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# DEVELOPING A FRAMEWORK FOR REGIONAL COOPERATION IN SOUTHERN ASIA

## CHINA RESEARCH PROGRAMME

The China Research Programme at IPCS has a particular focus on the regional and global dimensions of the Sino-Indian relationship in addition to the bilateral issues between them.

The China Programme seeks to encourage alternative approaches to interpreting the relationship as well as solutions to the longstanding problems between them including the boundary dispute. Both the writings and projects under the Programme therefore, reflect this vision.

In addition, the Programme also envelops the larger East Asian region covering Japan and the Koreans as part of its research endeavours.

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## IPCS CONFERENCE REPORT

EXPANDING ECONOMIC ACTIVITY ALONG THE SINO-INDIAN  
BORDER AREAS

&

DEVELOPING INFRASTRUCTURE FOR CONNECTIVITY  
BETWEEN INDIA AND CHINA

*Report prepared by*

**Bhavna Singh, Research Officer, IPCS**

&

**Jabin T Jacob, Senior Research Fellow, IPCS**



The IPCS, with support from the MacArthur Foundation's Asia Initiative has undertaken a three-year project on "Developing a Framework for Regional Cooperation in Southern Asia", which has three focus areas. The first focus area for the project is developing confidence-building measures between India and China. The second part of the project focuses on expanding economic activity along border regions and the third focus area looks at developing infrastructure for connectivity.

Focusing on the second and third themes, the IPCS organized a conference in Chengdu, Sichuan in China in collaboration with the Chinese People's Association for Peace and Disarmament, Beijing from 8-12 December 2010. This followed a conference on military CBMs held in Beijing earlier in March 2010.

The conference included participants from the Institute of South Asian Studies (ISAS, Sichuan University, Chengdu) Centre for South Asian Studies (Kathmandu), Institution of Engineers (Dhaka), SAEA Group Research (Singapore), China Institutes of Contemporary International Relations (CICIR, Beijing), Yunnan Academy of Social Sciences (YASS, Kunming), Sikkim University (India), and Manipur University (India) in addition to representatives from the Indian Embassy in Beijing and representatives from various research institutions in Chengdu. The IPCS-led delegation also had interactions with representatives of the Sichuan provincial government.

## SCHEDULE OF MEETINGS

### 9 December 2010

0900-1630 hrs: Conference on "Developing a Framework for Regional Cooperation in Southern Asia."

1830-1930 hrs: Meeting with Deputy Director General of Sichuan Foreign Affairs Department.

### 10 December 2010

1030-1100 hrs: Conference on "Developing a Framework for Regional Cooperation in Southern Asia."

1430-1530 hrs: Briefing and visit of Chengdu Hi-tech Development Zone

### 11 December 2010

1000-1200 hrs: Conference on "Developing a Framework for Regional Cooperation in Southern Asia."

1600-1730 hrs: Panel Discussion, "China-South Asia Relations," Institute of South Asia Studies (ISAS), Sichuan University

### INDIAN PARTICIPANTS

1. Dipankar Banerjee, Director IPCS
2. Dharendra Singh, President IPCS
3. D Suba Chandran, Deputy Director, IPCS
4. Jabin T Jacob, Senior Research Fellow, IPCS
5. Vijaylakshmi Brara, Reader, Centre for Manipur Studies, Manipur University
6. Uttam Lal, Assistant Prof., Dept of Geography, Sikkim University

7. Teiborlang T Kharsyntiew, Assistant. Prof., Dept of International Relations, School of Global Studies, Sikkim University
8. Sanasam Amal Singh, Research Associate, Centre for Manipur Studies, Manipur University
9. Bhavna Singh, Research Officer, IPCS

### CHINESE PARTICIPANTS

1. Niu Qiang, Secretary-General, CPAPD
2. Ma Jiali, Senior Councilor, China Reform Forum, Beijing
3. Li Tao, Professor and Executive Director, Institute of South Asian Studies (ISAS), Sichuan University, Chengdu
4. Ren Jia, Vice-President Yunnan Academy of Social Sciences (YASS), Kunming
5. Chen Jidong, Professor, ISAS
6. Li Li, Research Assistant, YASS
7. Zeng Xiangyu, Research Assistant and Research Coordinator, ISAS

### BANGLADESHI PARTICIPANTS

1. M Rahmatullah, Fellow of the Institution of Engineers, Dhaka and Former Director, UNESCAP
2. Muinul Islam, Prof. (retd.) Department of Economics, University of Chittagong, Bangladesh

### NEPALESE PARTICIPANT

1. Nischal N Pandey, Director, Centre for South Asian Studies, Kathmandu

**EXPANDING ECONOMIC ACTIVITY ALONG THE SINO-INDIAN BORDER AREAS  
&  
DEVELOPING INFRASTRUCTURE FOR CONNECTIVITY BETWEEN INDIA AND  
CHINA**

**8-12 DECEMBER 2010**  
Chengdu, Sichuan, People's Republic of China



**CONFERENCE AGENDA**

9-11 December

**Session I**  
**INTRODUCTORY REMARKS**  
**Speakers**

Maj. Gen. (retd) Dipankar Banerjee, Director, IPCS  
Niu Qiang, Secretary-General, CPAPD

**BRIEFING ON THE PROJECT**  
**Speaker**

Jabin T Jacob, Senior Research Fellow, IPCS

**Session II**  
**EXPANDING ECONOMIC ACTIVITY ALONG THE SINO-  
INDIAN BORDER AREAS**  
**Speakers**

D Suba Chandran, Deputy Director, IPCS  
Uttam Lal, Assistant Professor, Department of Geography,  
Sikkim University

