

China-India: Trade To Boom Via Tibet, Sikkim

by Ramtanu Maitra

Early this month, the Indian External Affairs Ministry told reporters that the just-published World Affairs Yearbook for 2003-2004, for the first time showed Sikkim as part of India instead of China. This came about following the visit to China by the Indian Prime Minister Atal Behari Vajpayee last June and Beijing's acceptance of Sikkim's accession to India in 1975. Observers in New Delhi point out that the latest move by Beijing would not only enhance the steady growth of Sino-Indian relations, but may pave the way for an infrastructural link-up between China's Tibet province and India's port-city of Kolkata.

The small mountain kingdom of Sikkim, south of Tibet and nestled between two other mountain kingdoms, Nepal and Bhutan, merged with India in 1975. Sikkim's accession took place at a time when Sino-Indian relations were at a low ebb, and that part of the world was in the midst of an intensified Cold War in which India was aligned with the erstwhile Soviet Union. Till the landmark decision made public in early May, Chinese maps continued to show Sikkim as an independent territory, and official Chinese policy had not accepted Sikkim as a part of India. In one of the Memoranda-of-Understanding (MoU), signed during Vajpayee's visit last year on border trade, China for the first time had tacitly recognized Sikkim as part of India. The official recognition, however, was a subject of much celebration in New Delhi.

Move of Reconciliation

The official recognition given by China to Sikkim as part of India, and India's acceptance of Tibet as an integral part of China, has opened up the stage for the next major development, which is to integrate trade-infrastructure between China and India through Tibet and Sikkim. The issue of integrating one, or more trade routes between China and India, had been on the table for a while. During his May 2000 visit to China, then-Indian president and a great promoter of India-China cooperation, K.R. Narayanan, in his final public address to a gathering of Chinese scholars and academicians, said: "I am happy to be present at the beginning of a very important process, the Kunming process."

The "Kunming process" began in the late 1980s, exploring ways to make the southwest Chinese province of Yunnan a trading post with South and Southeast Asia. Its academic community began researching the subject in great detail. Yun-

nan Academy of Social Sciences researchers fanned out to various regions—Bangladesh, India, and Myanmar. "The quadrilateral proposal depends crucially on bilateral relations. Eventually, these proposals have to be dovetailed with our bilateral relations," President Narayanan rightly added.

The recognition of Sikkim by China has now added one such possibility to enhance bilateral trade and cooperation. According to C. Raja Mohan, a senior Indian analyst and now a professor at India's prestigious Jawaharlal Nehru University (JNU), there prevails an extraordinary enthusiasm in Lhasa for reviving commerce with India through Sikkim. As part of Tibet's growth strategy, China has created new infrastructure for trade at Yatung, once home to Indian traders. Lhasa, capital of Tibet, also wants the Indians to invest in its booming economy. Trading with the natural markets in the southern Himalayas, then, is an obvious priority. Ever since India and China fell out in the late 1950s, the Himalayan regions have become a zone of mutual distrust and rivalry. Instead of the barrier that they are now, the Himalayas can easily become a bridge between India and China.

Economic Boom for India's Northeast

Raja Mohan points out that Pawan Chamling, the dynamic Chief Minister of Sikkim, dreams of a bus service between Gangtok and Lhasa. If buses can run between Lahore and Delhi and between Kolkata and Dhaka, then it is no more difficult to set up a road service between Sikkim and Tibet along the historic Silk Road going through the spectacular Nathu La (the Nathu Pass that connects Sikkim with Tibet).

Beside the fact that the immediate beneficiaries of the opening up of the Nathu La passage to Lhasa, via the Chumbi valley in Tibet, are the state of Sikkim and its Chief Minister Pawan Chamling, it is only a matter of time before opening up another link-up through the all-weather route up from Kalimpong in the Indian state of West Bengal via the alternate Jelep La takes place. When that road opens up, West Bengal's Darjeeling district may expect to see a revival of its own fortunes. Unlike Sikkim, Darjeeling does not have a booming economy and it has been going to seed over the decades, as the local economy stagnated.

