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From the Desk of the Secretary

Geographical Society of North Bengal is an NGO located in the district of Jalpaiguri, West Bengal, India. Initially it was formed for educational development in the under developed Dooars area but its area of operation is not restricted in a single point and rather it is open for all, irrespective of geographical space. Geographical Society of North Bengal has stepped in to eight year of its working. The society is bound by promise to continue its unending efforts in the processes of social development and the first edition of 'Geo-Analyst" is one of such endevours related to that. I thank all the members of the society for their kind co-operation to publish this Journal. I appeal to every Academician, Research Scholars and Social scientist from India and abroad to enrich the idea of social science related themes.

Alipurduar
July, 2011

Hiranmoy Biswas
Secretary

Editorial

In our contemporary life, the study of social sciences arouses great significance as the social landscape has been rapidly changing. In view of multi-faceted and dynamic nature of social sciences each and every micro level study of it highlights distinct importance in multi-disciplinary studies. Recently, there is a sign of growing interest as well as anxiety about the social changes taking place almost every part worldwide and the interest in social studies is growing for this reason. The introducing issue of Geo-Analyst, a bi-annual journal of social sciences of the Geographical Society of North Bengal is out on the stand, which has addressed to complex, changing and challenging issues along with few innovative ideas of development in the courtyard of social sciences.

Alipurduar
July, 2011

Piyal Basu Roy
Editor

Nathula Border trade and perplexing issues of regional development

Bhaskar Chaudhuri*

Abstract

Border trade through Nathula assumes more importance because of close proximity of two powerful countries like India and China. But limited number of tradable commodities has resulted in lackluster growth of trade so far. The reopening of the famous "Silk Route" if implemented in a judicious manner can be translated into booming economic growth accompanied by industrialization in the adjacent regions of West Bengal and north-east India. But industrial development is needed in northern part of West Bengal as well as north-east India for maintaining the supply side of Nathula trade economy provided there is expansion of list of commodities of trade in near future.

***Key* words*:* *Nathula, trade, regional development, industrial development.*

Introduction

The background for trade between Tibet and British India via Nathula pass and the neighbouring Jelepla was established after Colonel Youngusband led a military invasion to Tibet in 1903-04. In 1904 the historic trade convention signed between the colonial rulers and Tibet catapulted the Tibet region to a key strategic player in central Asian geopolitics. The 1962 Indo-China war disrupted trade across the border. The closure caused economic slowdown in Sikkim, north-east India, northern plains of Bengal and neighbouring China. Currently, the Shipkhila pass and the Lipulekh pass are also being used for Indo-China bilateral trade. But, in terms of feasibility and economic returns, those routes can hardly be compared to Nathula. Geographically, Nathula enjoys the advantage of the shortest distance compared to other passes. Thus, Nathula distinctively enjoys the advantage of better access to the growing market of the upwardly mobile middle class community in India, Bangladesh, Nepal and Bhutan. As a preparatory measure, both India and China have started developing infrastructure around the Silk Route. A trade mart has been set up in Sherathang in Sikkim about six kilometres from the Nathula outpost with necessary infrastructures. The infrastructure at Sherathang covering an area of 9.5 acres is inadequate. The Confederation of Industries in Sikkim and the Sikkim Chamber of Commerce has serious engagement in Nathula trade issues to reap the benefit of this latest facet of globalisation[1]. The Sino-Indian Trade Agreement in 1984 had provision for most favoured Nation Treatment and later in 1994, the two

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countries reached an agreement to evade double taxation. In 2003, Bangkok Agreement was signed between India and China. Under the auspices of this agreement both China and India present some trade preference to each other . Bilateral trade surpassed the two countries' $60 billion goal in 2010, driven mostly by increasing Indian imports of Chinese machinery leading to a mammoth trade disparity of $20 billion in China's favour. The bilateral trade (2010) reached $61.7 billion and China's exports to India touching $40.8 billion. This caused a 43 per cent hike in trade volume from 2010, when economic recession reduced two-way trade to a mere $43 billion. In 2008, China was India's major trade partner with $51.8 billion in bilateral trade (Krishnan, 2011).

