



RISING ASIA
JOURNAL



RISING ASIA
FOUNDATION

RESEARCH ARTICLE
TRANS-HIMALAYAN COMMERCE

KABINDRA SHARMA, RAJIV GURUNG, AND VIMAL KHAWAS
Sikkim University

India-China Cross-border Trade Options: Via Nathu-La and Possible Resumption of Historic Jelep-La Route

ABSTRACT

This article argues for an urgent need for greater India-China cooperation through increased connectivity to tap the trade potential of the strategic location of Nathu-La at the Indo-China border. It also advocates the resumption of border trade through the Jelep-La route, located sixty-five miles from Kalimpong in West Bengal. Border trade can act as a confidence-building measure, paving the way for conflict management through economic integration. Despite the low trade volume, border trade can bridge the differences between the two hostile neighbors, and improve their bilateral ties. The study describes the patterns of trade between India and China during the last two decades, with a focus on border trade through Nathu-La in Sikkim. It argues that such trade is essential for India and China, the fastest-growing economies with a combined 38 percent of global population, and home to the largest number of young people for whose future security and prosperity the two countries cannot afford to have border disputes.

Keywords: Border trade, Nathu-La, Jelep-La, trade balance, Kalimpong, Sikkim

Although a trade agreement was signed only in 1954 by the Indian and Chinese governments, trade between the two countries had already started in 1951. Trade was soon suspended following the Sino-Indian War of 1962 and resumed officially in 1978. In 1984, India and China granted each other the Most Favored Nation (MFN) status. The visit of the Indian Prime Minister, Rajiv Gandhi, to China in 1988 further improved bilateral relations. Bilateral trade in terms of trade volume and variety of tradable commodities between the two countries has grown rapidly over the years. After China's admission to World Trade Organisation (WTO) in 2001, its two-way trade with India picked up significantly. Eventually, in 2008, when the major economies were plagued by a global financial crisis, China emerged as India's largest trading partner, replacing the United States. A set of common factors have shaped the Indo-China bilateral trade, such as their rapidly growing economies, a higher proportion of young and skilled population, and constant search for new trading partners, trends that exhibit a long-term potential for trade.¹ The bilateral trade has emerged as the most appropriate instrument to not only deliver economic benefits to both sides but to also resolve the political difficulties between the two Asian giants.

Currently, most of the trade between India and China takes place through the ports of Kolkata and Shanghai (alternately, also Mumbai and Guangdong that takes about one month to dispatch cargo, deliver, and return, making the whole process time-consuming).² The existence of such an inefficient transit system obviously means that

¹ Swaran Singh, "China-India Bilateral Trade: Strong Fundamentals, Bright Future," *China Perspectives*, no. 62 (2005): 1-14.

² Joe Thomas Karackattu, "India-China Trade at the Borders: Challenges and Opportunities," *Journal of Contemporary China*, vol. 22, no. 82 (2013): 691-711.

border trade has a significant role to play. In 2003, during Prime Minister Atal Behari Vajpayee's visit to China, an agreement on border trade through Nathu-La pass was signed. This trade route was resumed after a gap of forty-four years after the 1962 Sino-India War and it gradually started contributing to the bilateral trade. Most importantly, it is worth noting that while the overall trade balance has been to India's disadvantage so far, it is only through the Nathu-La border that India manages to enjoy a positive trade balance against China.³

Despite numerous attempts by India to bring up the contentious border issues, China had preferred to skip these matters and focus on other issues.⁴ As a result, relations between these two countries, especially the border trade and the livelihoods depending on it, have been time and again hurt by the border clashes between the armies of the two countries, most recently in Doklam. As a result of the Doklam standoff, the India-China border trade via Nathu-La was the worst hit, as India saw a sharp decline in its trade surplus from INR 44.08 crore to INR 6.26 crore in 2018 and is yet to bounce back again. Resolving the border issues and reopening of potential trading points can together have positive impact on both bilateral trade and the local economy.

This paper offers an assessment of the bilateral trade between India and China over the last two decades. It analyzes the impact of the Doklam standoff on border trade through the Nathu-La pass in Sikkim, and advocates the resumption of a more reliable and historically significant Jelep-La route through Kalimpong in the Gorkhaland Territorial Administration (a semi-autonomous council formed in 2012 to meet local demands of greater autonomy⁵) in West Bengal state in

³ Ibid.

⁴ Ibid.

order to encourage further trade relations. Jelep-La and Nathu-La, both situated right on the Indo-China border, are separated by a distance of just 15.2 km.

Theoretical Consideration

Borders occupy an influential space in all forms of cross-border exchanges spanning trade, investment, migration, tourism, and sharing of natural resources. India has an extremely varied nature of border regimes that are influenced by geographic-natural features, politico-historical circumstances, demographic developments, and strategic considerations.⁶ The local conditions and essentialities are so different that very often the national policymakers and institutions are unable to comprehend and capture the micro nuances. The challenge of comprehending the local conditions becomes more complex and ambitious when there is no formal border policy, except on a purely national security issue, and to a certain extent on trade and commerce.⁷ The North Eastern states of India share more than 98 percent of their borders with other countries such as Nepal, Bangladesh, Myanmar, and China. There are, however, undue restrictions on cross-border economic exchanges in most of the border areas. As a result, the

⁵ Kabindra Sharma, Sanghamitra Choudhury, and Debojyoti Das, "The Trajectory from Darjeeling Gorkha Hill Council to Gorkhaland Territorial Administration," in *Autonomy and Democratic Governance in Northeast India*, ed. M. Amarjeet Singh, 1st ed (London: Routledge India, 2022), 189–207. <https://doi.org/10.4324/9781003158417-15>.

⁶ Mahendra P. Lama, "Borders as Opportunities: Changing Matrices in Northeast India and Southwest China," in *India China: Rethinking Borders and Security*, ed. L.H.M. Ling, et al (Ann Arbor, MI: University of Michigan Press, 2016).

⁷ Mahendra P. Lama, *Sikkim-Tibet Trade via Nathu La: A Policy Study on Prospects, Opportunities and Requisite Preparedness* (Gangtok: NathuLa Trade Study Group for the Government of Sikkim, 2005); Mahendra P. Lama, "Sino-India Borders: e Changing Perspectives," Public Lecture, Sophia University, Tokyo, January 2005.



market remains fragmented, the economic space is relatively smaller than expected, and the economies in the Northeast have become highly inward looking. Infact, a national committee that was set up to revamp the North Eastern Council as a regional planning body has strongly recommended border trade as one of the most vital instruments to bring about prosperity, stability, and peace in the region.⁸

One of the first theories of international trade, developed by David Ricardo in his “Theory of Comparative Advantage” (1817), explains that if one country has an absolute advantage in production of multiple goods, it should try to focus on production and trade of that good in which it has a comparatively greater advantage.⁹ Keeping other things constant, a country would specialize in production and export of a commodity in which it has greater comparative cost advantage, and it would import a commodity in which it has lesser comparative cost advantage. The Heckscher–Ohlin Theory developed by Eli Heckscher (1919)¹⁰ and Bertil Ohlin (1933)¹¹ explains that trade occurs between two nations in the framework of two factors and two commodities mainly on the basis of difference in resources available to them. A country that has abundant labor will produce and export labor intensive goods while a nation with abundant capital will produce and export capital-intensive goods. The differences in factors’ endowment in land, capital, natural resources, and climate are the main causes of trade advantage.

⁸ “Look East Policy and the Northern Eastern States,” Policy Brief, New Delhi: MDONER, 2011.

⁹ Roy J. Ruffin, “David Ricardo’s Discovery of Comparative Advantage,” *History of Political Economy*, vol. 34, no. 4 (November 1, 2002): 727–48.

¹⁰ Eli Filip Heckscher, “The Effect of Foreign Trade on the Distribution of Income” (1919), in *Readings in the Theory of International Trade*, eds. Howard S. Ellis and Lloyd A. Metzler for the American Economic Association, 272–300.

¹¹ Bertil Ohlin, *Interregional and International Trade* (Cambridge, MA: Harvard University Press, 1933).

As a significant improvement to these traditional models, Tinbergen (1962) explains international trade with the “gravity model” where he says that bilateral trade between two countries is determined by relative economic size and trade costs between them.¹² Krugman explains that a large share of international trade has been occurring between countries that produce similar goods.¹³ Consumers in a country prefer to buy similar products differentiated by numerous brands, and the production of these goods is concentrated in few locations in order to achieve economies of scale. These goods are then traded with countries that produce similar goods but differentiated by distinct brands. In terms of land, capital, and territory,¹⁴ explained in the “trade model” that countries with abundant land (territory), but limited capital, produce more of agricultural products while countries with more capital and limited land specialize in manufactured products.¹⁵

Since border areas are endowed with locational advantages that reduce transaction costs, these areas naturally become centers for production and international trade,¹⁶ leading to greater economic integration among countries which has resulted in expansion of border economics in recent times.¹⁷ Visible differences in price and quality of

¹² Jan Tinbergen, *Shaping the World Economy: Suggestions for an International Economic Policy* (New York: The Twentieth Century Fund, 1962).

