

Chapter 1

Introduction

1.1 Background

Myanmar shares a common border with Bangladesh, Laos, India, China and Thailand by connecting South Asia and East Asia. The length of the contiguous frontier is 6,159 kilometers. Myanmar has thirteen border trade points of which Myawaddy (bordering Thailand) and Muse (bordering China) have been the busiest. Out of Myanmar's five neighboring countries, only Thailand and China (Yunnan and Guangxi provinces) are involved in the Greater Mekong Sub-region (GMS). Myanmar is also a member.¹

According to the Myanmar Department of Border Trade, there are eleven border trade posts. All official border posts and their opening dates are described in the following list.

1. Myanmar – China Border Trade Area

(a) Muse (105 mile)	21.01.1998
(b) Lwejel	23.08.1998
(c) Chinshwehaw	19.10.2003

¹ Countries and regions in the GMS include Thailand, Yunnan and Guangxi provinces of China, Vietnam, Cambodia, Lao PDR, and Myanmar. The economic cooperation program in the GMS was initiated by the Asian Development Bank in 1992. The program is designed to enhance economic relations among the countries in the sub-region, which is composed of the aforementioned countries and regions that the Mekong River passes through. The program has contributed to the development of infrastructure promoting the development and sharing of the resource base as well as the free flow of goods and people in this sub-region (Asia Development Bank).

2. Myanmar – Thailand Border Trade Area

- (a) Tachileik 16.03.1996
- (b) Myawaddy 16.09.1998
- (c) Kawthaung 01.06.1996
- (d) Myeik (FOB) 01.07.1999

3. Myanmar – India Border Trade Area

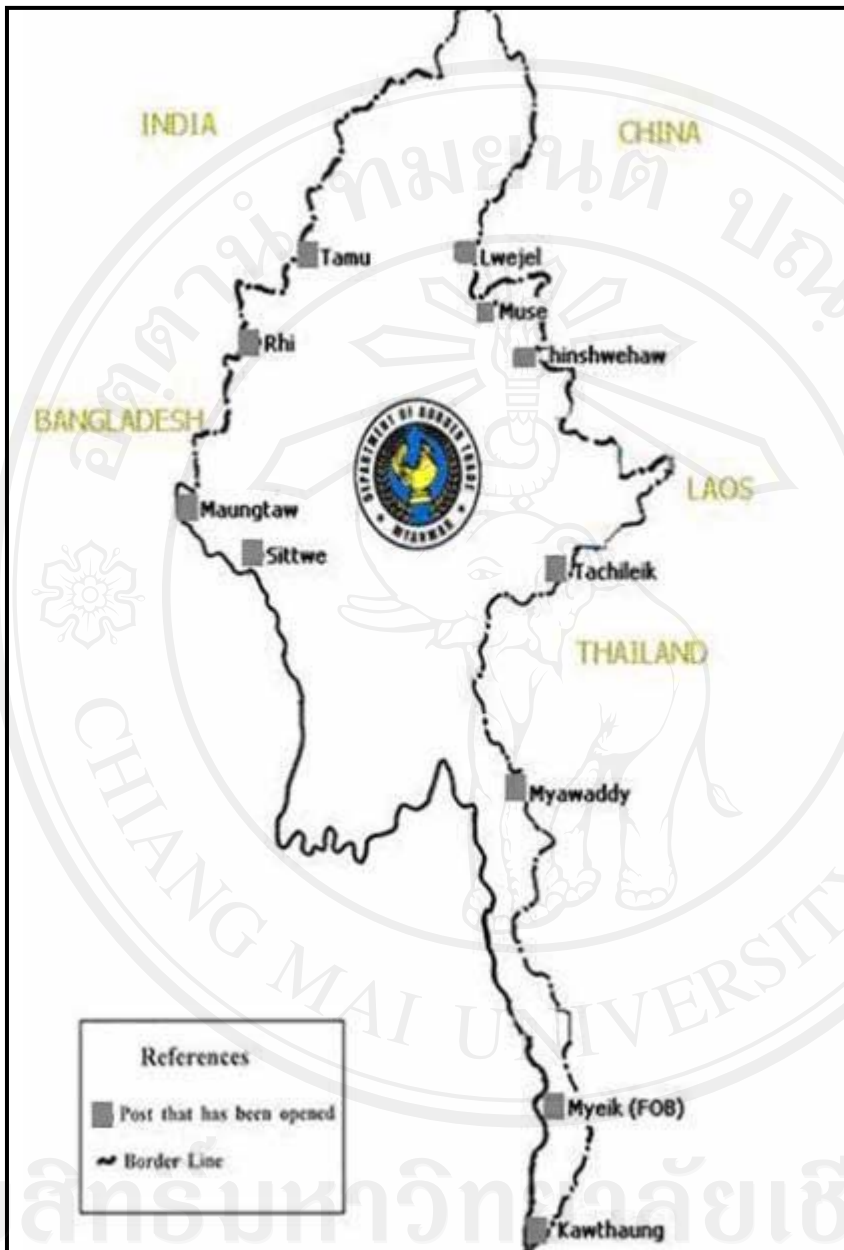
- (a) Tamu 12.04.1995
- (b) Rhi 10.12.2003