Hindrances of Nathula border trade and related geographies

In the present scenario, India and China are considered as economic superpowers driven by continuous financial sector reforms, market-driven economy and global trade. Both countries share a common perspective of a multi-polar globalised world[2]. The future of Nathula trade route ought to be seen in this perspective. The Nathula Study Group (2005), commissioned by the Sikkim Government projected trade through Nathula growing from Rs. 206 crore by 2007, Rs. 2,266 crore by 2010 and Rs. 12,203 crore by 2015, while lower projections placing the trade flow to be Rs. 353 crore in 2010, Rs. 450 crore in 2015. Nevertheless, high projections; Nathula fails to deliver expected outcome. Like many other border areas, the India-China border region is also socio-economically backward, located far away from the flamboyant metros like Mumbai and Shanghai. There exists acute scarcity of primary consumer goods in this backward border region, particularly in the mountainous and plateau region surrounding the Eastern Himalayas. A baby food product, for example, is cheaper in Manipur if imported from Myanmar than the product supplied from Kolkata due to geographical proximity of the former[3]. The silver lining in the cloud for Nathula can be gauged from the fact the Indo-China trade has never crossed one million dollar through Shipkhila and Lipulekh passes. But Nathula enjoys the advantage of metalled road through which around sixty trucks can travel every day. Besides, Tibet; Gangtok, Darjeeling, Siliguri, the Tarai and the Dooars regions of West Bengal are heavily populated, offering huge market opportunity in the coming decades. India and China trade has witnessed a phenomenal growth in recent times. From south Asia's point of view, China is gradually becoming an essential partner since the 1990s and progressive political normalisation with India is reflected in India's more than 70 percent share in the total China-southern Asia bilateral trade, against 35 percent in the mid 1980s (Boillot, et. Al,. 2006). Nathula can substantially contribute to the economic progress of northeast India. This part of India remains in a landlocked condition after independence. The tremendous backwardness of this region is partly attributed to this factor. Even the HDR (2004) categorises some backward countries of the world on the basis of their landlocked location. Thus the 'least liveable' countries like Afghanistan, Bhutan and Kazakhstan bear resemblance with Tibet or north-east India due to locational factor. Nathula can provide access to a ready market for northeast India's small-scale industries. The issue of Nathula is directly related to the development levels of north Bengal and north-east India. According to the CAG report (2008) of India, wasteful fiscal management and absence of a perspective plan have taken a colossal toll on the West Bengal government's preparation for integrated progress of six districts in north Bengal. Thus, Nathula trade has potential of accelerating regional development in India. Much hullabaloo over Nathula is proved to be false now. The Indian export recorded zero for the first two months however, stood at Rs. 9,25000 in July, Rs. 14,300 in August, and Rs. 27, 47,000 in September, 2008. October recorded the highest export transactions worth Rs. 36,780,00. The Chinese export in 2009 was nil, which strengthens the need of broadening the list of tradable commodities. During 2010-11 the export figure for the last season was Rs. 135 lakh while import stood at Rs. 2.96 lakh. Obviously, the Indian traders had at the outset evinced a reluctance to take part in the fourth edition of the border trade at Nathula having no transaction of goods from either side of the Sino-India border in May and June this year, with the merchants of the two countries demanding amendment of the list of goods for trade from their particular government. The policymakers need not be oblivious of the importance of border trade and its potential positive impact on regional development. Most of the goods on the trade list were not financially viable in view of the expenses incurred by them in import of goods. The study reveals certain hindrances which deserve attention -

- Border trade continues for only four months from June to September for eight hours (7.30 am to 3.30 pm) due to bad weather.
- Indian traders are allowed to export only 29 commodities like agricultural equipments , copper-made utensils, cycle, garments, tea, coffee, rice etc. China can

export 15 items like Goat Skin, Sheep Skin, Raw Silk, Yak tail, Yak hair etc.

- Limited Indian traders and trucks can enter China and vice versa every day.
- Indian traders can reach up to Renging gang, almost 10 kilometers from the Indian outpost. The Chinese traders can reach Sherathang, about 6 kilometers from the outpost.
- Excepting pharmaceutical yield for instance, Borax and Czebeilyte, textiles, utensils, canned foodstuff, tea and vegetable oil, those are not in the list of items, but have been the most accepted export items.

Poor road condition, landslide, road blocks posed major problems in 2011. Besides tax imposed by China proved to be problematic for Indian traders initially. Global trade permits affluent countries to make use of their resources - whether labour, expertise or capital - more competently. Because countries are gifted with varied assets as well as natural resources i.e. land, labour, capital and expertise, some countries may manufacture the same product more competently and consequently sell it more economically than other countries. If a country cannot proficiently produce a product, it can get hold of the product by trading. This is called "specialization in international trade" . However, such specialization is not so evident in the case of Nathula trade. The following tables explain limitations of Nathula trade.

Table 1, Trading period in Nathula

Year	From	To
2006-2007	6th July 2006	3rd September 2007
2007-2008	1st May 2007	30th November 2007
2008-2009	19th May 2008	27th November 2008
2009-2010	5th May 2009	1st December 2009
2010-11	3 May 2010	30 November 2010

Table 2, Details of Nathula Border Trade from 2006 to 2009

Trade Turnover	7.7.06 - 29.9.06	1.5.07 - 29.11.07	19.5.08 - 27.11.08	5.5.09 to 1.12.09
Export from India to China	0.89 million	2.79 million	9.6 million	Above 10 million
Import from China to India	1.08 million	0.69 million	0.14 million	0
Visit of Indian traders at Renquingang	696	2117	1034	N.A.
Visit of Chinese Traders at Sherathang	1253	3701	3948	800(approx.)

Source: Sikkim Govt. Report on Nathula Trade 2005 and Sarikah Atreya (2009)

Future Scenario

Is Nathula trade capable enough to accelerate regional development in the adjacent regions of Sikkim, West Bengal and north-east India? As a preparatory measure, both India and China have tarted developing infrastructure around the Silk Route.

