

Promotion of tourism after the reopening of Nathula cross-border trade in Sikkim: An economic analysis

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Abstract

Trade through Nathula pass route is one of the three open trading border posts of India in the Himalayan mountain boundary of Sikkim State. It is an oldest Pass from Sikkim to Tibet, now TAR -China (Tibet Autonomous Region- China). The continuation of cross-border trade from Nathula Pass on 6th July, 2006 gave the way to more benefits to India through trade along with the promotion of the tourism in the region. After reopening of India- China cross-border trade on 6th, July 2006 through Nathu La pass, it not only shows a benefit in trade but there is a growth of tourism in this region. With the increasing inflow of tourists to Nathu La, the economic benefit is open the region and its people. In this context, the present study examines the impact of reopening of cross-border trade through Nathu La pass on the promotion of tourism in the region. The rising trend of exports shows the positive impact of Nathula trade to India. The data, obtained through secondary sources shows that the exports of Indian goods to China is more than imports. The export of Indian goods to China has increased from 8.87 Lakhs in 2006 to 4.02 Crores in 2010. The import for the year 2010 is Nil against 4.02 crores of exports. With the rising trend in the volume of export, it is clear that the cross-border trade through Nathula Pass is beneficial to India. The impact of reopening of Nathu La pass for trade between India and China is not only results in economic benefits from trade but also results in the promotion of tourism in the region and its impact on tourism. The study revealed that there is a growth in the tourism after the reopening of Nathu La pass for international trade and expected to grow further more in the future, providing the income and employment to the local people but along with maintaining the sustainability in the region. The sustainability of tourism, in this highly natured sensitive zone, is equally important and most. The further research is required to analyse the tourism and its sustainability in the region.

Keywords: Cross-border trade, tourism, Nathu La, Sikkim,

Introduction and Background

Tourism is Sikkim's major strength. It has the potential of acquiring a status of the backbone of Sikkim's economy and society. Therefore, a conscious attempt should be made to gradually integrated trade through Nathu La with the movement of tourists across the border. Historically also trade was done alongside tourism, mainly pilgrimage (Lama, 2005). Tourism in and around Nathu La/Tsomgo after the reopening of Nathu La pass is outstanding and regularly growing as a major tourists destination. The reopening up of the Nathu La pass with Lhasa only 527 kilometer away on a motor able road, is expected to have a major effect on tourist traffic, as

tourists from both sides of the border transit through the state as well as make it a target destination (Lama, 2008).

The word 'Nathula' means the whistling pass, is one of the highest motor able roads of the world, at a height of 14200 ft. (4330 m). It is about 56 kilometers by road from Gangtok (Dorji, N.G, 2008). Trade through Nathu La pass is one of the three open trading border posts of India and was sealed since the war between two countries on 1962 to 2006. Only in the year 2006 the pass was reopened for trading purpose following numerous bilateral trade agreements between India and China. Sikkim after all is having very long history of trading with its neighboring state Tibet, Nathu La being part of the old Silk Route. It is an oldest Pass from Sikkim to Tibet, now Tibet Autonomous Region (TAR) - China.

Sikkim is one of the Himalayan states of India. It is covered with three international boundaries of Tibet Autonomous Region (TAR)- China from North, Nepal from West, Bhutan from East, and the National boundary of West Bengal from South. The total area of Sikkim is 7096 sq/km out of which more than 45 percent of the land is covered by forest area. Sikkim is the 26th bio-diversity hot spot of the world and posses a unique combination of all species including varieties of flora and fauna. Natural beauties of Sikkim make her as one of the growing destination for tourists in India. Since it is endowed with natural beauty, huge forest and Himalayan region favorable for mountaineering and various other activities, it is an Eco-tourism destination. In the last decade the State has a tremendous improvement in tourism. It is one of the important services providing industry in Sikkim state. It is providing income and employment to the people of Sikkim in different tourists' destinations. With more development in this field the inflow of tourists in Sikkim state has increased tremendously. With the increase of inflow the tourists in Sikkim resulted in the economic benefit of this industry on the local community.

After reopening of India-China cross-border trade on 6th, July 2006 through Nathu La pass, it is not only benefiting both the country through trade but there is a growth of tourism in this area. With the increasing inflow of tourists to Nathu La and Tsomgo, the economic benefit is open the region and its people. It is in this context, the present study examine the impact of reopening of cross-border trade through Nathu La pass on the promotion of tourism in the region.

Objectives

1. To probe into the tourism in Nathula and Tsomgo lake in Sikkim state.
2. To examine the impact of reopening of Nathula Pass on the promotion of tourism in the region.