Chinese Discussant: Chen Jidong, Professor, ISAS

**Session III**  
**EXPANDING ECONOMIC ACTIVITY ALONG THE SINO-  
INDIAN BORDER AREAS**  
**Speakers**

Teiborlang T Kharsyntiew, Assistant Professor, Department of  
International Relations, Sikkim University  
N Vijaylakshmi Brara, Reader, Centre for Manipur Studies,  
Manipur University

Chinese Discussant: Ma Jiali, Senior Councilor, China Reform  
Forum, Beijing

**Session IV**  
**EXPANDING ECONOMIC ACTIVITY ALONG THE  
SINO-INDIAN BORDER AREAS**  
**Speakers**

Muinul Islam, Professor (retd), Department of Economics,  
University of Chittagong, Bangladesh  
Li Tao, Director, ISAS Sichuan University, China

Indian Discussant: Bhavna Singh, Research Officer, IPCS

**Session V**  
**DEVELOPING INFRASTRUCTURE FOR  
CONNECTIVITY BETWEEN INDIA AND CHINA**  
**Speakers**

Ren Jia, Director, Yunnan Academy of Social Sciences,  
Nischal N Pandey, Director, Centre for South Asian  
Studies, Kathmandu  
M Rahmatullah, Fellow of the Institution of Engineers,  
Dhaka and Former Director, UNESCAP

Indian Discussant: Jabin T. Jacob, Senior Research  
Fellow, IPCS

**Session VI**  
**DEVELOPING INFRASTRUCTURE FOR  
CONNECTIVITY BETWEEN INDIA AND CHINA**  
**Speakers**

D Suba Chandran, Deputy Director, IPCS  
Sanasam Amal Singh, Research Associate, Centre for  
Manipur Studies, Manipur University

**CONCLUSION**  
**Speakers**

Dhirendra Singh, President, IPCS  
Niu Qiang, Secretary-General, CPAPD

**OTHER MEETINGS**

11 December

**Panel Discussion on "CHINA-SOUTH ASIA  
RELATIONS," Institute of South Asian Studies  
(ISAS), Sichuan University, Chengdu**

**Speakers**

M Rahmatullah, Fellow of the Institution of Engineers,  
Dhaka and Former Director, UNESCAP  
Nischal N Pandey, Director, Centre for South Asian  
Studies, Kathmandu  
Jabin T Jacob, Senior Research Fellow, IPCS

## Session I

### INTRODUCTORY REMARKS AND BRIEFING ON THE PROJECT

**Maj. Gen. (Retd.) Dipankar Banerjee, Director, IPCS**

The conference seeks to address two objectives: recommending more effective communication networks and facilitating border trade between the countries of Southern Asia. Sichuan lies on the fabled Silk Route which also passed through Yunnan, Southeast Asia and India. Later, it withered and the connections it engendered also died. Calls have been made in recent years to resume these linkages and develop communication networks. There is thus the potential here to contribute to the development of a large region that remains today backward and poor.



The global economy is still attempting to come out of the recession and crisis of 2008 and economic dynamism has shifted to Asia, where growth is little affected. Even as Western economies recover slowly, China, India and the southern Asian economies continue to move

ahead. To reinforce this growth, develop synergies and improve the living conditions of the large numbers of people in Southern Asia, improving connectivity and trade hold the key. A number of projects are already being undertaken either bilaterally or multilaterally, such as the Kaladan multi-nodal communication project, the extension of the Imphal-Moreh-Kalemyo road and the rejuvenation of the Ledo Highway. All these and others that may be undertaken will benefit regional economies.

For many years now sub-regional cooperation has been accepted as an alternative and an addition to the SAARC's activities. Since then a number of regional initiatives such as the Ganga-Mekong project, BIMSTEC and others are under serious consideration. All these initiatives open up new opportunities for regional cooperation. This project will explore some of these opportunities through enhanced connectivity and regional trade. The presentation of the papers here and further exploration of the many ideas that will emerge form the basis of this project. It is expected that with greater regional cooperation and collaboration issues of peace, development and ethnic empowerment too will be facilitated.

**Niu Qiang, Secretary-General, CPAPD**

Sino-Indian relations have developed smoothly and in 2010 the two countries celebrate 60 years of diplomatic relations. The two countries have also celebrated the festival of the other in their countries. The year has been marked by visits of high-level dignitaries to the two countries; the Chinese Premier Wen Jiabao is

scheduled to visit India in late December, which will be a positive milestone in the strategic relationship. The economic relationship is also on the upswing and new targets are being laid down for future growth.

Today, there is an array of research by experts and experienced people on the issues of development, trade and connectivity and thus discussions should emerge as an intellectual support structure for the governments and decision-makers of the countries involved and help in propelling the rapid rise of Asia as a whole.

### **Briefing on the Project by Dr. Jabin T Jacob, Senior Research Fellow, IPCS**

The purpose of these deliberations is to identify the key challenges in the Sino-Indian relationship while paying attention also to the neighboring countries which are more or less left out in the bilateral dynamic. The geo-political realities of these countries urge them to proceed from stalemate to cooperation and graduate from informal to formal linkages.

To this end, the IPCS-MacArthur project has identified three major themes – developing CBMs in the military field between India and China, expanding economic activity in the border areas and infrastructure connectivity. It is the two latter themes are at the heart of this particular conference.

Border trade is here used as shorthand for economic activity in the border areas of China, India, Nepal and Bangladesh. It is not limited to traditional border trade between local communities on either side of the border but takes the much larger sense of

open and variegated international trade across the borders.



It is also important to foresee and understand the consequences of the various plans being discussed and envisaged for the Sino-Indian border areas as well as for border trade and infrastructure development in the Southern Asian region involving also Nepal, Bangladesh and Myanmar.