¹³ Paul Krugman, “Scale Economies, Product Differentiation and the Pattern of Trade,” *The American Economic Review*, vol. 70, no.5 (1980): 950–959.

¹⁴ Paul Krugman, “The Theory of Interstellar Trade,” *Economic Inquiry*, vol. 48, no. 4 (2010): 1119–1123.

¹⁵ Ibid.

¹⁶ H.G. Hanson, “Economic Integration, Interindustry Trade and Frontier Regions,” *European Economic Review*, vol. 40 (1996): 941–949.

¹⁷ Thomas M. Fullerton, “Recent Trends in Border Economics,” *Social Science Journal*, vol. 40, no. 4 (2003): 583–592.



goods in geographically adjacent areas also motivate cross-border trade.¹⁸ However, increased economic activities along the international borders, as Brannon et al (1994) argue, have environmental disadvantages, and therefore cross-border environmental damage has become a major area of concern in recent times.¹⁹

Border trade, in this article, implies overland trade conducted between two countries by exchanging commodities, mentioned in a bilaterally agreed list, by people living along both sides of an international border. Border trade usually takes place between people living at short distances but separated by an international border,²⁰ and is conducted within the standard export-import frameworks of the nations. It facilitates increase in trade in areas where crossing borders is relatively easy and price difference on either side of the border is also significant due to variations in the taxation levels of goods. Border trade results in expansion of employment opportunities in the areas, increase in income, improvement of transportation facilities, and also contributes to security.²¹ Along Myanmar's border with Thailand and China, the local population has experienced increased incomes through

¹⁸ Christopher Edmonds and Manabu Fujimura, "Impact of Cross-Border Transport Infrastructure on Trade and Investment in the Greater Mekong Subregion," *Integration and Trade*, no. 28 (January 2006): 267-296.

¹⁹ Jefferey T. Brannon, et al., "Generating and Sustaining Backward Linkages between Maquiladoras and Local Suppliers in Northern Mexico," *World Development*, vol. 22 no. 12 (1994): 1933-1945.

²⁰ Mohammad Jalal Uddin Sikder and Barun Kumar Sarkar, "Livelihoods and Informal Trade at the Bangladesh Border," *Inter-Asia Cultural Studies*, vol. 6, no. 3 (2005): 432- 445.

²¹ Yaw Zar Ling, "An Analysis of the Effect of the Border Trade Value on Myanmar Economic Growth," 11th Asia-Pacific Conference on Global Business, Economics, Finance and Business Management (AP17 Thai Conference), Bangkok, 1-39.

expansion of border trade.²² Besides, cross-border trade also acts as an effective confidence-building measure between nations in conflict.²³ It is a “high-visibility low-cost” image-building exercise that projects a country’s commitment to regional peace and also bears direct positive impact on the economic development of the border areas.²⁴ India’s border trade with its neighboring countries, despite low trade volume, has contributed significantly to improvement of bilateral ties and de-escalating tensions. For instance, after the signing of a memorandum of understanding on border trade in 2003, China began considering Sikkim as part of India.²⁵ India recognized Tibet as an autonomous region of China, and in exchange China recognized Sikkim as part of the Indian Union.²⁶

Conflict Management through Cross-Border Economic Integration

Schultz (2015) argues that borders not only create demarcations and separate territories, but also provide an opportunity for mutual cooperation, trade, and sharing of joint benefits between two distinct

²² Winston Set Aung, “The Role of Informal Cross-Border Trade in Myanmar,” Stockholm: Institute for Security and Development Policy, 2009.

²³ Nino Kemoklidze and Stefan Wolff, “Trade as a Confidence-building Measure in Protracted Conflicts: The Cases of Georgia and Moldova Compared,” *Eurasian Geography and Economics* (2019): 1–28.

²⁴ Pushpita Das, “Status of India’s Border Trade: Strategic and Economic Significance,” New Delhi: Institute for Defence Studies and Analyses (2014): 1–50.

²⁵ P.S. Suryanarayan, “India Enhances Connecting with ASEAN,” *The Hindu*, September 19, 2003.

²⁶ Adriana Erthal Abdenur, “Trans-Himalayas: From the Silk Road to World War II,” in *India China: Rethinking Borders*.

territories.²⁷ Resolution of border conflicts encourages trade which further motivates countries to maintain peace at their borders. The propensity for conflict is, thus, reduced and countries see greater integration. With economic integration, borders that were fought for earlier hold no meaning. For example, countries aspiring to be members of the European Union for better economic and political ties must first resolve their border issues. Membership of Croatia was held until its outstanding border issues were resolved. After the border issues are resolved, compliance of the neighboring countries with the settlement determines mutual gains to both countries, making economic integration a major force that incentivizes and sustains peace at the border. This argument is supported by Carter and Goemans (2014) who explain that the likelihood of disputes along newly drawn borders is reduced through promotion of bilateral trade.²⁸ Economic integration would certainly eliminate conflict over territory and gradually dilutes the existence of a border. Contrary to this argument, Keshk et al (2004), and Kim and Rousseau (2005), believe that although conflict reduces trade, they find no evidence that the reverse is also true.²⁹

In another study, Raharjo (2016) examines the role of cooperation in managing cross border conflicts at the Indonesia-

²⁷ Kenneth A. Schultz, "Borders, Conflict, and Trade," *Annual Review of Political Science*, vol. 18 (2015): 125-145.

²⁸ David B. Carter and Hein E. Goemans, "The Temporal Dynamics of New International Borders," *Conflict Management and Peace Science*, vol. 31, no. 3 (2014): 285-302.

²⁹ Omar M.G. Keshk, Brian M. Pollins, and Rafael Reuveny, "Trade Still Follows the Flag: The Primacy of Politics in a Simultaneous Model of Interdependence and Armed Conflict," *The Journal of Politics*, vol. 66, no. 4 (2004): 1155-1179. Also see, Hyung Min Kim and David L. Rousseau, "The Classical Liberals were Half Right (or Half Wrong): New Tests of the 'Liberal Peace,' 1960-88," *Journal of Peace Research*, vol. 42, no. 5 (2005): 523-543.

Timor-Leste border.³⁰ It found that cross-border cooperation resulted in lesser violence, better social relations, and improved economic condition of the local people. Cooperation along the border results in conflict management which does not resolve the conflict but rather reduces or stops the conflict from escalation. Cross-border cooperation removes physical and psychological barriers between the residents on either side of the border, encouraging them to meet and work together and improve socio-economic ties between them. It also discourages any violence in the region.³¹

India's Border Trade with its Neighbors

For several decades, in addition to formal trade India has conducted informal cross-border trade with its neighbors such as Nepal, Bangladesh, Pakistan, Myanmar, and Bhutan brought about by the higher transaction costs and more restrictions of formal trade. Furthermore, long porous borders, lack of paperwork, and lower bribes encourage informal trade along these common borders.³² India's trade with China through the border is mostly formal due to the heavy presence of hostile army personnel on both sides of the border. India and Pakistan have, however, avoided cross-border trade along the long land border between them (causing huge economic losses to both sides every year), with formal trade taking place through the ports of Mumbai

³⁰ Sandy Nur Ikfal Raharjo, "Managing Conflict Through: Cross-Border Cooperation: A Study at the Indonesia-Timor-Leste Border," *Journal of Indonesian Social Sciences and Humanities*, vol. 6, no. 1 (2016): 71-79.

³¹ Sangsoo Lee and Alec Forss, "Dispute Resolution and Cross-border Cooperation in Northeast Asia: Reflections on the Nordic Experience," Institute for Security and Development Policy, 2011.

³² Thiyam Bharat Singh, "India's Border Trade with its Neighbouring Countries with Special Reference to Myanmar," *Margin: The Journal of Applied Economic Research*, vol. 1, no. 4 (2007): 359-382.

and Karachi.³³ Trade with Myanmar takes place through border towns of Moreh and Champhai in India, and Tamu and Rih in Myanmar. To date, trade at the India-Myanmar border follows a barter system, mainly due to lack of proper financial institutions near the border.³⁴ The barter trade system preserves the traditional practices of the local people as well as promotes trading in locally produced goods while also preventing the exchange of goods from third-countries through border trade.

After the India-China war of 1962, the authorities on both sides decided to reopen only three passes for trade and confidence building purposes. These passes were Shipki-La in Kinnaur district of Himachal Pradesh, Lipulekh in Pithoragarh district of Uttarakhand, and Nathu-La in Sikkim. The first two were opened in 1992 and 1993, respectively, after a Memorandum of Understanding was signed between India and China for resumption of border trade between the two countries. However, they are of lesser commercial significance as compared to Nathu-La.³⁵ Lipulekh pass connects two market points, Gunji on the Indian side, and Taklakot on the Chinese side. It opens for trade between June and October every year, allowing Indian traders to export utensils, spices, buckwheat flour, oil, jaggery, pulses, and cosmetic items, and importing into India raw wool, ready-made garments, shoes, live animals, yak tail, borax, and silk. The Shipki-La mountain pass also serves as a border post on the India-China border. Since resumption of trade in 1992, Shipki-La registered the highest volume

³³ Ranjit Singh Ghumanand Davinder Kumar Madaan, "Indo-Pakistan Trade Cooperation and SAARC," *Peace and Democracy in South Asia*, vol. 2, no. 1 and 2 (2006): 71-87.