Methodology

- i. Data and sources:** The present study is conducted on the tourism in and around Nathu La/ Tsomgo and its promotion after the reopening of Nathula Pass. The study is based on secondary data. Secondary data have been collected from the Tourism department, Department of Statistics, evaluation and monitoring of Government of Sikkim.

- ii. **Period of the study:** The present study covers the period of five years form 2006-2010. The rationale behind selecting year from 2006 to 2010 is that the Nathula Cross border trade between India and China started after 2006.
- iii. **Statistical method used:** Simple percentage and average employment has been used to study the impact of reopening of Nathula Pass on tourism in Sikkim state.
- iv. **Delimitations of the study:** The present paper is delimited to the study of tourism in and around Nathula Pass and Tsomgo Lake in Sikkim state.

Results and Discussion

Discussions on Indo-China cross-border trade through Nathu La pass

The Cross-border trade between two countries is taking place in a Mart at Sherathang, which is four km before reaching Nathula. The trade at present is open to the local people of Sikkim State and is proved as a means to livelihood to the people of this region. This follows the definition given by the Ministry of Commerce and Industry regarding Border Trade, "Border trade is overland trade and exchange of commodities by the residents along the border". The District Magistrate is empowered with the authority to issue passes to the people of Sikkim for the trading purpose. The following are basic requirements for a trade pass through Nathula;

1. Certificate of Identification/ Sikkim Subject Certificate / Citizenship document/ Residential Certificate. (any one)
2. Voters Identity Card
3. Birth Certificate/ Sikkim Subject Certificate (for birth proof)
4. Trade License (Complete).
5. P.P. photographs

Trading period was different in the first year of border trading and later in changed to some possible extent. The trade mart at Sherathang was opened from 1st of June to 30th of September earlier year (2006) and after 2007 it was revised from 1st May to 30th November. This mart will open from Monday to Thursday every week. Four days in a week and from morning 7.30 am to afternoon 3.30 pm Indian Standard Time (IST) and 10 am to 6pm as per the Chinese time.

Table 1: Trading Period (2006 – 2010)

Year	From	To
2006-2007	6 th July 2006	3 rd September 2006
2007-2008	1 st May 2007	30 th November 2007
2008-2009	19 th May 2008	27 th November 2008
2009-2010	1 st May 2009	30 th November 2009
2010-2011	1 st May 2010	30 th November 2010
2011-2012	2 nd May 2011	30 th November 2011

Sources: Government of Sikkim

A permit fee of Rs. 50 each will be levied for every vehicle entering Sikkim side from China. Similarly, a fee of 5 Yuan (Rs.5 equal to one Yuan) will be levied for every vehicle crossing over to the Chinese side up to the trade mart point.

Imported – Exporter Code and items

Imported –Exported Code is not required for the Indo-China Cross-Border Trade through Nathula pass because persons Importing or Exporting TAR-China (Tibet Autonomous Region-China) are authorized to Trade Indian Currency value of Rs.25000/- per day per trader (2006-2007) only. Government of India increased the Indian currency value limit from Rs.25000/- to Rs. 1, 00,000 per day per trader after 2007-08.

The exportable and importable lists of items show that the item to be export to China is more than import. Government of India has been declared the above items of exports and imports. One can exports 29 items and imports the mentioned 15 items only.

Table 2: List of Export-Import Items of India

EXPORT		IMPORT
1. Agriculture Implements	16.Snuff	1. Goat Skin
2. Blankets	17.Spices	2. Sheep Skin
3. Copper products	18.Shoes	3. Wool
4. Clothes	19.Kerosene oil	4. Raw Silk
5. Cycles	20.Stationary	5. Yak tail
6. Coffee	21.Utensils	6. Yak hair
7. Tea	22.Wheat	7. China clay
8. Barley	23.Liquor	8. Borax
9. Rice	24.Milk Processed Product	9. Seabelyipe
10. Flour	25.Canned Food	10. Butter
11. Dry Fruits	26.Cigarettes	11. Goat Kashmiri
12. Dry and Fresh Vegetables	27.Local Herb	12. Common salt
13. Vegetable oil	28.Palm oil	13. Horse
14. Gur and Misri	29.Hardware	14. Goat
15. Tobacco		15. Sheep

Sources: Government of Sikkim, 2012

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Table 3: Detail of Trade for the five years (in Rs)

Sl. No.	2006	2007	2008	2009	2010
Exports	8.87 Lakhs	27.87 Lakhs	95.00 Lakhs	1.35 Crores	4.02 Crores
Imports	10.83 Lakhs	6.88 Lakhs	1.35 Lakhs	2.96 Lakhs	00

