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Beyond Confidence Building Measures (CBMs): Nathula Cross-border Trade from the Perspective of the Border Traders

Sangay Lachenpa



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About the Author: Dr. Sangay Lachenpa is a Post-Doctoral Fellow at the Centre of Excellence for Himalayan Studies, Shiv Nadar University, Delhi-NCR. He also serves as Guest Faculty at the Department of International Relations, Sikkim University. He can be reached at slachenpa@gmail.com.

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Centre of Excellence for Himalayan Studies
School of Humanities and Social Sciences
Shiv Nadar Institution of Eminence
NH-91, Tehsil Dadri, Gautam Budh Nagar District
Uttar Pradesh - 201314
INDIA
Ph: +91 120 7170100
E-Mail: chs.shss@snu.edu.in
Website: <https://chs.snu.edu.in>

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Abstract

Nathula was opened in 2006, 44 years after it was closed following the Sino-Indian War in 1962. The reopening of Nathula saw an increasing exchange of goods, with traders from Sikkim actively participating in the cross-border trade. The closure of the pass following the COVID-19 pandemic and the suspension of cross-border trade after the bloody Galwan clashes between Indian and Chinese troops in eastern Ladakh in 2020 have left the Nathula border traders without any alternative sources of livelihood. This Issue Brief examines the closure of the Nathula border trade and its impact on Sikkimese traders post the COVID-19 outbreak and the Galwan Valley incident. Through a field study using open-ended and semi-structured interviews, it attempts to locate the perspective of the border traders and their anticipation of the opening of the Nathula following the Chinese Foreign Minister Wang Yi's visit to India in August 2025.

Keywords: Sikkim; Nathula; border trade; border population; border economy; Sino-Indian borderlands; Himalayas

The reopening of Shipkila and Lipulekh cross-border trade with China in 1993 paved the way for the opening of the Nathula border trade. Nathula was reopened in 2006 after a gap of 44 years following its closure in the wake of the 1962 Sino-Indian War. Since the restarting of border trade at Nathula, there has been a significant exchange of goods, and the border populations from the then North and East districts of Sikkim have been actively involved in this cross-border trade. Many traders came to be dependent upon the border trade for their livelihood and invested significant capital in the cross-border trade. However, the Nathula cross-border trade was suspended in 2020 following the COVID-19 outbreak and the subsequent deterioration in Sino-Indian relations. The abrupt closure of the Nathula cross-border trade in 2020 rendered many of the traders without any alternative livelihood. The deterioration of Sino-Indian relations following Chinese transgressions in eastern Ladakh and troop casualties on both sides in the Galwan Valley clash in June 2020 kept the Nathula trade closed. However, Chinese Foreign Minister Wang Yi's visit to India in August 2025 resulted in a declaration on the reopening of the Nathula cross-border trade.

There have been previous studies examining the Nathula cross-border trade (see Hasija 2012; Kharsyntiew 2015; Sharma et al. 2023; Chettri 2018; Lachenpa 2019). However, there are no studies, looking particularly at the closure of the Nathula trade post-COVID-19 and its implications for Sikkimese traders. This Issue Brief attempts to fill this gap providing a bottom-up understanding of cross-border trade by bringing in the agency of the trading community impacted by the closure of the border trade. Through a field study, it locates the perspective of the Nathula border traders (*Nathula Tsongpo*), their struggles, and their anticipation of the opening of the Nathula after the agreement between India and China on 20 August 2025 (Ministry of External Affairs, Government of India 2025).

Cross-border Trade in Sikkim

India shares a 3,488-kilometre-long land border with China. The Indo-Tibetan border regions are culturally contiguous regions sharing similar culture, identity, religion and in many instances a shared history of trade. The Sikkim-Tibet border was historically an open frontier region where communities from both sides shared grazing lands, trading activities and cultural similarities (Datta 2015, 210; Harris 2017, 146). As such, Nathula, Jelep, Choten Nyimala, Nakula and Chola in the Sikkim-Tibet sector of the Sino-India border witnessed a dynamic interaction of people, trade and cultural exchanges. The rugged terrain and the harsh climatic conditions in these border areas make the region unsuitable for agriculture, and therefore, the Sikkimese and Tibetan border populations historically depended on trade through these passes as their primary source of livelihood (Basin 2012, 2).