Border communities, have different opinions and different interests and thus the governments in all these countries need to take these into account and develop a vision for their welfare as well. There are for example, environmental aspects of development that need to be kept in mind as most of the regions which are targeted under border trade and infrastructure development programs are also situated in highly sensitive ecological zones.

The emphasis of the project is to connect the sub-regions and not just countries; Sichuan, Ladakh, Himachal and Sikkim among others need to be recognized as sub-national entities with policy initiatives and input of their own best suited for their particular situations

and need not necessarily always wait for the central government to lay down policy guidelines. Hence, the decision to call for papers focused on various sub-regions and their views of and inputs into issues of border trade and infrastructure development. Some ideas might work and some might not but they serve nevertheless, to encourage the flow of ideas and in the building of capacity for future cooperation.

## Session II

### EXPANDING ECONOMIC ACTIVITY ALONG THE SINO-INDIAN BORDER AREAS

**D Suba Chandran, Deputy Director, IPCS**

#### *Border Trade in Ladakh-Tibet-Kashgar (LTK) - Premature or Political Investment?*

Ladakh is a part of the Indian state of Jammu and Kashmir which adjoins Tibet and Xinjiang. As a border area, Ladakh



holds immense significance in international trade. Three questions can be asked while considering this sub-region: First, is one viewing border trade as a tool to improve India-China strategic relations? Or second, is the emphasis on Ladakh part of an economic strategy to improve larger India-China trade? Or third, is this part of an economic and political strategy to improve the economic conditions and political stability in border regions/peripheries?

A historical sketch is necessary here. What was the nature of trade in these sectors prior to the closure of Silk Route in 1962? The main routes those days were linked via Lhasa to Leh - Kargil - Gilgit, Karakoram Pass - Nubra Valley - Kargil - Gilgit, Amritsar - Kargil - Gilgit; Kashmir - Kargil - Gilgit and via Leh and Kargil, which were more of trading posts than points of origin or destinations. This southern Silk Route was actually a feeder route depending on the political situation in the rest of Asia and the traders were really more peasants than proper merchants.

Ladakh today, from an economic and border trade perspective, faces physical challenges, lack of agricultural productivity, deterioration of animal husbandry, environmental concerns and the shift to tourism. The limited nature of illegal trade, serious limitations in terms of disappearance of the Silk Route families and the fear of proxies in the cross-Line of Actual Control trade are ever-looming challenges.

Border trade will be ineffective in terms of improving the conditions of local community in Ladakh. It is also questionable whether the focus of trade should be on the movement of goods only,

or should it include trade-in-services as well? The issues that now need to be taken into account are the opening of the Kailash-Mansarovar route for pilgrim tourism, linking the Karakoram Highway, and perhaps a “South Gas Route.” There is also a need for infrastructural investment and building capacity and a Ladakh-Tibet-



Kashgar (LTK) integrated economic region might well be considered.

**Uttam Lal, Assistant Professor,  
Department of Geography, Sikkim  
University**

### ***Expanding Economic Activity along the Sino-Indian border areas: A Case study of Himachal Sector***

Himachal Pradesh and the Tibet Autonomous Region share a natural boundary. Harsh environmental conditions instilled the fear of the unforeseen, thus, religion gained quite a prominent place in these mountain societies. The wild landscape became dotted with sites of religious importance which imparted psycho-religious confidence to caravans which moved across the Himalayan heights.

Thus, the preferences of trade routes depended on the comfort of the journey,

number of days available before the items became unusable, the friendliness of the terrain, availability of pack animals, and so on. The items exported and imported without taxation through Shipki La the main access from Himachal into Tibet include (for import) wool, sheep, goat, Pashmina, butter, p.t. shoes, chinese cutleries, thermos, yak tails, jackets, horses, dry cheese, silk\*, salt, borax, China clay, szzinelyite, sheep and goat skins and (for export) flour, wheat, rice, barley, tea, coffee, jaggery, dry herbs, pulses, saffron, cigarette, vegetable oil, vegetable, kerosene oil, dry cell, peas, dry fruits, canned food, spices, blankets, cloths, carpet, radio, tape, watches, sewing machines, bulbs, tarpal, biscuits, coconut, *misri*, match boxes, milk powder, onion, utensils, agricultural implements, agro-chemicals, snuff, copper products, and dyes.

However, it is imperative to develop infrastructure in the form of a trade mart, warehouses, and guest houses at ‘Indira Market’, and the opening up of Shipki La for goods-laden vehicles to Indira Market from both sides. Also, the opening of Shipki La and its closing every year can be celebrated more formally in addition to gearing the pass for regulated tourist flow. These steps could lead to the creation of infrastructure and synergy in trade.



Trade initiatives should be followed by opening up of the border for cross-border pilgrimage and tourism. Kaurik should also be opened up for the controlled traffic of domestic tourists and other subsidiary trails should also be kept alive through both civilian and Army initiatives in order to encourage people-to-people contacts between Himachal and Tibet.

### Chinese Discussant: Prof. Chen Jidong

The terrain in the western Himalayas makes it difficult to transport goods in this region. The items of agricultural trade suffer due to easy perish ability of goods and is thus limited to traditional goods. There are other better options in the Middle Sector that are conducive to greater volumes of bilateral trade across the borders such as through the Zangmu road.

## DISCUSSION

The potential for economic activities may not be high but the benefit to the people in the border regions is considerable and beneficial. There is also high potential for tourism. These are areas where significant religious linkages had been established over long periods of time and along with religion pilgrimages, tourism too develops. The low levels of present-day border trade actually reflect the fact that it is dying out mostly because of increased linkages with the respective national economies on both sides, as this provides better and easier returns. One also needs to look at how much of in-

terest is exhibited by the people living on the other side of the border.