Sources: Government of Sikkim

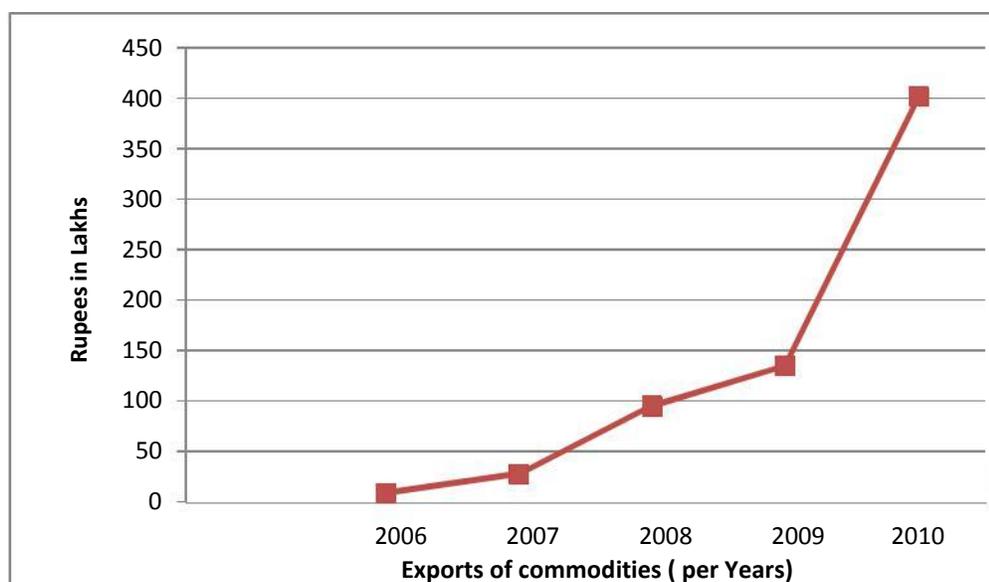


Figure 1. Exports of items per year (2006-2011).

The resumption of Indo-China cross-border trade through the Nathula Pass on 6th July, 2006, proved highly beneficial to India, especially to the Himalayan region of Sikkim and its local people. The data shows the rising trend of exports of Indian commodities to China. This rising trend of exports shows the positive impact of Nathula trade for India. The data, obtained through secondary sources depict that the exports of Indian goods to China is more than imports. The export of Indian goods to China has increased from 8.87 lakhs in 2006 to 4.02 Crores in 2010. It is 8.87 lakhs in 2006, 27.87 lakhs in 2007, 95.00 lakhs in 2008, 1.35 Crores in 2009, 4.02 Crores in 2010 and 1.26 lakhs in 2011 (since May to August). Figure-1 shows the trend of exports.

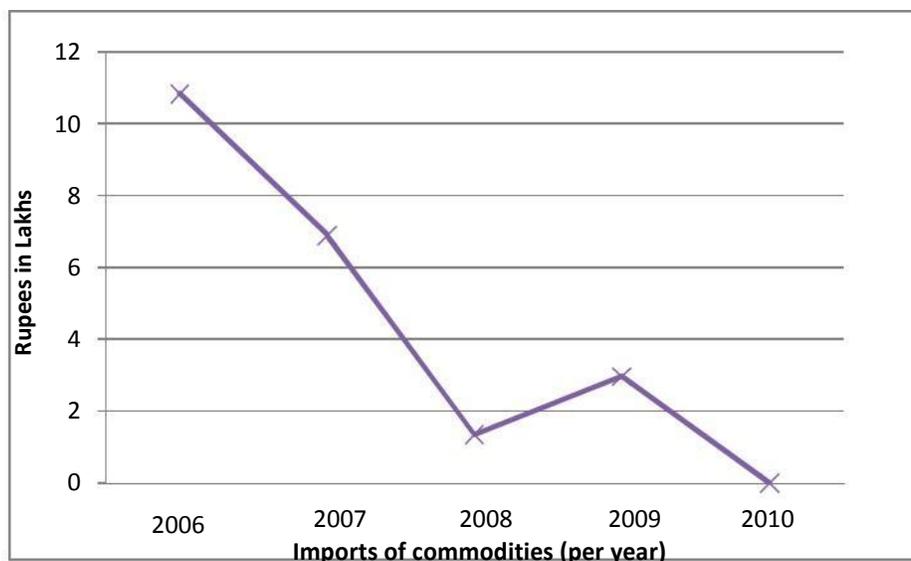


Figure 2. Imports of items per year (2006-2010).