4. Myanmar – Bangladesh Border Trade Area

- (a) Sittwe 11.12.1998
- (b) Maungdaw 05.09.1995

There are two more border trade posts with China which are located at Laiza and Kanpeikree that are temporarily closed. In addition, new posts at Dawei, Maung Taung, Nataintaung and Payathonesu along the Myanmar-Thailand border and at Mailar and Pansan along the Myanmar-China border are planned to open. The new border trade zone to be built in Yan Lone Chai Township is about 12.8 kilometers away from the Kokang capital of Laukkai, bordering China's Zhenkang, Gengma, Mengding and Longling areas (Peacerunning, 2009a). There are also plans to open a post at Wanpon along the Myanmar-Lao PDR border though the bilateral agreement has yet to be signed. There are also plans to open posts at Palatwa and Shalattwa along the Myanmar-India border.

Map 1.1 Locations of Border Trade Posts



Source: Department of Border Trade, Ministry of Commerce, Myanmar.

<http://www.commerce.gov.mm/eng/dobt>

According to recent news, merchants and officials of Myanmar and Thailand have emphasized the extension of border trade areas in the process of changing border trade practice into normal trade. The responsible persons of both countries are negotiating to set up more trade zones at the border areas on both sides such as Maw Tong of Myanmar and Sinchon of Thailand, Mongsat of Myanmar and Kayuparwat of Thailand, and Loikaw of Kayah State and Hwetong of Thailand. After these three trade zones have been opened, there will be seven border trade zones between Myanmar and Thailand (Peacerunning, 2009b).

The five objectives of the Department of Border Trade are;

- To further strengthen the existing friendship between the two countries
- To promote border trade between the two countries, putting it in line with normal trade
- To get reasonable revenue for the state
- To facilitate private business activities thereby allowing them to acquire reasonable profit
- To enhance the smooth flow of commodities

The main functions of the Department of Border Trade are as follows.

- Issuing the export/import licenses/permits for trading undertaken by border areas
- Establishing trade zones and wholesales markets
- Facilitating trade activities
- Increasing trade volume

- Attempting to export new items
- Trying to transition illegal trade into legal trade way
- Promoting transit trade
- Obtaining reasonable revenue for the state
- Holding trade fairs and discussions for the trade promotion
- Assisting businessmen who want to establish companies
- Arranging trainings for export/import procedures to be able to carry out the border trade

Border trade camps were also officially opened on trade routes. They are Tamu (Myanmar-India), Maungtaw (Myanmar-Bangladesh), Tarchileik (Myanmar-Thailand) and Muse (105mile) (Myanmar-China).