³⁴ Singh, "India's Border Trade with Its Neighbouring Countries with Special Reference to Myanmar."

³⁵ Rafal Beszterda, "Current Analyses on Shipki-La Trade, Kinnaur, 2017," *Ethnologia Polona*, vol. 37 (2016): 31-52.

of bilateral trade worth INR 9.72 crore in 2015, with Indian imports worth INR 4.36 crore and exports of INR 5.36 crore.³⁶ In recent times, major items of export through this pass are spices, oil, dried fruits, Indian-woven carpets, shawls, blankets, and ayurvedic medicines, while Cashmere wool, yak hair, and ready-made garments are imported. Gradually, more youths from the region have started participating in the cross-border trade whereas earlier, it was practised only by traditional trading families. The addition of newer items to the trading list, granting of Import Export Code (IEC), and simplification of documentation procedures have provided further boost to border trade through this pass. Since its opening till the end of the trading season in 2014, the daily trading allowance was fixed at only INR 25,000. It was raised to INR 100,000 for both Shipki-La and Lipulekh passes in 2015. One major difference between these passes in the Western Himalayas and Nathu-La in the Eastern Himalayas has been that a proper automobile-passable road connects the trading market at Sherathang on the Indian side to Gangtok, the capital city of Sikkim, allowing the traders to travel daily from Monday to Thursday, while the passes on the Western Himalayas lack such infrastructure, which has had the effect of depressing their trading allowance. It has also led to lower trade volume through these two passes as compared to Nathu-La.

India China Formal Trade: 2000–2019

India and China saw economic reforms and rapid economic growth almost together (only a decade apart). Soon, both of them considered each other as a potential partner for trade; China for its booming

³⁶ Ibid.

commercial markets, and India for its abundant labor and well-developed Information and Technology sector.³⁷

Table 1: India-China Formal Trade with the World (million USD)

Year	India's total trade with the world (million USD)	China's share in India's trade (%)	China's total trade with the world (million USD)	India's share in China's total trade (%)
1992-93	40,418.80	0.66	165,525.32	0.16
1993-94	45,544.50	1.28	195,702.88	0.30
1994-95	54,984.90	1.85	236,619.87	0.43
1995-96	68,470.20	1.67	280,863.00	0.41
1996-97	72,602.10	1.89	289,880.20	0.47
1997-98	76,490.90	2.40	325,161.91	0.57
1998-99	75,607.40	2.02	324,045.75	0.47
1999-00	86,493.10	2.11	360,629.85	0.51
2000-01	95,096.80	2.45	474,296.28	0.49
2001-02	95,240.00	3.14	509,651.09	0.59
2002-03	114,131.50	4.18	620,766.07	0.77
2003-04	141,991.70	4.94	850,987.56	0.82
2004-05	195,053.30	6.52	1,154,554.33	1.10
2005-06	252,256.20	6.99	1,421,906.17	1.24
2006-07	312,149.30	8.25	1,760,396.47	1.46
2007-08	41,4343.40	9.15	2,176,175.12	1.74
2008-09	488,991.31	8.46	2,563,255.23	1.61
2009-10	467,124.30	9.06	2,207,201.98	1.92
2010-11	620,905.31	9.49	2,973,765.32	1.98
2011-12	795,283.41	9.54	3,641,783.30	2.08
2012-13	791,137.23	8.32	3,866,981.46	1.70
2013-14	764,629.36	8.65	4,158,999.60	1.59
2014-15	758,385.42	9.54	4,301,527.32	1.68
2015-16	643,298.84	10.99	3,953,032.55	1.79
2016-17	660,209.46	10.82	3,685,557.86	1.94

³⁷ Yanrui Wu, and Zhangyue Zhou, "Changing Bilateral Trade between China and India," *Journal of Asian Economics*, vol, 17, no. 3 (2006): 509-518.

2017-18	769,107.15	11.66	4,107,163.44	2.18
2018-19	844,103.70	10.31	4,629,212.81	1.88

Source: RBI HBS 2020; WITS World Bank, 2020.

<https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!2>

<https://wits.worldbank.org/CountryProfile/en/Country/IND/Year/2010/TradeFlow/EXPIMP>

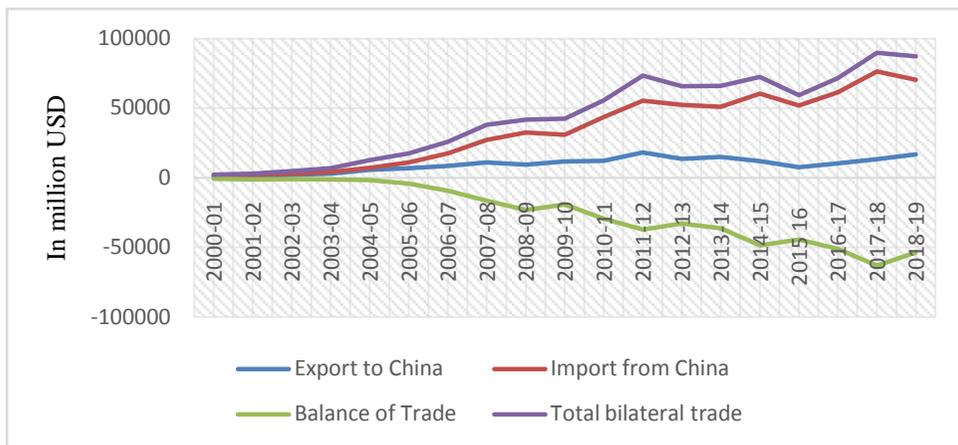
Taking advantage of such economic relationship, their bilateral trade surged from just US\$ 330 million in 1992 to around US\$ 2 billion in 1997. Also, China's share in India's total trade increased steadily from a mere 0.66 percent in 1992-93 to 10.31 percent in 2018-19, and China remained India's largest trading partner from 2013-14 to 2017-18. At the same time, India's share in China's total trade had remained negligible for a long time, staying below 1 percent till 2003-04. Thereafter, the share increased marginally to remain below 2 percent for all the years except in 2011-12 and 2017-18 (See Table 1).

After China's accession to the WTO in December 2001, the India-China bilateral trade grew further by 58 percent in 2002,³⁸ and began increasing even more rapidly since then.³⁹ Bilateral trade between them grew nearly 37 times, from US\$ 2.3 billion in 2000-01 to US\$ 87.02 billion in 2018-19. However, India's trade deficit had been widening over the years,⁴⁰ and the trade balance still remains favorable to China (See Figure 1, below). For instance, India's imports were worth US\$ 70 billion and exports were only US\$ 16.7 billion in 2018-19, incurring India a huge trade deficit of around US\$ 53.5 billion.

³⁸ Saroj Kumar Mohanty, "Economic Growth, Exports and Domestic Demand in India: In Search of a New Paradigm of Development," *Moving Towards a New Development Model for East Asia—The Role of Domestic Policy and Regional Cooperation*, ERIA Research Project 10 (2011): 191-222.

³⁹ *Ibid.*

⁴⁰ Wei Tianand Miaoje Yu, "China and India: Trends in Trade Over the Last Decade," *The Journal of China and Global Economics*, vol. 1, no. 1 (2012): 27-38.

Figure 1: India-China Formal Trade: 2000-2019


Source: Import-Export Data Bank, Department of Commerce, Government of India.

Generally, the share of Indian exports to China has been declining while that of imports from China has been continuously rising over two decades. The share of Indian exports initially increased from just 35 percent in total bilateral trade in 2000-01 to around 44 percent in 2004-05 (See Table 2, below). The growth was contributed mainly by China's increased demand for Indian steel to be used in construction work for the 2008 Beijing Olympics. But between 2004 and 2007, Indian exports to China grew at a slower pace. In 2008, however, Indian exports to China saw a dramatic rise and the bilateral trade volume was US\$ 38.01 billion. At the same time, even sharper growth in imports from China resulted in a lesser share of Indian exports in the total trade. Since then, the share of Indian exports has been declining to reach its lowest value of just 12.67 percent in 2015-16 before slightly improving to 19.24 percent in 2018-19. Overall, the share of India's exports to China had, no doubt, increased in absolute terms but even more aggressive Indian imports of manufactured goods

and high-tech equipment from China resulted in continuous decline of Indian exports' share in total trade.

China's trade with India till 2009 was lesser than that of the United States, United Kingdom, and Belgium. However, in 2009, a significant increase in Indian imports from China resulted in a sharp rise in bilateral trade between them, from a mere 3.5 percent in 2001 to 9 percent in 2009, making China India's largest trading partner.⁴¹ In 2010, two-way trade reached around US\$ 61.7 billion and jumped quickly to US\$ 73.4 billion in 2011 with both becoming each other's largest trading partners. Trade between the two countries in 2012 declined compared to the previous year and stood at US\$ 66.75 billion mainly due to the global economic slowdown.