The focus should be more on international trade. Regional cooperation needs to go beyond traditional routes and transit points. Difficult terrain and weather are mitigated very easily when the profits are reasonable and river-ways and roads can be used easily. Developing the highways for instance through BIMSTEC and BCIM initiatives and connecting the various sub-regions is very essential.

Is anything being done to revive the trade which the local communities are moving away from? Does it continue to have potential or is it going to be submerged in the larger picture of national interests and policy decisions being made from the respective centers? *Reciprocity* is imperative if any progress has to be made along the borders.

There is a need for deeper understanding of the local communities who are often denied any agency or initiative of their own. How can these people be brought into the mainstream of decision-making and made active agents in creating both their own and national prosperity? These peripheries/ border regions were once upon a time well-connected especially with each other

and it is only in recent times and since colonialism that they appear to have fallen off the map.

Religious differences and similarities in the border regions too need to be taken into account. How can religious differences be addressed in areas like Ladakh and indeed, in Jammu and Kashmir as a whole, since trading depends on the cooperation of the various communities involved.

Border communities – the Ladakhis or communities in Northeast India, for example – also do not want to be only proxies and intermediaries. but wish for a more active and sustainable role in international trade across the borders.

In improving border trade, the difficulties include not just road infrastructure but also power infrastructure. In this regard, hydroelectric power can have immediate impact. Political support is key to such initiatives in all four countries. In the case of Sino-Indian relations, there is a skewed



structure in overall official bilateral trade. To increase international trade across the borders might actually aggravate the situa-

-tion. Further, tourism gives the local community another way to interact with other communities but older generations are often afraid of opening up due to fears of loss cultural identity.

### Session III

## EXPANDING ECONOMIC ACTIVITY ALONG THE SINO-INDIAN BORDER AREAS

**Teiborlang T Kharsyntiew, Assistant Professor, Dept of International Relations, Sikkim University**

### *Expanding Economic Activity along the Sino-Indian border areas: A Study of Nathu La border in Sikkim*

Like all border states, the history of Sikkim is closely associated with its neighboring countries. With the conclusion of the Anglo-Sikkimese Treaty of 1861, Sikkim became the main focus of the then erstwhile British Indian government and as a channel for its Central Asian policy. Traditional Indo-Tibetan trade was conducted through Nathu La in Sikkim passing through Gangtok and through the Jelep La, with Kalimpong as a transit point to Calcutta.

Before 1962, the items that passed through this route were almost unrestricted. 200 mules, each carrying about 80kg of load were used to ferry goods from Gangtok to Lhasa. Silk, raw wool, musk pods, medicinal plants, country liquor, precious stones, gold and silverware were imported into India. Kalimpong was the main centre for this trade with warehouse of various items

especially Tibetan wool. An estimated daily turnover of Indian Rs.400 million prompted the State Bank of India to open a branch here. More than 10,000 men were engaged in sorting out mounds of white, grey or black Tibetan wool into bundles for export to the West. However with the 1962 Sino-India conflict, this trade stopped suddenly.

The reopening of Nathu La in 2006 resulted in the first direct border trade between Northeastern India and Southwestern China in over 40 years. Nathu La is located 54 kms from Gangtok. The road through Nathu La is the shortest route to Lhasa which is 525km from Nathu La. Compared to this, the trade route that passes through Kathmandu in Nepal after the closing of the Nathu La border in 1962 is about 1,000km and is twice as long. Currently there are 29 items which are traded through these passes. According to the statistics of the government of Sikkim, a total of Rs.135 million worth of goods was traded in 2009.

However, there are still no proper facilities for trade in this area. The lack of warehousing and accommodation is a major cause of worry for traders at Nathu La. Small, insufficient and dilapidated warehouses for storing products often lead to damage of products. Besides the fact that daily time allowed for conducting trade is short, traders are also not allowed to engage any porters and as a result they lose much time in loading and unloading the goods.

Identification issues as well as the Inner Line and Restricted Area Permits (ILP and RAP) are other difficult bureaucratic hassles for these traders. However, the

numbers of tourists visiting Sikkim and Nathu La in particular have been increasing. Among the eight Northeastern states of India, Sikkim is a highly preferred destination; it received the maximum number of domestic and foreign tourists. In recent times, several trade posts have been opened and hopes have been expressed that the border will soon open for tourists and a bus service from Gangtok to Lhasa will start.

Most of the Chinese consignments towards the Tibet Autonomous Region and Xinjiang are routed overland from Shanghai and Hong Kong ports and then onwards to Lhasa and other Chinese territories. The second route uses Karachi port and the Karakoram highway in Pakistan to facilitate the movements of goods into western China. For China, it would be more viable to access and send goods through Kolkata port.



A bold Indian approach at Nathu La could thus trigger off a range of activities resulting in considerable gains to the partner countries both at the local and national levels. With the increase of trade there is bound to be an impact on the transport economy through collection of toll taxes, and license fees. Thus, the Indian

government needs to work for the removal of the ILP and RAP regimes, open trade throughout the year, and construct infrastructure in a time-bound manner.

**N Vijaylakshmi Brara, Reader, Centre for Manipur Studies, Manipur University**

### ***Expanding Economic Activity Along the Sino-Indian Border Areas: A Case Study of Manipur and Arunachal Pradesh***

There are certain central questions which can be explored under the border trade paradigm in Northeast India: How long has trade been going on in this region? Are the traditional trade routes still used? What were the goods traded then and what are the goods traded today? Are there any remnants of the Silk Route? Do communities on both sides of the border belong to the same religion? What impacts would it have on the local communities if religious pilgrims get a free access to the areas of pilgrimage in both the countries? Do the goods usually come from Nepal or Bhutan or directly from China?

As far as Arunachal Pradesh is concerned, its difficult geographical terrain and climatic conditions mean that roads in the state are open only for five to six months in a year. In addition, the boundary dispute with China also means that the LAC is not used for trade with most villages along the LAC being depopulated with some then being occupied by Indian Army posts.