The road linking Lhasa to the Port of Kolkata, situated at the mouth of the Hooghly River that drains into the Bay of Bengal, will strengthen Sino-Indian bilateral relations to no end. To develop Tibet, China needs access to the sea promised by Highway 31, which leads down to Siliguri in the Himalayan foothills and on to the Kolkata port. Once this corridor generates economic dividends for both countries, not only the ghost of the 1962 border war between India and China may finally be exorcised, but it may lead to an amicable resolution of the un-demarcated borders between India and China as well.

The project, as all feasible international projects should be, is economically beneficial for both sides. In the year 2007,



The resolution of the status of Sikkim by China and India, opens the door to trade between Tibet and India's northeast; the possible revival of Kolkata (Calcutta) through which the trade will reach the ocean; the construction of new road and rail links from Tibet; and the economic development of Sikkim itself.

China plans to bring the railroads to Lhasa. An upgraded road between Lhasa and Nathu La by 2007 will further China's objective along the same line. The Kunming initiative tends to further the objectives of four nations. It would open up overland connectivity between India and China.

Revival of Kolkata Port

For India, of course, the road is of great importance. Beside the vast Northeast, which is politically turbulent and economically demanding, it would revive the Kolkata port. Once one of the three leading ports of independent India, the Kolkata port is now in bad shape. And, yet, with India broadening its economic, trade, commerce, and political relations with Myanmar, Laos, Cambodia, Thailand, and Vietnam, Kolkata port would have a key role to play. As of now, Kolkata port acts as the outlet to the sea for both Nepal and Bhutan. But it is evident that the Chinese goods coming through Lhasa going to southern India would find Kolkata port an essential part of trade infrastructure.

On March 19, speaking at a conference on India's northeast, organized by the Confederation of Indian Industry (CII), A.R. Kohli, Governor of India's northeastern state of Mizoram, said India is thinking of building a port in northwest Myanmar that will open up trade opportunities with both Myanmar and Thailand through the country's Northeast.

"We will spend close to \$500 million over the next eight to nine years to build a port in northwest Myanmar," Kohli said. "A detailed project report is under consideration. It will take us another two to three years to get the project kick started."

Rail India Technical and Economic Services (RITES) is conducting a due diligence study to ascertain the viability of the port that will open a new trade route to Thailand. In October, India signed a free-trade agreement with Thailand under which both countries agreed to slash tariffs by 50% on 84 products, including car parts. The two sides are sorting out glitches over rules of origin of products under the pact, that aims to allow free trade in all goods by 2010.

The proposed port will be built along Kaladan River that runs through Mizoram and Myanmar before flowing into the Bay of Bengal. The project envisages up-grading port facilities at Akyab, about 250 km from the Mizoram-Myanmar border.

"Goods from Calcutta and other Indian ports will be able to use Akyab to reach Mizoram and other northeastern provinces once India improves the Kaladan waterway and builds a modern road," Governor Kohli said.

Overwhelming the potential for cooperation between the neighboring provinces of India and China is the huge opportunity for growth in overall trade and investment between the two nations. India-China bilateral trade is set to establish a new record this year by crossing the \$10 billion mark, and this figure could even touch \$20 billion by the end of 2010, Indian Ambassador to China, Nalin Surie said in Beijing on May 12. In 2003, India-China bilateral trade hit a record \$7.6 billion. If Hong Kong and Taiwan are included, Greater China becomes the third largest economic partner of India after the European Union and the United States. After an initial campaign to resist trade with China, Indian industry is beginning to explore the Chinese market with increased confidence. This growth has taken place despite inadequate political support lent by either capital. "In my personal view, India and China could easily aim to achieve bilateral trade of \$20 billion by the end of 2010," Surie said in his inaugural address at 'India Day' seminar on "Business Opportunities for Global Co-operation" at Beijing.