The import has decreased from 10.83 lakhs in 2006 to 2.96 lakhs in 2009 but it is not proportionately to the increase of exports. The figure-2 shows the negative trend of imports. It is 10.83 lakhs in 2006, 6.88 lakhs in 2007, 1.35 lakhs in 2008 and 2.96 lakhs in 2009 respectively. The import for the year 2010 is nil against 4.02 Crores of exports. As per the official record, canned foods, utensils, textiles, copper items, vegetable oil, tea, cigarette, coffee, misri, and blankets have been the most popular export items for the year 2010. With the rising trend in the volume of export, it is clear that the cross-border trade through Nathula Pass is favorable to India. The positive and favorable impact of cross-border trade through Nathula pass can be observed/ explained/estimated in terms of Cross-Border Trade Surplus.

“Trade is the exchange of goods between two individuals or Nations. Trade is the basic component of economic activities and is undertaken for mutual advantage” (Dictionary of Economics, Oxford University Press). In the context of trade, Cross-Border Trade Surplus is the excess of exports of goods over the imports.

$$\text{Trade Surplus} = \text{Exports} - \text{Imports} \quad - (1)$$

The Cross-Border Trade Surplus, on the other hand, is an estimation of Balance of Trade of a particular point, like Nathula trade. Balance of Trade is the excess of the visible exports over the visible imports (Dictionary of Economics, Oxford).

$$\text{Balance of Trade (in particular)} = \text{Exports} - \text{Imports} \quad - (2)$$

From (1) and (2) we get,

$$\text{Balance of Trade (in particular)} = \text{Trade Surplus} \quad - (3)$$

The following table shows the positive impact of Indo-China cross-border trade through Nathula with the help of Trade Surplus.

Table 4: Trade Surplus of cross-border trade through Nathula Pass (in Lakh)

Year	Exports	Imports	Trade Surplus (E-I)
2006	8.87	10.83	- 1.96
2007	27.87	6.88	20.99
2008	95.00	1.35	93.65
2009	135.00	2.96	132.04
2010	402.00	00.00	402.00

Sources: Computed

The table shows that there is a positive and increasing Cross-Border Trade Surplus through Nathula cross-border trade. In the first year of cross-border trade (2006), the Trade Surplus was deficit i.e. -1.96 (in Lakhs). The Trade Surplus has increased tremendously every year after 2007. In 2007 it was 20.99, which rose to 402 in the year 2010. It shows a trade benefit to India from cross-border trade between India and China after the reopening of Nathu La trade route. This increasing Trade Surplus is the result of rising trend in exports from India to China and at the same time, it is the result of decreasing of imports from China.

Discussion on impact of reopening Nathu La Pass on the Tourism

The impact of reopening of Nathu La pass for trade between India and China is not only results in economic benefits from trade but also results in the promotion of tourism in the region and its impact on tourism. On a very simple assumption also the charges on tourist visiting Sherathang and Nathu La could generate a revenue of Rs. 1.81 crore in 2006 and Rs. 3.47 crore in 2010 (Lama, 2005). The impact of reopening of Nathu La pass on tourism in the region can be observed with the help of economic benefit from tourism to the local people and also can be estimate with the increasing inflow of tourists in the area. Only Indian tourists are allowed to visit Nathu La, as this is the international border between India and China. Tourists visiting Nathu La must go through a travel agency who collect the permits for the Nathu La at least 24 hours before the journey. Nathu La is open for the tourists on Wednesday, Thursday, Saturday and Sunday (Dorji, 2008).

Over a period of time, the inflow of tourist's traffic in and around Nathu La/Tsomgo has increased so sharply that the economic benefit is on the local people. It also results in the heavy crowd and traffic problem in the main tourists' season-I from March till June.

The economic benefit of reopening of Nathu La cross border trade on tourism can equally estimate with the help of per year increasing revenue from Nathu La fee from visitors as an environmental fee (table 5). The tourism department has been declared as sole authority to issue permit for visit to Nathu La and accordingly, environment fee of Rupees 200 per head has been prescribed for visit to Nathu La (Government of Sikkim).