Meanwhile, the specificity of Moreh in Manipur is not the physical obstacles but man made ones. This is an extremely

sensitive zone when it comes to inter-community relations with conflicts leading to indefinite *bandhs* (shutdowns) and insurgency leading to increased state vigilance, making it very difficult to reach, stay in, and talk to the local populace.

Trade in Moreh is lopsided, where the market is flooded with third-country goods and the goods traded from India are limited. The Government of India and the Burmese junta need to create an integrated check-post which will enable the reduction of illegal trade to a certain degree. Meanwhile, opportunities for business are constrained by poor banking and communication facilities. The state newspaper only reaches in the evening and national dailies the next day, assuming there is no *bandh* or communal tension.

On an average, trade valued at around Rs.550 million is conducted every day at Moreh alone. The major portion of it is illegal and therefore, does not contribute much to the state's exchequer. Furthermore, dumping of all kinds of consumer items in the state is leading to de-industrialization.

Manipur should emphasize small-scale and horticulture/agriculture-based industries to allow exports in greater volume. The tradition of barter system of exchange should also form part of any policy decision to continue with the local practices and locals should not be reduced merely to head-load workers. Rather, they should be handed charge of agro-based industries, like food processing, horticulture and handlooms.

Currently, all export items come from other parts of India retarding considerably the export of local goods and nor are the local communities very enthused about opening of the trade. Hence, the manufacturing units of cycle spare parts, herbal medicines, food processing and so on should be established in this area. However, American sanctions on Myanmar also play a role in constraining formal trade between India and Myanmar.



India needs to co-opt those in the region who are directly involved, into the formulation of its Myanmar policy. Only thus can India-Myanmar relations become meaningful to Manipur and consequently play a constructive role in the broader perspective of the Look East Policy of the Indian government.

### **Chinese Discussant: Prof. Ma Jiali**

The non-resolution of the Sino-Indian boundary dispute is creating hurdles in the economic integration of the region. Both government and academic channels should be used for promoting understanding and cooperation and infrastructural development should be given the top - most

priority. The Qinghai-Tibet railway is an example worthy of emulation in this regard. The movement of goods can be regulated and simultaneously increased by conscious and consistent efforts.

Increasing the living standards of the people living in the border regions and providing them basic minimum services like water, electricity and food along with developing connectivity to give a fillip to local economies should be the major concern of governments. Science and technology can play a very significant role in this regard as every country has only limited resources. Confidence-building measures to enhance security and people-to-people diplomacy should also be promoted.

## **DISCUSSION**

How much can Nathu La contribute to the regional trade and how much to international trade? Earlier, a very bright future was projected for this pass but things seem to have gone awry. There is a need to examine why this has happened. The geographical situation of the Nathu La is not very conducive for trade because of transportation difficulties including matters of safety. Moreh meanwhile, which is part of the Asian Highways project has also not been developed to its full potential.

Border trade in these regions is lagging behind in terms of expectations. In order to develop it each country should first develop its border economies. In each of the sectors bordering China and India, winter routes have also played a significant role since ancient times and should also be seriously considered as alternative routes.

There are several political questions also to be considered with respect to Tibet and Manipur, among others, which hinder development and the best-laid plans

There are also issues of taxation and self-interests of the local communities. While at a certain point of time, communities may propose the inclusion of certain items in the trade list, they might also later oppose their inclusion owing to reasons of competition or lack of profits from the trade. Therefore, why local communities are on occasion not supportive need to be examined more carefully. There is a need for involving engineers and technocrats in projects such as these so that concrete solutions are suggested for technical problems and problems of geography. No good ideas should be overlooked merely because of a problem of geography or technology.

#### Session IV

### EXPANDING ECONOMIC ACTIVITY ALONG THE SINO- INDIAN BORDER AREAS

**Muinul Islam, Professor (Retd),  
Department of Economics, University  
of Chittagong, Bangladesh**

#### *India-Bangladesh Border Trade: Existing Hurdles and Measures to overcome those for Strengthening Regional Cooperation*

India is the second-largest source of imports into Bangladesh after China. The value of legal imports from India to Bangladesh was US\$3.215 billion in the financial year 2009-10. The value of impor-

ts from China to Bangladesh surpassed US\$4.5 billion in 2009-10. There is no doubt that these two countries are the biggest sources of illegal imports into Bangladesh too. The modus operandi of smuggling operations and the nature of the flows of smuggled goods from China and India into Bangladesh are however, quite different.

Bangladesh's yearly legal import flow from India is more than ten times the legal export flow to India from Bangladesh on average. The fast expanding Indo-Bangladeshi trade points to the obvious fact that for Bangladesh the real issue in this regard has emerged as a choice between legal trade and smuggling. The two countries will be better served if their policymakers decide to tackle both the legal trading and the smuggling issues by considering these as an economic policymaking problem.



Bangladesh has 16 official land ports and 92 land customs stations at different points of its international border. The rates of growth of border trade through the different land ports and also through the land customs stations are very high. Benapole Land Port has become the second-largest port of Bangladesh; the flow

of trade through Benapole vastly surpassing the flow of trade through the second sea port of Bangladesh, Mangla.

The fast-increasing popularity of border trade can be explained by improvements in roads and highways, means of road communication and transport, the ongoing information and communication technology (ICT) revolution and modernization of banking and financial transactions in the two countries as well as the recent positive changes in mindsets of their governments about expansion of trade, connectivity and regional cooperation.

There is a need for Bangladeshi consulate offices at the deputy high commissioner or assistant commissioner levels in Guwahati, Agartala, Shillong and Aijol. Bangladeshis are not allowed to open bank accounts in the Northeastern states of India and the export-import number is issued from Kolkata, which is about 1,680 km from Agartala through Indian transport routes. These and other obstacles need to be done away with.