The easily accessible passes along the Himalayas and into the Tibetan plateau through Sikkim provide an advantage in cross-border trade. Sovereignty and territorial contestations in the postcolonial Himalayas resulted in the suspension of these robust interactions, leading to the hardening of the border. The larger narrative of border (in)security led to the closure of the important border passes in the Sikkim-Tibet borderlands (Vandenhelsken et al. 2024). Nathula, along with other passes such as the Nakula and Choten Nyimala, were completely closed following the Sino-Indian War in 1962. The hardening of the Sikkim-Tibet border necessitated a change of livelihood pattern amongst the border community on the Sikkim side.

Nangden Lachenpaⁱ echoes the lost glory of border trade and stresses that the closure of the border impacted the highland Bhutia community (Lachenpas), and they had to move to agro-pastoralism and animal herding as an alternative livelihood.ⁱⁱ Ajo Kyapneyⁱⁱⁱ states that, in the pre-1962 period, half of the villagers from the Lachen village depended on trade for their livelihood.^{iv} The location of Lachen village made the population act as an intermediary between the Tibetans to the north and the Sikkimese to its south. Once cross-border trade was no longer feasible, inter-community trade within Sikkim flourished as an alternative. For instance, the Bhutias (Lachenpas) would bring sheep wool, yak meat (fat), yak tail, juniper woods (used in Buddhist rituals), down to the lowlands of Sikkim and even down to Kalimpong in West Bengal and traded these with the lowland communities for cardamom, wheat and maize.^v

When Shipkila and Lipulekh were opened for trade in 1993, following the signing of the Memorandum on Resumption of Border Trade signed in 1991 and the Protocol on Entry and Exit Procedures for Border Trade in 1992 (Ministry of External Affairs, Government of India 1992), Sikkim saw an opportunity also for Nathula. The then Chief Minister of Sikkim, Pawan Chamling, had raised the issue on numerous accounts (*The Telegraph* 1999). The business community of Sikkim, headed by the old settlers whose forefathers were engaged in the Nathula trade before its closure in 1962, forwarded a memorandum to then Indian Prime Minister Atal Behari Vajpayee for the reopening of the pass (Ved 2003). Sikkim saw the resumption of trading ties through Nathula as an opportunity to boost Sikkim's economy through the promotion of trade (Rizal and Asokan 2013).

In June 2003, India and China signed the Memorandum on Expanding Border Trade (Ministry of External Affairs, Government of India 2003) and declared the opening up of the third border pass through Nathula. The reopening of Nathula in 2006 heralded a new epoch in

Sino-Indian cross-border trade with a promise of huge potential. Accordingly, Changu (Sherathang) in Sikkim and Renqinggang (Rinchen Gang) in the Tibetan Autonomous Region (TAR) were designated as the venues for the border trade market.

Closure of Nathula

India's border trade volume is insignificant compared to its formal international trade. The Nathula border trade remains insignificant in terms of its volume (Table 1) in the national economy. However, it has been a significant contribution to the local economy, especially triggering an economic improvement for the local people in the border areas. Since the opening of the Nathula in 2006, there has been an increase in the number of traders. Kessang Namgyal, who was among the first group of traders to start trading through Nathula, notes that the increase in the number of traders has been due to the positive impact of the trade on the local population.^{vi} As of 2020, there were more than 600 registered Sikkimese traders.^{vii}

Table no. 1: Total Trade at Nathula (in Crores)

S.NO	YEAR	EXPORT	IMPORT	TOTAL TRADE
1.	2006	0.09	0.11	0.2
2.	2007	0.28	0.07	0.35
3.	2008	0.95	0.013	0.95
4.	2009	1.35	0.029	1.38
5.	2010	4.02	0.00	4.02
6.	2011	3.72	0.00	3.72
7.	2012	5.99	1.01	7.00
8.	2013	7.75	1.17	8.92
9.	2014	16.04	12.36	28.40
10.	2015	60.25	11.04	71.30
11.	2016	63.38	19.30	82.68
12.	2017	7.84	1.02	8.86
13.	2018	45.04	3.24	48.28
14.	2019	40.31	3.20	43.51