Table 2: India-China Formal Trade

Year	Total bilateral trade (million USD)	India's exports to China (million USD)	Share of Indian exports in bilateral trade (%)	Imports from China (million USD)	Share of imports from China in bilateral trade (%)	Balance of Trade (as % of total trade)
2000-01	2,333.50	831.3	35.62	1,502.20	64.38	28.75
2001-02	2,988.30	951.95	31.86	2,036.39	68.15	36.29
2002-03	4,767.50	1,975.48	41.44	2,792.04	58.56	17.13
2003-04	7,008.30	2,955.08	42.17	4,053.21	57.83	15.67
2004-05	12,713.90	5,615.88	44.17	7,097.98	55.83	11.66
2005-06	17,627.20	6,759.10	38.34	10,868.05	61.65	23.31
2006-07	25,796.90	8,321.86	32.26	17,475.03	67.74	35.48
2007-08	38,017.80	10,871.34	28.6	27,146.41	71.4	42.81

⁴¹ Mohanty, "Economic Growth, Exports and Domestic Demand in India: In Search of a New Paradigm of Development."



2008-09	41,850.50	9,353.50	22.35	32,497.02	77.65	55.30
2009-10	42,441.90	11,617.88	27.37	30,824.02	72.63	45.25
2010-11	55,648.60	12,168.86	21.87	43,479.76	78.13	52.67
2011-12	73,390.10	18,076.55	24.63	55,313.58	75.37	50.74
2012-13	65,783.20	13,534.88	20.57	52,248.33	79.43	49.73
2013-14	65,859.00	14,824.36	22.51	51,034.62	77.49	54.98
2014-15	72,347.40	11,934.25	16.5	60,413.17	83.5	67.01
2015-16	59,327.30	7,516.10	12.67	51,811.23	87.33	74.66
2016-17	71,454.00	10,171	14.23	61,283	85.77	71.53
2017-18	89,713.00	13,333	14.86	76,380	85.14	70.28
2018-19	87,071.00	16,752	19.24	70,319	80.76	61.52

Source: Import-Export Data Bank, Department of Commerce, Govt of India.

Bilateral trade in 2017-18 was the highest—around US\$ 89.7 billion—with Indian imports from China of around US\$ 76.4 billion owing to huge imports of solar cells at very low prices, while exports from India were only US\$ 13.4 billion. With the slump in overall global trade, bilateral trade between the two countries in 2019 fell to around US\$ 87 billion. Indian exports to China, however, grew ten times in the post-Wuhan Summit period to reach around US\$ 1 billion in 2019. As such, India's trade deficit had shrunk to US\$ 53.6 billion in 2019.

Despite surging bilateral trade in the last two decades, India has mostly faced trade deficit, with the trade balance has always favoring China. Table 1 reflects a generally rising trend of Indian imports from China while exports have not increased much through the years, thus creating a huge and continuously expanding trade deficit. Within just eight years—from 2000-01 to 2008-09—India's trade deficit with

China jumped by around 34 times from just US\$ 0.67 billion to US\$ 23.14 billion. After a small dip in 2009-10, India's trade deficit expanded steadily and rapidly, registering the largest trade deficit of US\$ 63 billion in 2017-18. Such unsustainable trade balance was a result of Indian exports to China mainly constituting primary and intermediate goods while its imports were mainly driven by manufactured goods and machinery to meet the demand of fast-expanding telecom and power sectors.

In History, India-China Cross-border Trade via Jelep-La and Nathu-La

Indo-Tibetan trade was traditionally conducted along Jelep-La, with goods passing through Kalimpong to Calcutta. The trade route—the culmination of social, cultural, and historical linkages with Central Asia, particularly with Tibet—was abruptly severed with the India-China conflict of 1962.

The town of Kalimpong is situated at 27.05° N, 88.46° E on the lower Himalayas, high above the Teesta River valley, blessed with two captivating peaks, Delo and Durpin, at an elevation of 1,146 meters and 1,158 meters above sea level, respectively. Soon after the British annexation of Kalimpong from Bhutan, the British government justified its acquisition through the Treaty of Sinchula in 1865, whose Article II states,

Whereas in consequence of repeated aggressions of the Bhootan Government and of the refusal of that Government to afford satisfaction for those aggressions, and for their insulting treatment of the officers sent by His Excellency the Governor-General in Council for the purpose of procuring an amicable adjustment of differences existing between the two states, the



British Government has been compelled to seize by an armed force the whole of the Doars and certain Hill Posts protecting the passes into Bhootan, and whereas the Bhootan Government has now expressed its regret for past misconduct and a desire for the establishment of friendly relations with the British Government, it is hereby agreed that the whole of the tract known as the Eighteen Doars, bordering on the districts of Rungpoor, Cooch Behar, and Assam, together with the Taloo of Ambaree Fallcottah and the Hill territory on the left bank of the Teesta up to such points as may be laid down by the British Commissioner appointed for the purpose, is ceded by the Bhootan Government to the British Government forever.

Kalimpong began budding as a cool hill station of the British Raj to accommodate the growing population of tourists visiting the nearby mountain city of Darjeeling to spend their summer and autumn vacations. Similar to other Indian hill stations, Kalimpong was urbanized during the British Raj and soon became the premier trading center of the entire region within a short span of time. Meanwhile, Kalimpong was attracting attention not just for its scenic beauty, but also for its strategic location that offered easy access to Tibet through the Jelep-La pass, sixty-five miles away. Since the British acquisition of 'Grant of Diwani' for the Bengal Province in 1765 after the Battle of Buxar,⁴² the British had always been keen on exploring trade possibilit-

⁴² Sonal Singh, "Micro-history Lost in a Global Narrative? Revisiting the Grant of the 'Diwani' to the English East India Company," *Social Scientist*, vol. 45, no. 3/4 (2017): 41-51.

ies with Tibet through Kalimpong via Jelep-La.⁴³

The Jelep-La route starts from Kalimpong and passes through Algara and Pedong in the Kalimpong district in West Bengal, then runs through Rhenock, Arithar, Zuluk, and Kupup in Sikkim. The pass, which meets the Chumbi Valley in Tibet, is at an altitude of 13,999 feet above sea level. It is an old route which was part of the ancient silk route connecting Kalimpong to Lhasa and was responsible for building Kalimpong as vibrant and thriving trading center till the early 1960s when the route was unexpectedly closed down against the backdrop of Sino-Indian War of 1962. Historically, the East India Company used a land strip on the east of the Teesta River, constituting the present Kalimpong district in West Bengal, to facilitate trade between Tibet and Bengal.

Eventually, by the late 1860s, trade between Bengal and Tibet started, but trade could not flourish due to the pathetic condition of roads in the Teesta Valley. In 1915, a railway line was extended up to Giellekhola, just 12.5 miles (about 20 km) from Kalimpong, and by 1930 a ropeway service was started from Giellekhola to Kalimpong.⁴⁴ In a short time, Kalimpong, a small rural town, became the linking point between the plains of Bengal and mountains of Tibet. Among all the Indo-Tibetan trade routes, the Calcutta-Kalimpong-Lhasa route became the most important one. As a result, by 1924, half of the entire trade between Tibet and Bengal traversed through this route.⁴⁵ Unfortunately, with the 1962 war, trade and social interaction were

⁴³ Enakshi Majumdar, "The Route: A Study of the Trade Route Connecting the Frontier Trade Port of Kalimpong with the Plains of Bengal and Lhasa (1865-1965)," in *Proceedings of the Indian History Congress*, Indian History Congress, vol. 55 (1994): 630-638.

⁴⁴ *Ibid.*

⁴⁵ *Ibid.*



both disrupted. In many ways, the closure of the border was the anomaly not the subsequent opening up. Table 3 below provides a historical snapshot of the items that were exported and imported through Jelep-La in the 1930s and 1940s.

Table 3. Items traded in the 1930s and 1940s via Jelep-La

Imports from China	Exports to China
Wool, yak tails, <i>phagze</i> (the hair on the back of the pig, used as bristles for brushes), animal skins, silver coins, herbal medicines, and musk.	Sugar, flour, tobacco, tea leaves, cloth material (flannel and silk), jaggery, dried fruits, prayer flags, shoes, and dried chillies.

Source: Department of Commerce and Industries, Government of Sikkim.