In the early 1990s, border trade was unstable because of political instability of the border regions, especially the Myanmar-China and Myanmar-Thailand borders. Trade routes had to be frequently closed according to the unstable conditions. After formalization of border trade, the export and import volume of border trade gradually grew, except in 1997-98. The border trade volume made up 21% of total exports and 4% of total imports in 1985-86 (CSO, 2008). The share of border trade significantly rose to about 71% and 32% of total exports and imports by 1988-89. The export surge, creating local shortages and price rise, led to the banning of 23 items of goods as export through border trade in 1990 and export value fell by 20% in 1990-91. Imports from border trade however, rose fast to one-third of total imports, partly owing to the “import first, export later system” policy in border trade. Later, this

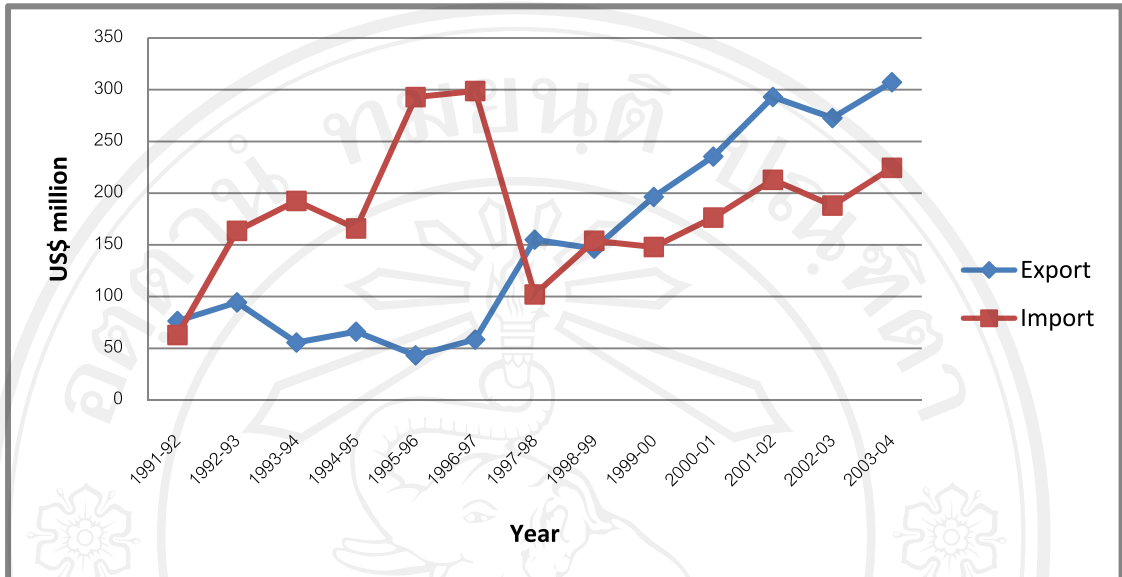
system was halted due to massive trade imbalance and loss of foreign exchange, and the “export first, import later” policy was launched which set up the priority lists of export and import commodities for private enterprises.

By 1994-95, border trade declined due to the sustained political instability along the Myanmar-Thailand border. After 1995, a bilateral agreement was signed officially and border trade succeeded substantially and most remarkably. Border trade expanded fast in 1997-98, due to healthy trade with China, Thailand and Bangladesh. Half of the total exports' value consisted of border trade. The regional currency crisis in major partner countries impacted only in the next two years, lowering exports by about one-eighth. Border trade since 1990-91 has always involved a trade deficit for Myanmar which widened faster after the crisis.

Between 1992-93 and 2003-04, Myanmar's overall exports to neighboring countries increased at an average annual growth rate of 19% and its overall imports grew at an average annual growth rate of 21%. Consequently, the country's total cross border trade grew steadily at an average annual rate of 14%. In terms of border trade balance, Myanmar has been in positive (surplus) balance of trade since 1999-2000.

The changes of border trade are depicted in Figure (1.1).

Figure 1.1 Changes in Volume of Myanmar Border Trade (1991-92 to 2003-04)
(US\$ in Millions)



Source: Department of Border Trade, Ministry of Commerce, Myanmar.
<http://www.commerce.gov.mm/eng/dobt/>

Myanmar-Thailand border trade was legalized in 1996. Thailand has been expanding its exports to Myanmar since that time. The Thai products have a better reputation than Chinese products, even though they are more expensive, because of their high quality. Yet, many Myanmar consumers cannot afford higher prices. Even though Chinese goods are low in quality, prices are so low that Chinese goods have flooded the domestic market. Frequently, those growing imports from China are not only for domestic consumption purposes but also for re-export.