Source: Press Information Bureau, Government of India, 2014; Commerce and Industries Department, Government of Sikkim, 2017

However, the unpredictable nature of Sino-Indian relations and the larger territorial contestations in the region hamper the potential of the Nathula trade. A case in point is the Doklam crisis between India and China in 2017, which had a colossal impact on the Nathula trade (Sharma et al. 2023). The total trade dropped from Rs. 82.68 crores in 2016 to just Rs. 8.86 crores in 2017 (Table 1), with exports from Sikkim taking the most significant hit. With the COVID-19 pandemic in 2020 and the deterioration of Sino-Indian relations following the Galwan Valley clashes in 2020, cross-border trade through Nathula was suspended. Therefore, according to cross-border traders, the full potential of the Nathula border trade is yet to be realised due to several reasons.

Many of the traders were engaged in the cross-border trade for more than a decade and had left well-established careers in the government sector, businesses and agriculture. The abrupt closure of Nathula blocked their primary source of income. Karma Laden, who served as the President of the Nathula Trade Association (North District) and had a robust cross-border business with a shop allocated to her in Renqinggang in TAR, now runs a paying guest hostel in Gangtok. She laments that her income has dwindled by several times.^{viii} Others, meanwhile, do not have any alternative sources of livelihood. Kessang Namgyal, for example, who left a government job for the Nathula trade, now remains without any source of income.^{ix}

There were many traders who started trading from the mid-2010s with limited savings and by taking loans. The closure of Nathula has hampered their ability to repay their loans. For example, Ani Kichok pointed out that she had started trading in 2017, but the Doklam crisis caused her to incur losses. Just as she was recovering from these losses, came the closure in 2020 that led to further loss of investment and created further uncertainty about the future.^x

Interactions with the traders revealed that the barter system is a common trading practice in Nathula. Many a time, especially for the old traders who have spent some time trading in Nathula, trading was based on mutual trust. For example, the traders from the Sikkimese side would barter their goods with traders from the Tibetan side. These goods would then be sold off to the markets in Siliguri in West Bengal, especially from Friday to Sunday, when cross-border trade is closed. The same is done on the Tibetan side. The money earned after selling the goods would then be settled on the following Monday. However, the abrupt closure of Nathula prevented the settlement of many of these unfinished transactions, and consequently, several traders incurred huge losses. Karma Laden, for instance, laments that she had payments to collect from the Tibetan counterparts. She is doubtful of getting the payment back even if the trade reopens now. Further, she points out that many of her goods remain in her allocated shop in Renqinggang in TAR and is uncertain of the condition of her goods.^{xi}

Policy Recommendations

The announcement of the reopening of border trade through Nathula is good news for cross-border traders. However, several issues plague cross-border trade, which China and India should address to make it viable for border traders.

The traders and customs officials interviewed pointed out, on several occasions, that informal trading was taking place on a wide scale in goods which were not part of the

actual list of goods for trade prepared by India and China (see also, Kharsyntiew 2015). The traders interviewed agreed that the addition of new goods to the existing list of items was necessary, as many items which were not in the list were in huge demand in the respective border trade mart. Sugar and mangoes, for instance, were in huge demand in TAR but not included in the existing list.

Table no. 2: List of Tradeable Items at Nathula (2014)

Items of Import	Wool, Goat Cashmere (Pasham), Goat Skins, Sheep Skins, Yak Tails, Goats, Sheep, Yak Hair, Horses, Salt, Borax, Szaibelyita, China Clay, Butter, Silk, Ready Made Garments, Shoes, Quilt/Blankets, Carpets, Local Herbal Medicine
Items of Export	Agricultural Implements, Blankets, Copper Products, Clothes, Textiles, Cycles, Coffee, Tea, Barley, Rice, Flour, Dry Fruit, Dry and Fresh Vegetables, Vegetable Oil, Gur and Misri, Tobacco, Snuff, Cigarettes, Canned Foods, Agro Chemicals, Local Herbs, Dyes, Spices, Watches, Shoes, Kerosene Oil, Stationery, Utensils, Wheat (Ua and Buck), Processed Foods Items, Flowers, Fruits and Spices, Religious Products such as beads, prayer wheels, incense sticks and butter oil, lamps, Readymade Garments, Handicraft and Handloom Products, Local Herbal Medicine

Source: Commerce and Industries Department, Government of Sikkim (n.d.)