A system of coordination and monitoring of each other's fiscal, monetary and commercial policies should be developed under the auspices of SAARC or the proposed Growth Quadrangle, or even BIMSTEC (or any new arrangement involving these countries and China) needs to come up. The issue of providing duty-free access to goods from Bangladesh into the Indian market should be resolved in right earnest, and with due sincerity.

India is seen to be deliberately slow in removing / reducing the non-tariff barriers hampering the Bangladeshi exports to India

in spite of official public declarations to the contrary. Development of the regional transportation network is a prime requirement for promoting trade. In particular, coordinated development of the railway system and the highway system is the need of the hour.

**Li Tao, Director, and Zeng Xiangyu, Research Fellow, ISAS Sichuan University, Chengdu, Sichuan, China**

### ***A Study of Sichuan-South Asia Regional Cooperation and Tibet-South Asia Cooperation***

There are several opportunities brought about by economic globalization and regional integration which can be explored in the Sichuan-South Asia region. Economic upsurge of both China and India provides the background for their cooperation in the 21<sup>st</sup> century but currently, there is no workable regional cooperative mechanism covering both China and South Asia. Sichuan's role as a hinterland and open zone in the backdrop of China's West Development Strategy and Southward Development Initiative can help it in playing a pivotal role for developing China-South Asia cooperation

To this end there are prospects for constructing an open Regional Communication Logistics and Information Network and a Pan-Himalayan Water Co-Regulation Mechanism, setting up Sichuan-South Asian Educational Exchanges and Cooperation Mechanism, and constructing a Sichuan-South Asia Cultural (Religious) Dialogue Mechanism.

In the Tibet Autonomous Region, a border

trade system with a focus on Zangmu, Purang and Yadong has emerged. There has been a huge transformation in strategic thinking with regards to border trade in Chinese provinces from “each making up the other’s deficiency and his own surplus” to “developing border areas and improving the lives of the people there.” There is also increasing interest in stepping up from inter-border community trade to comprehensive international trade.



The present “border trade” in the Tibet area is characterized by smuggled items through Bhutanese horse caravans that illegally cross borders into the Pali and Asang markets in Yadong. The main items of exchange are plateau herbs like cordyceps and rhodiola rosea for goods such as thermos flasks, blankets and rubber shoes.

The political situation in the border areas is also non-conducive to further expansion of border trade while comparisons indicate that the trade between Tibet and Bangladeshi-India-Nepal would be highly promising. Tibet enjoys a “monopoly” of border ports with a South Asian channel, which makes the border trade of Tibet a major stimulus for the economies of Tibet and northwest China.

The “Tibetan strategy” can be achieved by two steps: establishment of a bilateral free-trade zone between China and Nepal, and establishment of three sub-regional free-trade zones between China, India, Nepal and Bhutan. The ultimate goal is a “China-SAARC Free Trade Area.” It is believed that the implementation of a “Tibet Strategy” will enhance the opening up and economic development of Tibet and even the whole of west China. Moreover, it will help in continuing the progress of all-round cooperation in the fields of politics, society and culture.

### Indian Discussant: Bhavna Singh

Taking into account the macro-perspective of regional cooperation, historically, there has been a tendency in China to influence the decision-making processes amongst its smaller neighbors. Meanwhile, India remained obsessed with its internal problems and realized rather late that the smaller countries in the region can play an effective role in helping along Indian soft-power projection. Thus, Indo-Bangladeshi trade has not taken off at a pace that was earlier expected of it. However, these shortcomings are being rectified now. What needs to be understood is besides the dynamics of between the bureaucracy and the central government there might be several levels of complexity within the localities’ and bureaucracy arrangements.

Border trade also needs to be dichotomized between the earlier historical trade routes which need to be revived, and those which need to be developed from scratch. Though the simple exchange of manufactured goods from China and services from India might fit well for a bilateral arrangement, it is necessary



to examine closely how their smaller neighbors can fit into this scheme of things and accommodate their own interests. Is there a possibility that the two larger countries could move beyond the boundary dispute and reach a multilateral arrangement where they can benefit from engaging with each other?

## DISCUSSION

There is a lack of easy accessibility for ordinary people in the whole Southern Asian region in terms of passports and visas. Though the passport is a fundamental right under the Indian Constitution, all the information is not given by the centre but by the state authorities under central laws and there is no authority delegated to provincial or sub-regional entities in this regard. These impediments restrict people-to-people movements and need to be addressed. For countries like India and China, it is very significant to delegate responsibilities to the provinces/states since it would not be cost-effective or efficient to centralize decisions in such matters. Meanwhile, security concerns also hinder the formation of cultural conglomerates along border areas in the region.

Non-tariff barriers include not only bureaucratic barriers, but also the perceptions which impact the relationship in a covert manner. Security issues are mostly bogeys presented for the purpose of political leverage and can be easily overcome.

## Session V

### DEVELOPING INFRASTRUCTURE FOR CONNECTIVITY BETWEEN INDIA AND CHINA

#### Speakers

**Ren Jia, Director, Yunnan Academy of Social Sciences**

*Connectivity among the Western Border Region of Yunnan, China and Myanmar, Bangladesh and India*

Yunnan has extensive linkages with its neighboring countries. Baoshan with 2.46 million people, located in the western part of Yunnan, is an important corridor for economic and cultural exchanges between China and foreign countries and between peoples since ancient times.



Dehong is an important traditional passageway of trade and cultural exchange between China, India and Myanmar where there are many roads which can be linked with the northern towns of Myanmar and the two national-level border points (Ruili, Wanding) and two provincial-level border points (Yingjiang, Zhangfeng).

