Dash 2011).

Raw wool comprised more than 90 per cent of all imports to India. For instance, the import of wool from 1 March 1936 to 28 February 1937 amounted to 115,073 maunds as against 96,973 maunds*. The price of wool at Kalimpong increased gradually from Rs.30 to Rs.55 per maund and to Rs.60 later on (NAI 1937).

In 2006, Sikkim rediscovered its significance as a point of interaction and confluence of trade, commerce and culture. In the midst of the euphoria, a few voices of apprehension were heard in Kalimpong (*Times of India* 2003). Key stakeholders in Kalimpong were dismayed to know the fact that it did not even figure in the border trade discussions and the area felt left out of larger political decisions. The popular sentiment that prevails among the locals is that “Delhi just doesn’t understand” (Harris 2008). The opening of Nathu La has led to demands from within the region to open additional routes for border trade. And chief among these demands is connecting Kalimpong in West Bengal to Tibet via the Jelep La.

Kalimpong - Jelep La Route

Considering the favorable trade balance that India today enjoys through Nathu La various Indian governments have not been able to make the best use of India’s comparative advantages vis-à-vis Tibet. Kolkata, just 466 miles away from the border provides the closest sea access to Tibet. Against this backdrop, re-opening of

Jelep La as an additional route seems advantageous not only due to its historical significance but also due to various other factors.

One, the existing motorable road to Jelep La running from Kalimpong through India-Bhutan-Tibet tri-junction at 14,300ft altitude leads to Lhasa in Tibet. Two, it is an all-weather pass — it does not get blocked with snow — unlike the Nathu-la in Sikkim which is at a higher altitude and remains open only from May to November each year. Three, the closed and dilapidated godowns in and around Kalimpong town can be revived as warehouses for stocking up commodities.

Given their physical and cultural proximity and shared history and heritage, Bhutan and Nepal, could form a natural area of integration. Most of these regions once formed an integrated economy and enhanced interconnectedness through transport links could contribute to the same even today.

Another industry with immense potential is tourism. The natural wealth and culture of the region can be marketed as is done for any place of tourist interest. In addition, TAR- Jelep La- Kalimpong route through Sikkim into West Bengal could be a possible option for engaging China through initiatives like the Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC) and China's 'one belt, one road' (*The Hindu* 2015). India can try and access southwest China and use it as a backdoor to enter Chinese market away from the eastern coast.

Conclusion

The potential of trade to boost urbanisation in border areas could change the economic geography of the border regions on both sides. Economic cooperation through Kalimpong-Jelep La will address the predicament of underdevelopment in India's periphery. At the same time, trade over land means movement of people across borders and so, increasing government responsibility for monitoring trade and other flows.

Unlike Nathu La, Jelep La is an all-weather pass and is open through the year

It will certainly not be like old times with mule trains carrying exotic products of commerce in the thin mountain air. Trade has always been an important economic activity in the eastern Himalayan region and New Delhi should view developments from the point of view of its geo-economic interests.

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