Infrastructure is still inadequate despite a trade mart at Sherathang, about six kilometres from Nathula with SBI stalls, staff quarters and animal husbandry apart from the facilities like power, telecommunications, post office, immigration and custom offices and warehouses. Mohanty (2008) assumes that, to expand border trade there ought to be a road map to build up a trading highway connecting between Lhasa and Kolkata and Haldia ports in West Bengal as well as the Chittagong port in Bangladesh. Both India and Bangladesh value the import of extenuating inter-regional inequalities within their borders, because economic inequities have insisted ethnic clashes, fissiparous trends and sectarian behaviours. Improved connectivity between countries bridges their divergences, causes financially viable offshoots and reins in clashes stemming from deprivation and paucity. At a regional plane, the opening of Nathula together with other enterprises like the Mekong- Ganga Cooperation, the Kunming Initiative as well as intended development of the Stilwell Road would tie northeast India, Thailand and Myanmar, Bangladesh plus Nepal and southwestern provinces like Yunnan in China. Nepal also has a stake in Tibetan growth and profound trade and transport associations to develop its own hilly northern districts. Bangladesh seems to be optimistic about the opening of Nathula, as it anticipates Chinese merchandise crossing Nathula to arrive at Southeast Asia through the Chittagong port.

The infrastructure at Sherathang covers an area of 9.5 acres. A Sherathang Development Agency has been set up in Sikkim in order to look after the affairs of the Indo-China trade. Sikkim has been vigorously gearing up for the reopening of the Silk Route. Sikkim's efforts include organising orientation programmes for the people so that they can achieve maximum benefit from the Indo-China trade through Nathula. The Confederation of Industries in Sikkim and the Sikkim Chamber of Commerce are now seriously engaged in their grand venture to reap the benefit of this latest facet of globalisation. Nathula can substantially contribute to the economic progress of northeast India with the construction of four lane highways connecting north-east India with the rest of the world, Nathula can provide access to a ready market in Tibetan region for northeast India's small-scale industries. Nathula, however faces a serious handicap due to geographical proximity of a bigger Chinese market via Myanmar route. A land route along the old Stilwell Road in Assam through Myanmar and on to Kunming of China, would probably be more attractive to Indian entrepreneurs as it would provide a shortest route to the busy commercial heartland of southeastern China. Thus in the case of

Emergence of Myanmar factor, the importance and need of Nathula will be eroded in near future. The effective policy intervention ought to be exploring alternative avenues of efficient Indo-China trade regime, while at the same time providing capacity addition to Nathula border trade as well. Industrial development is necessary in northern part of West Bengal in addition to north-east India for sustaining the supply side of Nathula trade economy and balanced regional development; provided there is addition of list of commodities of trade in near future. Currently, there is talk of proposed Free Trade Area (FTA) putting together the money-spinning markets of two most populous countries of the world. The proposed FTA will be bigger than EU, NAFTA, ASEAN, APEC etc. (Acharya, 2004). The creation of FTA, if materialised assumes immense importance at the backdrop of the reopening of Nathula pass.

Henry (2008) is optimistic about the prospect of the role of India in international trade in recent decades. The new development in Indian fiscal and trade policy is a reaction to the 'spaghetti bowl effect' the term refers to the progress of overlapping two-pronged and regional trade accords. This effect can be supposed as a collapse of regional assimilation, which unquestionably happens in South Asia, but also as consequence of experiencing a fast enhancement in trade relations. Identifying this effect also foregrounds the reality that nowadays the Indian trade policy is comprehensive, since it is composed of multi-dimensional regional plus bilateral relations. Even its "regional" policy is separated into two key trends. One is for augmented dealings with global blocs on other continents, in two dissimilar directions: towards industrialised countries, especially the United States and the EU, India's chief trading partners; and in the direction of southern blocs like Mercado Comun del Sur (MERCOSUR)[4] and Southern African Customs Union (SACU). The second and indeed the most significant trend today; due to the increasing weight of Asia in the world financial system and trade is towards more trade with East Asia; even though India is not an insignificant contestant in this region, it will positively soon become a vital force to reckon with. Nathula can substantially contribute to the economic progress of northeast India. This part of India remains in a landlocked condition after independence. The tremendous backwardness of this region is partly attributed to this factor. Even the HDR (2004) categorises some backward countries of the world on the basis of their landlocked location. Thus the 'least liveable' countries like Armenia, Afghanistan, Azerbaijan, Bhutan, Laos, Kazakhstan, Kyrgyzstan are all backward due to locational factor. Nathula can provide access to a ready market for northeast India's small-scale industries.

Notes

1. See article 'Light at the end of Nathula' by Bijoy Gurung in The Statesman, 9th June, 2006.
2. See paper by Ashok Chatterjee titled "Nathula Border Trade- an Overview" in Yojana, February, 2006 published by the Ministry of Information and Broadcasting, Govt. of India.
3. See paper authored by Triptendu Ghosh titled "Nathula and Indo-China Border Trade" in Yojana, August, 2006 published by the Ministry of Information and Broadcasting, Govt. of India.
4. MERCOSUR, (the common market of the South with an external tariff) was set up on 26 March 1991 vide the Treaty of Asunción and comprises Argentina, Paraguay, Venezuela, Uruguay and Brazil.

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