The Sino-Indian War of 1962 created a barrier that led to the total stoppage of trade. Yet, India has excellent prospects of gaining a trade surplus through Nathu-La, in view of the substantial trading behavior that took place between India, Tibet, and Sikkim in the pre-1962 period through Nathu-La. The Nathu-La pass, lying at an elevation of 14,420 feet above sea level, is 53 km away from the capital of Sikkim, Gangtok. The nearest market on the Indian side is Changgu which is just 16.8 km away from Nathu-La. A historic pass, Nathu-La ranked as one of the important points on the ancient Silk Route⁴⁶ which connected India with China, the Middle East, and Europe. It was once a part of the thriving Indo-Tibetan trade, accounting for 80 percent of the border trade between India and China at the start of the twentieth century.⁴⁷ Prior to the border trade agreement signed during the visit of

⁴⁶ B. Singh, "Sino-Indian Strategic Economic Dialogue," *IPCS Issue Brief*, no. 187 (March 2012): 1-4.

the Indian Prime Minister, Atal Behari Vajpayee, to China in June 2003, all the Chinese maps showed Sikkim as a separate country clubbed with Bhutan and Nepal as neighbors of Tibet.⁴⁸ With the recognition of Sikkim by China as an Indian state, the reopening of the Nathu-La route was inevitable. The date of the official reopening kept getting pushed back, ostensibly because China did not want Nathu-La to steal the limelight from the Qinghai-Lhasa railway, and insisted that Nathu-La comes after it.⁴⁹ Eventually, Nathu-La was opened for trade on July 6, 2006 between India and China after a 44-year gap since the 1962 Sino-Indian War. As per the memorandum, the two sides accepted Changgu on the Indian side as the place of trading, and Rinqingang as the designated place of trading on the Chinese side.⁵⁰

Doklam Stand-off and Cross-border Trade through Nathu-La: Issues and Concerns

In 2017, India-China bilateral relations saw a new low over the issue of Doklam. Disputed between China and Bhutan, Doklam is a plateau and a valley lying on the Bhutan-China border, near India. Doklam, the region of a standoff in 2017 between China and India, was part of a rich history of trade. Doklam sits at the heart of the Chumbi Valley that possesses historical importance in the geopolitics of the entire Himalayan region. The valley offers the shortest route between Lhasa and the sea port of Kolkata. It was through Jelep-La that Sir Francis

⁴⁷ Pushpita Das, "Nathu La: Pass to Prosperity but Also a Challenge," *IDSA Strategic Comments* (July 2006).

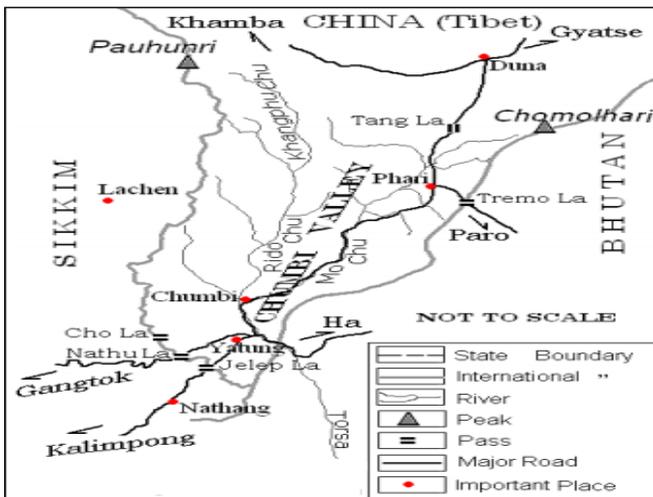
⁴⁸ Lama, "Borders as Opportunities: Changing Matrices in Northeast India and Southwest China."

⁴⁹ Pema Wangchuk, "India, China and the Nathu La: Converting Symbolism into Reality," Institute of Peace and Conflict Studies, Issue Brief 202 (January 2013).

⁵⁰ Singh, "Sino-Indian Strategic Economic Dialogue."

Younghusband invaded Tibet. When Prime Minister Jawaharlal Nehru visited Bhutan in September 1958 to persuade it to come out of its isolation, he traveled through the valley, and was seen off and received by Chinese officials at his crossing points.⁵¹ The Chumbi Valley historically had three trading agencies: Yatung, Gyantse, and Gartok, set up by the British Government in Southern Tibet.

Figure 2: Chumbi Valley: Passes and Trade Routes



Source: Survey of India. www.TexasTopographicMaps-UTLibraryOnline.html accessed on 28/03/2020.

Doklam's geographical position makes it a strategically important area as it is located between the Chumbi Valley to the north, Bhutan's Ha Valley to the east, and India's Sikkim state to the West.⁵² The area of Doklam carries a huge military advantage: if it fell into the hands of China, it would not only compromise the security of Bhutan but also India's. If China gets hold of Doklam, it would get access to the

⁵¹ Manoj Joshi, "Doklam: To Start at the Very Beginning," ORF Special Report (August 2017).

⁵² K.C. Dayananda, "Tourism and Employment: Opportunities and Challenges in Karnataka—Special Reference to Kodagu District," *Journal of Humanities and Science (IOSR-JHSS)*, vol. 19, no. 11 (2014): 1-11.

higher ground, which would enable it to defeat Bhutan in case of a war. Also, access to the Tri-junction area (via road from Doklam) would give China easy access to transportation of war machinery such as tanks and vehicles to the Indian border. In this case, if a war broke out between India and China, the latter would have an upper hand in occupying the Chicken's Neck (the Siliguri Corridor) of India and get easy entry to the whole of the North eastern region of India.⁵³ The so-called Chicken's Neck, a strip of land 20 km to 22 km at its narrowest, connects the entire Northeast region with the rest of India, with Nepal and Bangladesh lying on the either side of the corridor, and Sikkim and Bhutan at its northern end. Geographically a sensitive area, it is heavily guarded by the Indian Army, Assam Rifles, Border Security Force, and West Bengal Police.⁵⁴ The Doklam crisis of June 16 to August 28, 2017 involved Indian military efforts to block Chinese strategic road construction in an area of disputed ownership between China and Bhutan. Despite the limited territorial scope of the military intervention, the crisis between Beijing and New Delhi quickly escalated to mutual force build-ups near the area and exchange of explicit war threats. The Doklam standoff, lasting for little over 70 days eventually came to an end after the withdrawal of military forces by China from Doklam which eventually paved the way for the BRICS summit of 2017 that was hosted by China. The Doklam crisis had a far-reaching effect on the India-China trade through Nathu-La (See Figure 3 for the Geographical location of Doklam).

⁵³ Vyomica Berry, "Why is China Trying to Break India's Chicken Neck," WION Web, October 24, 2021.

⁵⁴ Vimal Khawas, "Emerging Demographic Shift in the Bengal Doars and National Security Concerns for India," *Sikkim Express*, September 12, 2018, https://www.academia.edu/37541160/Demographic_Shift_in_Bengal_Duars_and_National_Security_Concerns.

Figure 3: Geographical location of Doklam



Source: <https://www.indiatoday.in/education-today/gk-current-affairs/story/where-doklam-why-important-india-china-bhutan-1198730-2018-03-27>.

Trade through Nathu-La is low in volume mainly because only thirty-six items are allowed to be exported from India while only twenty items are allowed to be imported from China. As these goods are mostly outdated, their demand is low. Trade takes place between May and November. The thirty-six items on India's export list include blankets, copper products, clothes, cycles, coffee, tea, barley, rice, flour, dry fruit, fresh vegetables, vegetable oil, *gur*, *misri*, tobacco snuff, cigarettes, canned foods, agro chemicals, local herbs, dyes, spices, watches, shoes, kerosene oil, stationery, utensils, wheat (ua & buck), processed food items, flowers, fruits and spices, religious products such as beads, prayer wheels, incense sticks and butter oil, lamps, readymade garments, handicraft, handloom products, and local herbal medicine. On the other hand, the twenty items allowed to be imported from China include wool, goat, cashmere (*pasham*), goat skins, sheep

skins, yak tails, goat sheep, yak hair, horses, salt, borax, *szaibelyita*, china clay, butter, silk readymade garments, shoes, quilt/blankets, carpets, and local herbal medicine. Indian traders are allowed to carry goods valued at INR 200,000 a day, and Chinese traders are allowed to bring goods worth CY 200,000 (present value of around INR 23 lakh). India-China trade through Nathu-La has seen huge growth from just INR 0.2 crore in 2006 to INR 48 crores in 2018 (Table 4).