Table 1.1 Myanmar Border Trade Flows of the Fiscal Year 2005-2006 to 2007-2008 (US\$ in Millions)

	2005/06	2006/07	2007/08
Bangladesh			
Exports	18.558	25.447	31.333
Imports	2.306	1.376	1.204
Total	20.864	26.856	32.537
China			
Exports	285.882	453.116	555.484
Imports	195.477	296.643	421.945
Total	481.359	749.758	977.429
India			
Exports	11.277	11.022	10.909
Imports	4.134	4.751	3.922
Total	15.411	15.773	14.831
Thailand			
Exports	113.763	157.595	148.957
Imports	85.333	147.630	155.778
Total	199.096	300.225	304.735

Source: Department of Border Trade, Ministry of Commerce, Union of Myanmar.
<http://www.commerce.gov.mm/eng/dobt/>

In border trade, the main exports are dominated by agricultural products, forest and marine products and general consumer products. The main imports are personal and household goods, construction materials, electrical appliances, vehicles, machineries and spare parts, textiles, medicine and medical equipment and miscellaneous. However not all imports are for domestic consumption alone but some are earmarked for re-export. Thus some textile products and electrical goods imported from China are re-exported to India and Bangladesh through border points. As Myanmar has a strategic location between the two massive countries, India and China, these goods pass through Myanmar to India. Chinese goods imported for re-export have also grown drastically after the formalization of border trade with India and Bangladesh in 1994.

Table 1.2 Major trading items through border trade

Country	Export Items	Import Items
Myanmar-China	<ol style="list-style-type: none"> 1. Rice and its products 2. Pulses and beans 3. Fish, prawn, crabs and lobster 4. Fruits and vegetables 5. Personal, household goods 6. Vehicle (re-export) 	<ol style="list-style-type: none"> 1. Tires 2. Electronic Appliances 3. Generator, engine head, tractor 4. Iron bar (nails) 5. Forest products: cane, teak
Myanmar-Thailand	<ol style="list-style-type: none"> 1. Live animal 2. Marine products 3. Gems and Jewelry 4. Forest product (teak, rubber) 5. Metal 6. Vegetables 7. Antique and handicrafts 8. Antique art objects 	<ol style="list-style-type: none"> 1. Electrical goods 2. Manufactured goods – textile 3. Plastic products 4. Machinery and spare parts 5. Foodstuff and watches 6. Steel and aluminum 7. Medicines 8. Seasoning powder (Monosodium glutamate)
Myanmar-India	<ol style="list-style-type: none"> 1. Pulses and betel nuts 2. Wood and wood products 3. Sugar 4. Metalliferous ores and metal scrap 5. Dyeing, tang, coloring materials 6. Printed books, newspaper, journal 7. Synthetic and regenerated fibres 8. Organic chemicals 9. Professional inst, ect, re-export products 	<ol style="list-style-type: none"> 1. Primary and semi-finished iron and steel 2. Glassware-ceramic, refractories and cement 3. Manufactures of metals 4. Miscellaneous processed items 5. Transport equipment 6. Rubber, manufactured products 7. Drugs, pharmaceutical and find chemicals 8. Oil meals 9. Cotton yarn
Myanmar-Bangladesh	<ol style="list-style-type: none"> 1. Betel nuts 2. Pulses 3. Tamarind 4. Rice 	<ol style="list-style-type: none"> 1. Horlicks 2. Milo 3. Ovaltine 4. Juice

Source: Department of Border Trade, Ministry of Commerce, Myanmar.
<http://www.commerce.gov.mm/eng/dobt/>

Even though Myanmar has a favorable trade balance with India as well as Bangladesh, its surplus is not enough to offset the trade deficit with China and Thailand.