Jiegao in the Dehong region is a border point with first-class national-level facilities, where there is a large-scale of goods trade. Jiegao trade zone with the total area of 2.4sq kms, is the only special trade zone approved by the State Council of China and is endowed with special management and favorable policies as “outside customs and within the boundary” in 2000.

The imports and exports from Jiegao account for over 68 per cent of the total imports and exports of the border trade between Yunnan province and Myanmar and over 25 per cent of Bangladesh and Myanmar have recently signed an agreement on Bangladesh-Myanmar Friendship Road (Kunming-Ruili-Mandalay-Sittwe- Maungdaw- Teknaf- Chittagong. However, the road link between China and India is still under consideration. It is hoped that smoother connectivity can be realized under the cooperative framework of the four countries of BCIM in the near future.

**Nischal N Pandey, Director, Centre for South Asian Studies, Kathmandu**

### ***Developing Infrastructure Connectivity between India and China through Nepal***

Nepal has historically been used for trade purposes between India and China.

However, of late, the dependence on the Kolkata port has hindered smooth supply of import and export, and the transit cost has affected export competitiveness.

The Kodari highway which was constructed in 1962 is the easiest connection between North India and the Tibet Autonomous Region. It is functional for 12 months a year and links Khasa (Zangmu) town of TAR with Kathmandu. It is now connected with the Dhulikhel-Sindhilu road constructed with Japanese assistance linking the Terai region.



As and when the Golmud-Lhasa-Xigaze railway is extended to the Nepal border, a new vista of opportunity will open up for the three countries. The Government of India is also constructing railways and better roads in the India-Nepal border which will help in the movement of goods from North India to Khasa and vice versa within 24 hours. Optical fibre networks are already laid from TAR to Dhulikhel.

Other possibilities can be explored in terms of links from: Mohana-Dhangadi-Atari-Darchula-Tinker (415km), Nepalgunj-Surkhet-Jumla-Hilsa-Yari-Purang (581km),

Bhairahawa-Pokhara-Jomsom-Lizhi (467km), Birgunj-Galchi-Rasua-Syafrubesi (340km), Janakpur-Dolakha-Lamabagar-TAR (295km), Rani-Itahari-Hile-Kimathanka-TAR (419km) and Kechana-Taplejung-Olangchungola (460km).

The Lhasa-Golmud railway touching Nepal could help North India and even Bangladesh. Infrastructure development in the India-Nepal and Nepal-China borders should be given priority by the Nepal government. Meanwhile, India and China both need to cooperate within Nepal rather than compete with one another.

**M Rahmatullah, Fellow of the Institution of Engineers, Bangladesh and Former Director, UNESCAP**

### *Infrastructure Development for Connectivity between India and China*

The second half of the 20<sup>th</sup> century saw the emergence of a number of regional cooperative arrangements, which maximized regional security and stability, and accelerated economic and social development. India's large middle class provide an attractive consumer market for Chinese goods, while India's large coal, manganese, and iron ore reserves offer beneficial scope for cooperation with China.

For Bangladesh, India is a bordering neighbor, and China is only 100 miles across Indian territory and the Himalayas. A long-term foreign policy challenge for Bangladesh is to maintain "a delicate balance of relations between China and India." Bangladesh perceives the rise of China and its economic prosperity, its benign attitude towards friendly developing countries, and

its willingness to share benefits of its economic growth with them, as opportunities. Under BCIM Forums, a number of sectors were identified where cooperation could be promoted. Possibilities could also be explored by the four countries to pursue the concept of "Himalayan Commission", an idea floated in Singapore in June 2010. Regarding energy cooperation, the neighbors should work out a strategy, based on exploitation of natural resources such as, water, coal, and gas and the establishment of connectivity through power grids and transmission lines. A great deal of potential also exists in learning from the Chinese experience in solar power and wind energy technology. Regarding involvement of local communities in political and economic process, it is essential to understand the local customs, their traditions and their sensitivities, and deal with these accordingly. Regarding coordination of bureaucratic and procedural requirements, it is the political leadership that should provide a sense of direction.



India shall have to play a key role in coordinating and implementing above cooperation initiatives. The absence of interconnecting transmission lines between India and Bangladesh on the eastern and North-

Eastern sides have so far hindered transfer of electricity.

### Indian Discussant: Dr. Jabin T. Jacob

Within China, a province like Yunnan is allowed to take initiative as a part of China's reaching out to the world. This kind of attitude is not evident in India. Similarly, sometimes it is the smaller countries that come up with more ideas and innovative suggestions for a way forward. This is very evident in the case of Bangladesh, which for example, first mooted the idea of SAARC. It would be to the benefit of both India and China to take notice of their smaller neighbors in this respect.

Meanwhile, the sense of being left out or ignored that border communities – such as those in Jammu and Kashmir, for example – have when central governments draw up plans for border area development in terms of economic expansion or infrastructure development can be avoided if they are given the incentives and authority to engage in international trade on their own.

There are several other issues that also need to be considered when talking of infrastructure development. Environmental concerns are important. Similarly, what is the kind of technology to be used in the construction projects envisaged? Are they going to be environment-friendly? Will the technology used be foreign or indigenous? In the latter case, there would be scope for national economic development and the building of ancillary industries. Also what are the likely terms of financing of these projects? What are the implications thereof and what are the timeframes and means of

recouping investments?

## DISCUSSION

Political will and bilateral political relations are very important in these sub-regional arrangements. Bangladesh refused to comply with the Moreh project as India would get more advantage and hence alternate routes were found from Kunming. The present government in Bangladesh is however, much more favorable to such dialogues. Meanwhile, BIMSTEC and SAARC are in limbo due to political problems. However, the BCIN (Bangladesh-China-India-Nepal) project perhaps promises much more in this regard.