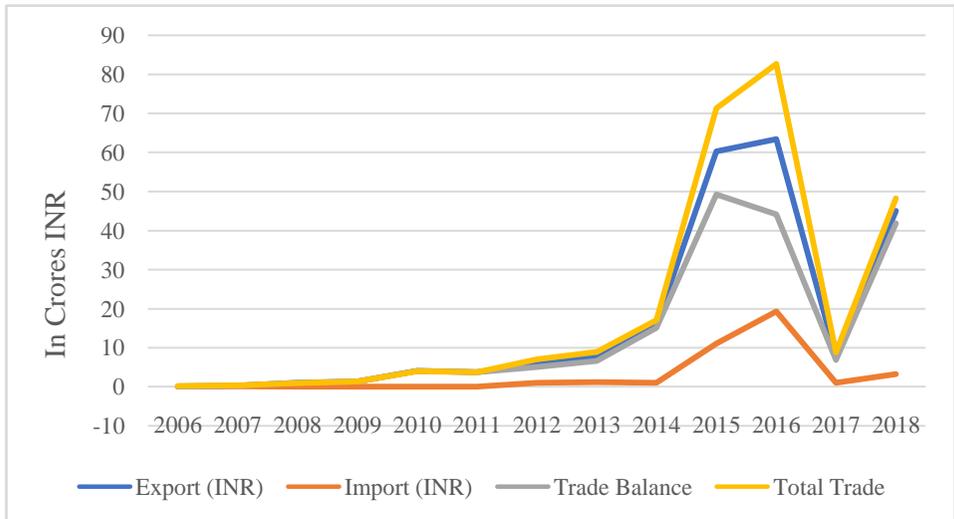
Table 4: India-China Border Trade through Nathu-La: 2006 to 2018

Years	Total Trade (Crore INR)	Indian Exports to China (Crore INR)	Share of Indian Exports in Total Trade (%)	Indian imports from China Imports (Crore INR)	Share of Indian Imports in Total Trade (%)	Trade Balance (as % of total trade)
2006	0.2	0.09	45.00	0.11	55.00	10.00
2007	0.36	0.29	80.56	0.07	19.44	61.11
2008	0.98	0.97	98.98	0.01	1.02	97.95
2009	1.36	1.33	97.79	0.03	2.21	95.58
2010	4.02	4.02	100.00	0.00*	0.00	100.00
2011	3.72	3.72	100.00	0.00*	0.00	100.00
2012	7.00	5.99	85.57	1.01	14.43	71.00
2013	8.92	7.75	86.88	1.17	13.12	73.87
2014	17.07	16.04	93.97	1.03	6.03	87.99
2015	71.31	60.26	84.50	11.05	15.50	69.00
2016	82.68	63.38	76.66	19.3	23.34	53.31
2017	8.86	7.84	88.49	1.02	11.51	76.97
2018	48.28	45.04	93.29	3.24	6.71	86.57

Source: Dept. of Commerce & Industries, Government of Sikkim, 2020. <http://www.sikkimindustries.in/>. * No commercially viable items were listed for trade, as a result, Indian traders did not import any item.

It can be observed in Table 4 that during all the trading years, the share of Indian exports to China had always been higher as compared to imports from China, resulting in a favorable trade balance for India. In 2015, border trade saw an unprecedented rise mainly due to favorable bilateral relations between the two countries. In 2015, India exported items worth INR 60.26 crore, whereas in the same year it imported goods from China worth INR 11.05 crore. Since resumption of border trade in 2006, the trade balance between the two countries has always remained positive and strongly favorable to India (Figure 5). In 2005, India had a positive trade balance of INR 49.20 crore with China. In 2016, border trade between the two countries saw positive growth, taking India's exports to INR 63.38 crore and imports to INR 19.30 crore. India had a favorable trade balance of INR 44.08 crore in 2016.

Figure 4: Indian exports to (and Imports from) China through Nathu La: 2006 to 2018



Source: Dept. of Commerce & Industries, Government of Sikkim, 2020. <http://www.sikkimindustries.in/>.

When the two countries came to the brink of war over Doklam in 2017, the seventy-day standoff harmed their bilateral trade relationship. The standoff took its toll on Nathu-La border trade: India exported goods worth just INR 7.88 crore in 2017 and imported worth INR 1.02 crore. Even during the year of the Doklam crisis, India enjoyed a positive trade balance of INR 6.81 crore. The crisis, however, had a far-reaching consequence which was seen even in the Nathu-La border trade in 2018. In 2018, Indian exports climbed to INR 45.03 crore while imports were around INR 3.23 crore. Consequently, the trade balance of INR 41.08 crore was still in positive territory for the Indian side, but lower in comparison to the figure for 2016.

Possibility of Reopening a More Reliable and Historically Significant Jelep-La Route

The overall picture of India-China trade through Nathu-La reflects a positive outcome for Indian traders, and gives a ray of hope for government and policymakers to re-think the border trade in a similar vein. The reopening of a comparable pass, the Jelep-La, makes perfect sense. After the Sino-Indian War, the border was closed at a 48-hour notice on May 25, 1962. The sudden closure of a blooming trade, which was at a peak in the 1950s, caused huge losses to Indian traders who had to abandon stocked warehouses in Tibet and flee, losing all their deposits maintained in the Bank of China which even had a branch in Kalimpong.⁵⁵ Jelep-La, which was once precarious pony track, would make a natural follow-up to the Nathu-La experiment.⁵⁶

⁵⁵ Lama, "Sikkim-Tibet Trade via Nathu la: A Policy Study on Prospects, Opportunities and Requisite Preparedness"; Lama, "Sino-India Borders: e Changing Perspectives."

⁵⁶ Abdenur, "Trans-Himalayas: From the Silk Road to World War II."

Compared to Nathu-La, the old Indo-Tibet route of Jelep-La via Kalimpong in West Bengal is geologically stronger and more viable. It is the shortest of all routes connecting India and the Tibetan Autonomous Region (TAR) of China. This pass is one of the more easily negotiable routes to Tibet and is seldom closed by snow except for a few weeks in winter.⁵⁷ A note of J.M. Korb (September 12, 1903, Kalimpong) states, while discussing the various routes from India to Tibet, that the one through Sikkim via Jelep La to the Chumbi Valley was the most important.⁵⁸ Moreover, this route is accessible almost throughout the year, unlike Nathu-La which remains open from May to November.⁵⁹ So, in terms of feasibility and geographical accessibility, this route has the upper hand. The significance of this route can be understood from the fact that by the 1940s Jelep-La had already evolved as thriving trading pass while Nathu-La was used more for diplomatic crossovers.⁶⁰ The Jelep-La trade route played a pivotal role until 1962, when Kalimpong had become the focal point of all trading activities in the eastern Himalayas. The most viable method of regaining the past glory of the region would be to reopen the Jelep-La trade route that connects North Bengal and the Northeast with various Chinese trading centres.⁶¹

⁵⁷ Majumdar, "The Route: A Study of the Trade Route Connecting the Frontier Trade Part of Kalimpong with Plains of Bengal and Lhasa."

⁵⁸ Lama, "Sikkim-Tibet Trade via Nathu la: A Policy Study on Prospects, Opportunities and Requisite Preparedness"; and Lama, "Sino-India Borders: e Changing Perspectives."

⁵⁹ Ibid.

⁶⁰ Wangchuk, "India, China and the Nathu La: Converting Symbolism into Reality."

⁶¹ Lama, "Borders as Opportunities: Changing Matrices in Northeast India and Southwest China."

After the resumption of border trade at Nathu-La, there was also talk in the power corridors of India's South Block, the location of the ministry of external affairs, about the high possibility of Nathu-La being followed up by the opening of Jelep-La at the India-Tibet-Bhutan trijunction which could today connect Lhasa to Kalimpong in West Bengal.⁶² However, even after fourteen years of resumption of the Nathu-La trade, the idea of re-opening the historically significant and relatively more accessible Jelep-La has not seen the light of day mainly due to bureaucratic inertia and partly due to perennial issues of security considerations, not to talk of a lack of provincial will of the Government of West Bengal to push the case of Jelep-La. Re-opening of Jelep-La to run side by side with Nathu-La would give a substantial boost to India-China trade at the international level.⁶³ At the local level, there is a huge potential to rebuild the town of Kalimpong so it could regain its past glory as one of the premier trading centres of the region. Moreover, resumption of this route would reduce the pressure on Nathu-La by sharing the environmental fallout of excessive trade and tourism.

Nathu-La in Sikkim is the only border trade route between India and China in the entire North Eastern India, which was reopened as a result of an agreement between the Government of India and the Government of People's Republic of China on Expanding Border Trade, signed in 2003, but it became functional only in 2006 owing to infrastructure development related issues. In a conversation with a customs official posted at Nathu-La checkpoint, the officer accepted

⁶² Swaran Singh, "China-India Economic Engagement: Building Mutual Confidence," New Delhi: Centre de Sciences Humaines (2005): 1-205, http://www.jnu.ac.in/Faculty/ssingh/China_India_Economic_Engagement.pdf.

⁶³ "Recalling the Forgotten Way (Jelep-La-Lhasa)," *The Statesman*, December 31, 2004, https://www.academia.edu/34233202/Recalling_the_Forgotten_Way_Jelep-La-Lhasa.

that informal trading was happening on a wide scale of goods which were not part of the actual list prepared and accepted by the both the governments of India and China. The customs officer also agreed that there was a huge potential for border trade, and there is an urgent need to review the trade list and add new items to make trading more profitable in the days to come.

An examination of various policy documents and annual import-export reports demonstrates that the list of items for trade has become outdated and holds very low demand in present times. As expected, it has resulted in the growth of informal trade in commodities that have higher demand on both sides. To expand border-trade and avoid large scale informal exchanges, it is necessary to add new, relevant items to the list after proper due consultations with various stakeholders, such as cardamom, ginger, turmeric, and other locally-grown organic agricultural produce along with milk products, flowers, and horticultural products, as Sikkim is the only organic state in India. The inclusion of items generated from milk, agriculture, and horticulture would create new employment opportunities in the region. Since more than half of the state's population is engaged in agricultural activities, the promotion of trade in agricultural goods would create new opportunities for the state's organic farmers. The state of Sikkim can also involve women's Self-Help Groups (SHGs) in income-generating activities such as producing locally processed milk products and local pickles for export, thus engendering the entire process of cross-border trade.