Table no. 3: Items traded the most at Nathula^{xii}

Items of Import	Chinese carpets (Tibetan designs), Garments (ready-made cloths), Shoes, China Clay (cups and saucers)
Items of Export	Copper Products, Flour and wheat, Vegetable Oil (Dalda), Biscuits (Parle-G)

Source: Author, 2025

Further, the list of items, especially in items of import (Table 2), is outdated. Items such as goat and sheep skins, horses, and yak hair carry very little utility in today, and as such have very limited to negligible demand. Thus, a review of the list of goods for trade is needed, with the addition of new items to prevent informal trading.

The time limitation poses another constraint to the traders. The trade is usually allowed from May to November every year for six months. The trading schedule is from Monday to Thursday every week from 7.30 am to 3.30 pm. However, as noted by the traders interviewed, the numerous protocols, customs checks and security processes along the way take up most of the time. As such, by the time the Sikkimese traders reach Renqinggang in TAR, it is already noon. As a result, it leaves them very limited time to trade, as the protocol is that the Sikkimese traders have to pack up and prepare to come back by 2 pm. Thus, a review of the timing of trade and the process of customs and security checks is also needed to realise the full potential of Nathula cross-border trade.

Road connectivity is another key area of concern when it comes to prospects for the Nathula trade. The terrain and geographical location of Sikkim, which endures heavy monsoon rain, make the region vulnerable to frequent landslides and road blockages. The NH10 connecting Sikkim to the rest of the country and NH310, which connects Nathula to Gangtok, see frequent blockages affecting the already limited time allowed for trading. As air and rail connectivity are not feasible currently, an all-weather road is needed to facilitate greater trade. The Border Road Organisation (BRO) and National Highway and Infrastructure Development Corporation Limited (NHIDCL), through the centre schemes of Bharatmala Pariyojana and Vibrant Village Programmes (VVP), could facilitate further infrastructure development for connectivity.

Conclusion

The announcement of the reopening of the Nathula trade following the new agreement between India and China in August 2025 has been received positively by border traders in Sikkim. When trade reopens, the perspectives of border traders should be taken into account in policy formulation to reflect their difficulties and larger livelihood concerns.

The constraints posed by the larger Sino-Indian border contestations and the unpredictable nature of the Sino-Indian relations, aggravated by other problems such as connectivity issues, time constraints, and an outdated list of items for trade, create complications for the border traders. Such reasons prevent the Nathula cross-border trade from reaching its full potential. Therefore, these constraints need to be addressed when the Nathula reopens.

The views of border traders at Nathula highlight their perspective on the border, which must supplement the shaping of border-related policies by the Indian government. Border traders view Nathula as an opportunity which can improve their economic prospects and provide them with a livelihood. Such a view is very different from the dominant view of the Himalayan border as a space of conflict and contestation.

ENDNOTES

ⁱ Nangden Lachenpa's family were actively engaged in cross-border trade before the border was closed in 1962.

ⁱⁱ Interview with Nangden Lachenpa, 22 June 2025, Gangtok.

ⁱⁱⁱ Ajo Kyapney who is 96 years old made a trip each via Nathula and Lachen (North Sikkim) into Tibet before the border was sealed off in 1962.

^{iv} Interview with Ajo Kyapney, 27 July 2025, Lachen.

^v Author's field notes, 29 July 2025, Lachen.

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- ^{vi} Interview with Kessang Namgyal, 3 May 2025, Gangtok.
- ^{vii} Author's field notes, 3 May 2025, Gangtok.
- ^{viii} Interview with Karma Laden, 20 July 2025, Gangtok.
- ^{ix} Author's field notes, 3 May 2025, Gangtok.
- ^x Interview with Ani Kichok, 28 July, 2025, Gangtok.
- ^{xi} Interview with Karma Laden, 20 July 2025, Gangtok.
- ^{xii} Author's field notes, Sikkim.

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