Table 5: Revenue collection of government of Sikkim from the Nathu La pass through environmental fee of visitors

Sl. No.	Year	Revenue through Nathula environmental fee (lakh)
1	2006-07	43.91
2	2007-08	N.A
3	2008-09	60.43
4	2009-10	70.25

Sources: Government of Sikkim

Table 5 shows the collection of revenue from Nathu La permit from visitors as an environmental fee. The table clearly states that the impact of reopening of Nathu La pass from Cross-border trade equally has its significant impact on the tourism in the region. This is from the fact that the revenue from Nathu La visitors are increasing tremendously after the reopening of Nathu La pass. In the year 2006-2007, the tourism department of Sikkim has collected the sum total of Rupees 43.91 lakhs as revenue from the Nathu La permit from visitors. In the year 2008-2009 the revenue from Nathula permit rose to rupees 60.43 lakhs and in the year 2009-2010 the total collection was 70.25 lakhs. The average annual percentage rate in the collection of revenue from the Nathu La permit from the year 2006 to 2010, after the reopening of cross-border trade, is 15 percent, which is expected to increase further in the coming year. The increasing revenue from Nathu La permit not only proved the economic benefit/impact in Nathu La but it also indicates the growth/promotion of tourism in the region and increasing inflows of tourists in and around the Nathu La and Tsomgo. The revenue collected from the visitors in the form of environmental fee from Nathu La permit is increasing because after the reopening of the international trade between India and China through Nathu La pass, the visitors, especially domestic, are more attracted in the region. Further, the numbers of visitors in and around Nathu La-Tsomgo are expected to increase more in the near future as it grows as tourists' destination similar to that of Waga border for India and Pakistan in Punjab.

Conclusion and suggestions

After the reopening of Nathu La pass for India-China cross-border trade, it is not only proved to be very highly profitable in terms of trade but it is equally promote the tourism in the region. It is found that there is a rising trend of export of Indian commodities as compare to Imports from China. It is serving as a means of livelihood to the citizen of Sikkim, those who have employed themselves as a trader.

The revenue from Nathu La pass permit from visitors is increasing remarkably after the reopening of Nathu La pass. The increasing revenue from Nathu La permit not only shows as an economic benefit in the region in general but it also signifies the promotion of tourism in and around Nathu La-Tsomgo and increasing inflows of tourists in the region. The increasing in the collection of revenue from the Nathu La permit is because it is growing as a tourist's main

attraction after the reopening of the India-China cross-border trade through Nathu La pass. Further, the numbers of visitors in and around Nathu La-Tsomgo are expected to increase more in the near future as it grows as tourists' destination similar to that of Waga border for India and Pakistan in Punjab.

Despite of its positive impact, cross-border trade from the Nathula is yet to improve for the further growth in trade and tourism. The items of the trade should be increase so that it will strengthen the trading relation between the two nations. Facilities of proper weights and measures, warehouses, inspection posts, rest houses, improved transportation facilities, proper roadway, and good opportunities for traders as well as for the tourists should be provided for further growth and trade benefit which have its equal impact on the promotion and growth of tourism in this region. The study revealed that there is a growth in the tourism after the reopening of Nathu La pass for international trade between India and China. It is expected to grow further more in the future, providing the income and employment to the local people but along with maintaining the sustainability in the region. The sustainability of tourism, in this highly natured sensitive zone, is equally important and most. The further research is required to analyse the tourism and its sustainability in the region.

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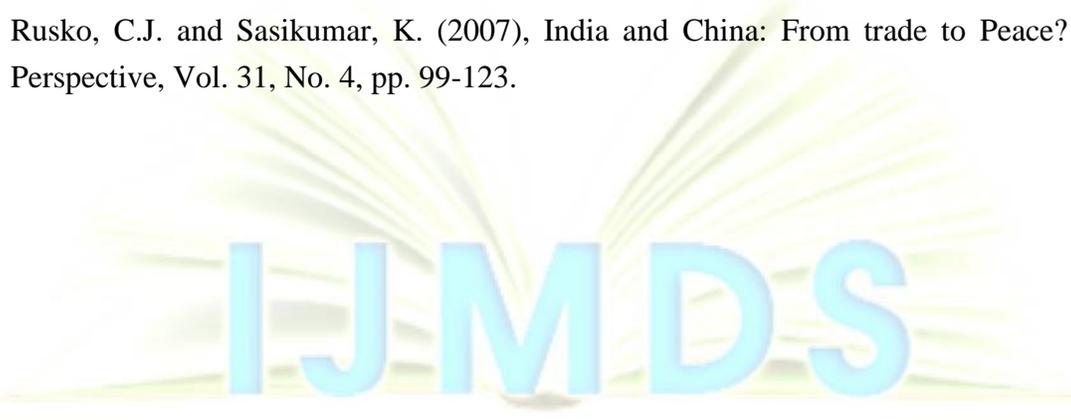
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