Drawing a lesson from the moderate success of the Nathu-La route, the Government of India should seriously consider opening the alternate route of Jelep-La via Kalimpong. It would boost the border trade between India and China and with time it could be linked to the Buddhist corridor to facilitate Buddhist pilgrimage from Tibet

Autonomous Region, which could further enhance the tourism sector in the region, boosting employment generation to a great extent. Sikkim and Bhutan could be hubs that connects all the major Buddhist destinations in India and neighboring countries—Bodh Gaya in Bihar, Rumtek in Sikkim, Ghum and Dali monastery in Darjeeling, Tawang in Arunachal Pradesh, Lumbini in Nepal, Taktsang in Bhutan, and Jokhang and Potala in Lhasa.⁶⁴ The entire North Bengal region including the districts of Kalimpong, Darjeeling, and the Duars and Terai, would directly benefit from the project.

Based on analysis of available policy documents, literature, and discussion with various stakeholders, the authors of this research article suggest the following measures to achieve the projected trade goal by 2030:

- The limit on daily trade allowance can be relaxed further to promote greater volume of trade through the Jelep-La pass.
- Trade through Nathu-La is not “open” as only limited number of items of export and import can be bought and sold. Policymakers should consider making it a route of open trade and allowing imported items to reach the larger Indian market, rather than just confining it to the domestic markets of Sikkim.
- Border trade through Nathu-La takes place only on four days a week for just seven months from May to November owing to rough terrain and hostile weather. As a result, a significant loss of trade volume is incurred every year, and the true potential of the border trade has not been explored yet. On the same ridge, Jelep-La provides almost year-round access with friendly terrain and direct access to the major Indian markets through the Kalimpong-Siliguri route. Resumption of

⁶⁴ Lama, “Borders as Opportunities: Changing Matrices in Northeast India and Southwest China.”

the Jelep–La route via Kalimpong would be a highly beneficial move to extract maximum benefit from border trade with China.

- Prior to the 1930s, Gaillekholā, a small hamlet situated on the banks of Teesta River facilitated as main transit point in the Jelep–La route. A two-foot gauge steam tramway system pulled by a small powerful engine, started off at Siliguri and ran up to Gaillekholā (Riyang) terminus situated two-and-a-half miles from Kalimpong. For the onward journey to Kalimpong, horses, carts, and ponies were used. Eventually in 1930, a ropeway constructed by British Ropeway Company Limited opened for traffic to transport goods from Gaillekholā onward to Kalimpong.⁶⁵ This historical transit point can be developed as an inland port that would be further boosted by the proposed North Bengal–Sikkim railway link.

Conclusion

Despite enjoying a favorable trade balance through Nathu–La, Indian government agencies, in particular the Union Ministry of Commerce, have not been able to make the best use of India’s comparative advantage.⁶⁶ Opening of this route for trade had been advocated at different times—in 2006 by External Affairs Minister Pranab Mukherjee, and by West Bengal Chief Minister Jyoti Basu in 1993.⁶⁷ Even in 2012 there was talk of opening the Jelep–La trade route.⁶⁸ The

⁶⁵ Majumdar, “The Route: A Study of the Trade Route Connecting the Frontier Trade Port of Kalimpong with Plains of Bengal and Lhasa.”

⁶⁶ Diki Sherpa, “Sino–Indian Border Trade: The Promise of Jelep La,” Institute of Chinese Studies, Delhi, Analysis, no. 45 (May 2017), <https://www.icsin.org/uploads/2017/05/15/6ad1daff8feba472aeb443df3cf8a949.pdf>.

⁶⁷ “After Sino–Indian Trade Route through Nathula, Now Jelep–La is in the Line,” *The Economic Times*, May 11, 2012.

⁶⁸ Abdenur, “Trans–Himalayas: From the Silk Road to World War II.”

Jelep-La/Kalimpong route through Sikkim into West Bengal could be a possible option for India and China to come into agreement to work together on the Belt and Road Initiative if China agrees to address positively India's concerns over its territorial sovereignty,⁶⁹ given that the China-Pakistan Economic Corridor (CPEC) which is part of the BRI, passes through Pakistan-occupied Kashmir, as was hinted at by the Ambassador of China to India in 2015.⁷⁰

It would be beneficial for both sides to visualize their border trade as a possible tool to resolve their boundary question in particular, and bilateral relations in general, making a way forward for conflict management through economic integration. From a cultural perspective, moreover, religious tourism around the world has become one of the largest and fastest-growing socio-economic sectors that helps in localized development as new economic activities begin to flourish.⁷¹ The Jelep-La/Kalimpong route could be linked with Bodhgaya, to join the Buddhist Circuit, in order to facilitate Buddhist pilgrims from Tibet, and Hindu pilgrims from India to Manasarovar Yatra in the Tibet Autonomous Region. These strategies would eventually be a boon for bilateral trade, as well as the tourism sector, where they would generate new employment opportunities.

⁶⁹ Darshana M. Baruah, "India's Answer to the Belt and Road: A Road Map for South Asia," New Delhi: Carnegie India, August 21, 2018, <https://carnegieindia.org/2018/08/21/india-s-answer-to-belt-and-road-road-map-for-south-asia-pub-77071>.

⁷⁰ Jabin T. Jacob, "China's Belt and Road Initiative: Perspectives from India," *China & World Economy*, vol. 25, no. 5 (September 2017): 78–100.

⁷¹ Dayananda, "Tourism and Employment: Opportunities and Challenges in Karnataka—Special Reference to Kodagu District."



Note on the Authors

Kabindra Sharma is a PhD Scholar in the Department of Peace and Conflict Studies and Management at Sikkim University, and holds an MPhil from the same department. At present, he is engaged as a Junior Project Fellow in a project funded by the National Mission on Himalayan Studies. He completed his post graduate studies in International Relations from Pondicherry University. Kabindra's research revolves around issues of security, development, and geopolitics of South Asia.

Rajiv Gurung is a PhD Scholar and a UGC-Senior Research Fellow in the Department of Economics at Sikkim University, India. His current research is concerned with agricultural economics. He has published articles in reputed journals.

Vimal Khawas (Corresponding Author) is Associate Professor in the Department of Peace and Conflict Studies and Management, Sikkim University. He writes and speaks on the issues around the environment, development and human security.

Works Cited

Aiyengar, S.R.R. 2010. "A Perspective on India-China Relations." *CLAWS Journal* (CLAWS) 9-21. Accessed January 5, 2020.

https://archive.claws.in/images/journals_doc/1397629004SRR%20Aiyengar%20CJ%20Summer%202010.pdf.

Aung, Winston Set. 2009. *The Role of Informal Cross-Border Trade in Myanmar*. Stockholm: Institute for Security and Development Policy. Accessed January 8, 2020.

- Barauh, Darshana M. 2018. *India's Answer to the Belt and Road: A Road Map for South Asia*. New Delhi: Carnegie India, August 21. Accessed January 16, 2020.
<https://carnegieindia.org/2018/08/21/india-s-answer-to-belt-and-road-road-map-for-south-asia-pub-77071>.
- Bardalai, A.K. 2018. "Doklam and the Indo-China Boundary. " *Journal of Defence Studies (IDSA)* 12 (1): 5-13. Accessed March 16, 2019.
<https://idsa.in/jds/jds-12-1-2018-doklam-indo-china-boundary>.
- Berry, Vyomica. 2021. *Why is China trying to break India's chicken neck*. WION WEB. New Delhi, October 24.
- Beszterda, Rafal. 2017. "Current Analyses on Shipki-LA Trade, Kinnaur, 2017. " *Ethnologia Polona* 37 (2016): 31-52. Accessed February 11, 2020.
- Blank, Jonah. 2017. *What Were China's Objectives in the Doklam Dispute?* Washington, September 7. Accessed March 23, 2020.
<https://www.foreignaffairs.com/articles/asia/2017-09-07/what-were-chinas-objectives-doklam-dispute>.
- Brannon, Jefferey T., Dilmus D James, and G William Lucker. 1994. "Generating and sustaining backward linkages between maquiladoras and local suppliers in Northern Mexico." *World Development* 22 (12): 1933-1945. Accessed March 17, 2020.
- Brar, Aadil. 2017. *The Hidden History Behind the Doklam Standoff: Superhighways of Tibetan Trade*. Gangtok, Sikkim: *The Diplomat*, August 12. Accessed February 2, 2020.
<https://thediplomat.com/2017/08/the-hidden-history-behind-the-doklam-standoff-superhighways-of-tibetan-trade/>.