While the roads with TAR and Nepal are already existing most of the goods are still largely illegally traded which can be avoided if Nepal is officially recognized as a transit state. The railways need to be upgraded and Nepal expects a lot from India in this regard. The granting of Phulwari Corridor was a non-starter as India did not consider it as a facility for itself but as a road meant only for trade between Nepal and Bangladesh which is very minimal.



The nature of goods trade has been globalised today, which means India, is going to be a part of the global supply chain. Therefore, how significant new roads between and through the smaller countries when compared to the global movement through airways and waterways also needs to be thought through.

One has also to see the competitive nature of infrastructure today and evaluate if it is in the larger interests of the development of the hinterland, if these projects are viable. At the same time, the resettlement and rehabilitation of populations displaced during infrastructure construction also needs to be factored in when talking about connectivity.

## Session VI

### DEVELOPING INFRASTRUCTURE FOR CONNECTIVITY BETWEEN INDIA AND CHINA AND CONCLUSIONS

**D Suba Chandran, Deputy Director, IPCS**

#### *Ladakh-Tibet-Kashgar: An Integrated Corridor?*

The need for an integrated corridor in the region is propelled by an unstable Afghanistan and the growth of radical Islam in the region. Growth of Sunni militancy in Gilgit-Baltistan, sectarian violence and its far-reaching implications on the region would also require cooperative measures between the various authorities in the region. This region is also the “Water Tower of Asia” since most rivers originate from here and there would be a great need

for arrangements on distribution of resources. Thus, connectivity needs to be improved for the purposes of political confidence-building, border trade and future international trade, and tourism especially to Kailash Mansarovar. A tourism circuit can be built around Leh-Mansarovar-Lhasa-Kathmandu, for example. Better connectivity can also help in increasing educational exchanges between Tibet, Xinjiang and Ladakh; in fact, it could also mark the return of Kashmir as a centre of Sufi Islam.

However, all of these propositions can become a reality only if there develops an understanding of political sensitivities. A major problem that the national authorities in China and India will need to address and could possibly do so by means of openness in exchanges between their various sub-regions is the problem of the growing youth unrest in these sub-regions.

**Sanasam Amal Singh, Research Associate, Centre for Manipur Studies, Manipur University**

#### *Developing Infrastructure for Connectivity between India and China: Inputs from Manipur and Arunachal Pradesh*

The Border Area Development Programme (BADP) in Arunachal Pradesh started from the year 1997-98 initially for the India-Myanmar border of the state with a provision of Rs.40 million. From 1998-99, the programme was extended to India’s international borders with China and Bhutan. A Special Accelerated Road Development Programme (SARDP) for Northeastern India is also under consider-

ation.

In Manipur, connectivity is frequently disturbed by *bandhs*, economic blockades, general strikes, extortion by militants and ethnic conflict. Thus, the specificity of this area is determined by misgovernance and the politics of ethnicity. People in Manipur, are more concerned with stopping illegal tax collection, and of extortion and harassment by insurgents on the Imphal-Moreh highway rather than improving the road condition itself.



In Arunachal Pradesh, the villages bordering China often lose connectivity with district headquarters due to poor roads and difficult climatic conditions. Infrastructure development for connectivity is in fact, a major electoral issue in the state. Strategic road development only started as late as five years ago. The infrastructure being built in the Zimithang circle in Tawang and Bum La is leading to a perception of a coming opening of trade from these points. Road connectivity is better in Zimithang area and it is convenient from the Indian side to cross into China.

All roads are however, single-lane and double-lane road construction has started

only recently. A major reason for concern is that central Border Roads Organization has not got the permission from the Arunachal state government to repair and construct the India-Myanmar road.

With adequate infrastructure Arunachal Pradesh also can be India's gateway to East Asia. The people of Tawang and Bomdi La have many cultural affinities with the people of the Tibet Autonomous Region. They have relatives across the border and a close interaction between them could bring social and political harmony between the two countries. With proper implementation of the Look East Policy security and economic cooperation and improved infrastructure could help transform this state into a 'mini Switzerland,' into a tourist hub and help integrate it into the China-ASEAN tourist circuit.

## DISCUSSION

The Sino-Indian boundary dispute should rather than impede give India yet another reason for pushing development in these regions in much the same way that China has attempted.

The goodwill generated through connectivity and the change of mindsets also helps to jettison the sources of conflict and makes these endeavors very fruitful. Without doubt, if connectivity between Kashmir and Xinjiang were to be increased, many Uyghur Muslims would also like to come and study in India – by contrast the experience in Pakistan has been that young Uyghurs have been radicalized in *madrassas*. The Buddhists in Ladakh and Tibet also have tremendous

cultural, religious and social linkages.

### CONCLUDING REMARKS

In their final remarks, Mr. Dharendra Singh, President, IPCS and Mr. Niu Qiang Secretary-General, CPAPD agreed that the key question was what the two large neighbours – India and China do about the sub-region. As US President Mr. Barak Obama pointed out that these are not just rising powers but have already risen, and so they need to take greater responsibility in the development of the whole of Southern Asia. The only way to substantially resolve the lingering issues between these countries is through increased connectivity and opportunities for contact and exchange between their border populations.



The links between the center and the periphery have historically not been very clear given the legacies of the colonial past. There is a sense of historical determinacy in the region and historically and culturally the region is interconnected. A flow of culture and trade has always taken place and there is no reason why it should not happen again in the future.

In this context, there should also not be a

hierarchy of priorities in terms of first the border issues should be resolved and only then should connectivity issues be addressed. Rather, the interests of local communities should also be kept in mind. The peripheries can form epicenters of growth and institutional mechanisms to bring about change can be set up, thus providing them agency and scope for operation.



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