

India

A land without income tax

Gangtok

Sikkim looks to the future

The last time the world paid attention to Sikkim was when a Tibetan boy, regarded by many Tibetan Buddhists as the incarnation of the Karmapa, the third-highest figure in Tibetan Buddhism, escaped into India two years ago. India's government, reluctant to irritate China, stopped the lama from occupying his seat, a monastery not far from Sikkim's capital, Gangtok. The world promptly forgot the thumb-shaped state, which juts up from India into Nepal, Bhutan and China.

Sikkim may well have come up again more quietly last week, when India's foreign minister, Jaswant Singh, visited China. He had gone there to discuss various niggles between the two countries, but chiefly to improve relations that have remained cool since a brief but brutal war in 1962. Mr Singh's trip follows a visit to Delhi by the Chinese prime minister, Zhu Rongji, in January.

China still does not recognise Sikkim as part of India. Until 1975 it was a nominally independent kingdom. It has a small population (540,000), glorious but mountainous terrain and a single major road, vulnerable to mudslides, linking it to the main part of India. Sikkim has been living off these handicaps. As a newcomer to India, with weak finances in a sensitive region, it is entitled to extra aid from the central government. During the 1990s, grants accounted for about 40% of its income.

Uniquely in India, Sikkim pays no national income tax. Most families have at least one member in well-paid government employment. This, along with the support of strong hill communities and customs that are relatively friendly towards women, means that Sikkimese are better off than many Indians. Although the poverty rate is officially high, there is little sign of destitution. On such indicators as access to electricity and drinking water, infant mortality and the age at which women marry (three years older than average), Sikkim scores well. Sikkim is also free of the separatist insurgencies that plague other north-eastern states. Conflict among castes, the stuff of politics in many Indian states, has been subdued.

Sikkim's government realises that the state cannot live for ever off handouts (its budget deficits have been crushing in spite of them). Pawan Chamling, the energetic chief minister, has followed other reformers in publishing book-length human development and "vision" documents. These tout Sikkim's potential in horticulture, hydroelectric power and "eco-tourism". They say little about what could be Sikkim's biggest business: trade with China. The mountain pass into Tibet has been closed for 40 years. Warmer relations between India and China might hasten its opening. Wayward lamas will not.