- Dar, Bashir Ahmad. 2014. "Major Bilateral Issues between China and India." *Arts and Social Sciences Journal (OMICS)* 5 (1): 1-3. Accessed March 1, 2020. https://astonjournals.com/manuscripts/Vol_5_2014/ASSJ_Vol5_1_major-bilateral-issues-between-china-and-india-2151-6200.1000064.pdf.
- Das, Pushpita. 2006. *Nathu La: Pass to Prosperity but also a Challenge*. New Delhi: IDSA, July. Accessed March 4, 2020. https://idsa.in/idsastrategiccomments/NathuLaPassToProsperityButAlsoAChallenge_PDAs_040706.
- . 2014. *Status of India's Border Trade: Strategic and Economic Significance*. New Delhi: Institute for Defence Studies and Analyses, 1-50. Accessed January 16, 2020.
- Department of Commerce & Industries, Government of Sikkim. 2020. *Nathu-La Trade Volume during 2006-2018*. Gangtok: Government of Sikkim.
- D'Souza, Shanthie Mariet. 2017. "The Changing Dynamics of India-China Relations Post Doklam Standoff." *ISPSW Strategy Series: Focus on Defense and International Security*, November: 1-8. Accessed January 10, 2020. http://www.ispsw.com/wp-content/uploads/2017/11/522_DSouza.pdf.
- Fullerton, Thomas M. 2003. "Recent Trends in Border Economics." *Social Science Journal* 40: 583-592. Accessed March 20, 2020.
- Ghuman, Ranjit Singh, and Davinder Kumar Madaan. 2006. "Indo-Pakistan Trade Cooperation and SAARC." *Peace and Democracy in South Asia* 2 (1 & 2): 71-87. Accessed January 7, 2020.

- Hanson, Gordon H. 1996. "Economic Integration, Interindustry Trade and Frontier Regions." *European Economic Review* 40: 941-949. Accessed February 11, 2020.
- India Today. 2018. *Where is Doklam and Why it is Important to India?*. New Delhi, March 27. Accessed March 25, 2020.
<https://www.indiatoday.in/education-today/gk-current-affairs/story/where-doklam-why-important-india-china-bhutan-1198730-2018-03-27>.
- IPCS. 2013. *India, China and the Nathu La: Converting Symbolism into Realit*. New Delhi: IPCS, January. Accessed January 12, 2020.
<https://www.files.ethz.ch/isn/159751/IB202-CRP-Pema-NathuLa.pdf>.
- . 2012. *Nathu La & the Sino-Indian Trade: Why the Lull?* New Delhi: IPCS, March 1. Accessed March 2, 2020.
http://www.ipcs.org/issue_select.php?recNo=437.
- Jain, B.M. 2004. "India-China relations: issues and emerging trends." *The Round Table* (Routledge) 93 (374): 253-269. Accessed February 7, 2020.
doi:<https://doi.org/10.1080/00358530410001679602>.
- Joshi, Manoj. 2017. *Doklam: To start at the very beginning*. Issue Brief, New Delhi: ORF.
- K.C, Dayananda. 2014. "Tourism and Employment: Opportunities and Challenges in Karnataka- Special Reference To Kodagu District." *Journal Of Humanities And Social Science (IOSR)* 19 (11): 1-11. Accessed March 23, 2020.
<http://iosrjournals.org/iosr-jhss/papers/Vol19-issue11/Version4/A0191140111.pdf>.



- Karackattu, Joe Thomas. 2013. "India-China Trade at the Borders: Challenges and Opportunities." *Journal of Contemporary China* (Routledge) 22 (82): 691-711. Accessed January 15, 2020. doi:<http://dx.doi.org/10.1080/10670564.2013.766387>.
- Kemoklidze, Nino, and Stefan Wolff. 2019. "Trade as a Confidence-building Measure in Protracted Conflicts: The Cases of Georgia and Moldova Compared." *Eurasian Geography and Economics* (Routledge) 1-28. Accessed January 3, 2020.
- Khawas, Vimal. 2018. *Emerging Demographic Shift in the Bengal Doars and National Security Concerns for India*. Gangtok, Sikkim: Sikkim Express, September 12. Accessed March 30, 2020. https://www.academia.edu/37541160/Demographic_Shift_in_Bengal_Duars_and_National_Security_Concerns.
- . 2004. "Recalling the Forgotten Way (Jelepla-Lhasa)." Darjeeling, West Bengal: *The Statesman*, December 31. Accessed February 2, 2020. https://www.academia.edu/34233202/Recalling_the_Forgotten_Way_Jelepla_-Lhasa_.
- Krugman, Paul. 1980. "Scale Economies, Product Differentiation and the Pattern of Trade." *The American Economic Review* (American Economic Association) 70 (5): 950-959. Accessed January 5, 2020.
- Ling, Yaw Zar. 2017. "An Analysis of the Effect of the Border Trade Value on Myanmar Economic Growth." *11th Asia-Pacific Conference on Global Business, Economics, Finance and Business Management (AP17ThaiConference)*. Bangkok. 1-39. Accessed January 8, 2020.

- Majumdar, Enakshi. 1994. "THE ROUTE : A Study of the Trade Route Connecting the Frontier Trade Part of Kalimpong with Plains of Bengal and Lhasa." *Proceedings of the Indian History Congress*. Kolkatta: Indian History Congress. 630-638. Accessed March 26, 2020. www.jstor.org/stable/44143420.
- Mohanty, Saroj Kumar. 2012. "Economic Growth, Exports and Domestic Demand in India: In Search of a New Paradigm of Development." Chap. 6 in *Moving Toward a New Development Model for East Asia- The Role of Domestic Policy and Regional Cooperation*, by Y. Zhang, Y. F. Kimura and S. Oum, 191-222. Jakarta: ERIA. Accessed February 7, 2020. https://www.eria.org/RPR_FY2011_No.10_Chapter_6.pdf.
- Ohlin, Bertil. 1933. *Interregional and International Trade*. Cambridge: Harvard University Press.
- Sherpa, Dikki. 2017. *Sino-Indian Border Trade: The Promise of Jelep La*. New Delhi: Institute of Chinese Studies, May. Accessed March 25, 2020. <https://www.icsin.org/uploads/2017/05/15/6ad1daff8feba472aeb443df3cf8a949.pdf>.
- Sikder, Mohammad Jalal Uddin, and Barun Kumar Sarkar. 2005. "Livelihoods and informal trade at the Bangladesh border." *Inter-Asia Cultural Studies* (Routledge) 6 (3): 432-445. Accessed March 11, 2020. <https://www.tandfonline.com/doi/abs/10.1080/14649370500170134>.
- Singh, Sonal. 2017. "Micro-history Lost in a Global Narrative? Revisiting the Grant of the Diwani to the English East India Company." *Social Scientist* (Social Scientist) 45 (3-4): 41-51.



Accessed April 4, 2020.

<https://www.jstor.org/stable/pdf/26380344.pdf?refreqid=excelsior%3A65cc9a1ab843f165d974bceoded615e1>.

Singh, Swaran. 2005. "China-India Bilateral Trade: Strong Fundamentals, Bright Future." *China Perspectives* 62: 1-14. Accessed January 22, 2020.

<http://journals.openedition.org/chinaperspectives/2853>.

———. 2005. *China-India Economic Engagement: Building Mutual Confidence*. New Delhi: Centre de Sciences Humaines. Accessed March 28, 2020.

http://www.jnu.ac.in/Faculty/ssingh/China_India_Economic_Engagement.pdf.

Singh, Thiyam Bharat. 2007. "India's Border Trade with Its Neighbouring Countries with Special Reference to Myanmar." *Margin-The Journal of Applied Economic Research* (SAGE Publications) 1 (4): 359-382. Accessed February 11, 2020. doi:10.1177/097380100700100402.

Suryanarayan, P.S. 2003. *India Enhances Connecting with ASEAN*. New Delhi: *The Hindu*, September 19.

Taneja, Nisha. 2005. *Informal Trade in South Asia: How to Channelise a Formal Route?* Jaipur, India: CUTS-Center for International Trade, Economics and Environment.

The Economic Times. 2012. *After Sino-Indian trade route through Nathula, now Jelep-La is in the line*. Siliguri, May 11.

———. 2018. *Behind China's Sikkim aggression, a plan to isolate Northeast from rest of India*. Gangtok, Sikkim, July 12. Accessed February 6, 2020.

<https://economictimes.indiatimes.com/news/defence/border-face-off-why-china-tries-to-break-chickens-neck-to-isolate-northeast/articleshow/59420472.cms?from=mdr>.

The Hindu. 2015. *China calls for closer ties between Tibet and Sikkim*. Gangtok, June 25. Accessed March 20, 2020.

<http://www.thehindu.com/news/china-calls-for-closer-ties-between-tibet-and-sikkim/article7353955.ece>.

Tian, Wei, and Miaoje Yu. 2012. "China and India: Trends in Trade over the last decade." *Journal of China and Global Economics (JCGE)* 1 (1): 27-38. Accessed March 26, 2020.

doi:<http://dx.doi.org/10.1080/10670564.2013.766387>.

Tinbergen, Jan. 1962. *Shaping the World Economy: Suggestions for an International Economic Policy*. New York: The Twentieth Century Fund.

Wangchuk, Pema. 2013. "India, China and the Nathu La: Converting Symbolism into Reality." *Institute of Peace and Conflict Studies (IPCS)* 1-4. Accessed April 1, 2020.

<https://www.jstor.org/stable/resrep09083>.