1.2 Significance of the study

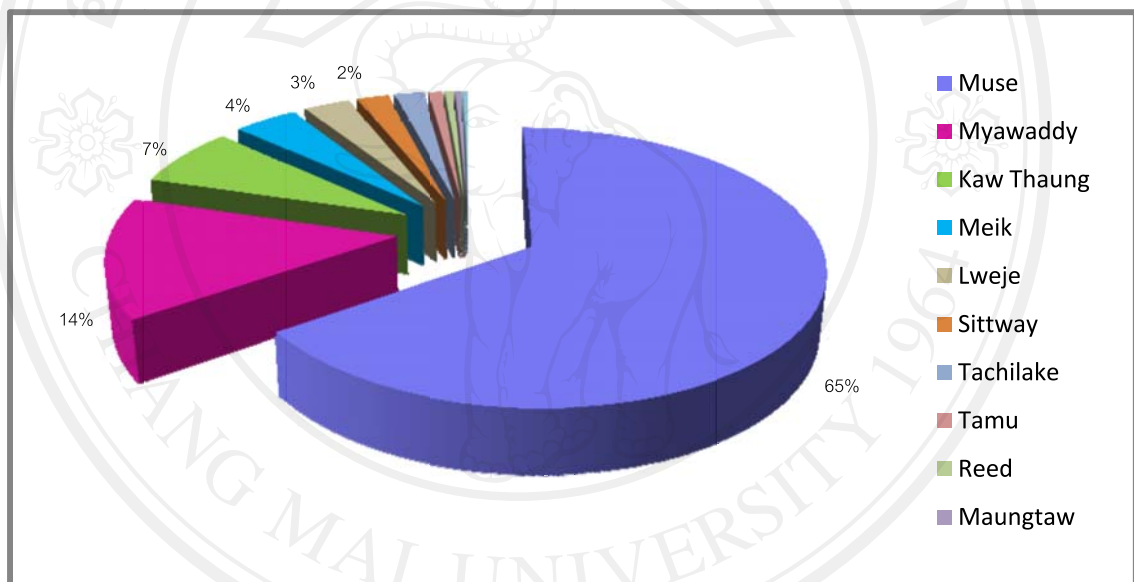
This research will take place in Myawaddy Township, Myawaddy District, Kayin State, Myanmar. Kayin State is located on the east border of Myanmar which has common borders with Mandalay Division and Shan State on the north, Kayah State and Thailand on the east and Mon state and Bago Division on the West. The area is 11,731 square miles. Its population is about 1,709,000 (CSO, 2008). Myawaddy Township borders Mae Sot in Thailand and this is the most active border trade area in Myanmar. The township is more than 1210 square miles and is comprised of 15 village tracts, 50 villages and five quarters.

This town is the most important transit point for the Thai consumer goods flowing into Myanmar. Thailand built an 18 km highway inside Myanmar connecting Myawaddy and Thin Gan Nyi Naung as part of the Asian Highway. Another 38 km extension is still a narrow road across the mountain pass. This road is a one way road so it has to alternate the flow of traffic every other day to allow vehicles to travel in both directions.

Cross border trade plays an important role among the cross border economic relationship of Myanmar with its neighboring countries in terms of trade, capital and human flows. The manufacturing sector has been limited by poor quality of inputs which is because of technology, imports and power shortages. The black market is estimated to be almost half of the official economy. The statistics published on foreign trade are much understated because of the size of the black market, non-official border trade and multiple exchange rates. As Myanmar set many rules and

regulations on export/import, border trade drew attention in the scope of Myanmar trade. Since Myanmar could not sufficiently produce goods for its domestic use, it has to import everything from primary goods to finished products from its neighboring countries by trading across borders officially or unofficially. The main motivation for trading across borders is the low transportation cost.

Figure 1.2 Percentage shares of Border Trade Values at each border trade post in 2006-07



Source: Department of Border Trade, Ministry of Commerce, Myanmar.

<http://www.commerce.gov.mm/eng/dobt/>

As stated above, Myanmar has 11 official border trade points including Muse, Lweje and Chinshwehaw bordering on China; Myawaddy, Kawthaung and Tachileik bordering on Thailand; Sittwe and Maungtaw bordering on Bangladesh; and Tamu and Reed bordering on India. Among these 11 legal border trade points, Muse, Myawaddy and Kawthaung have been the most active in Myanmar in terms of highest trade value. The trade value between Muse and Yunnan province of China accounts

for 65% of total border trade value, where trade value between Myawaddy and Mae Sot and Kawthaung and Ranong of Thailand contributed 14% and 7% respectively in 2006-07.

Map 1.2 GMS Economic Corridors and Border Cross Points for the Cross-Border Transport Agreement (CBTA)

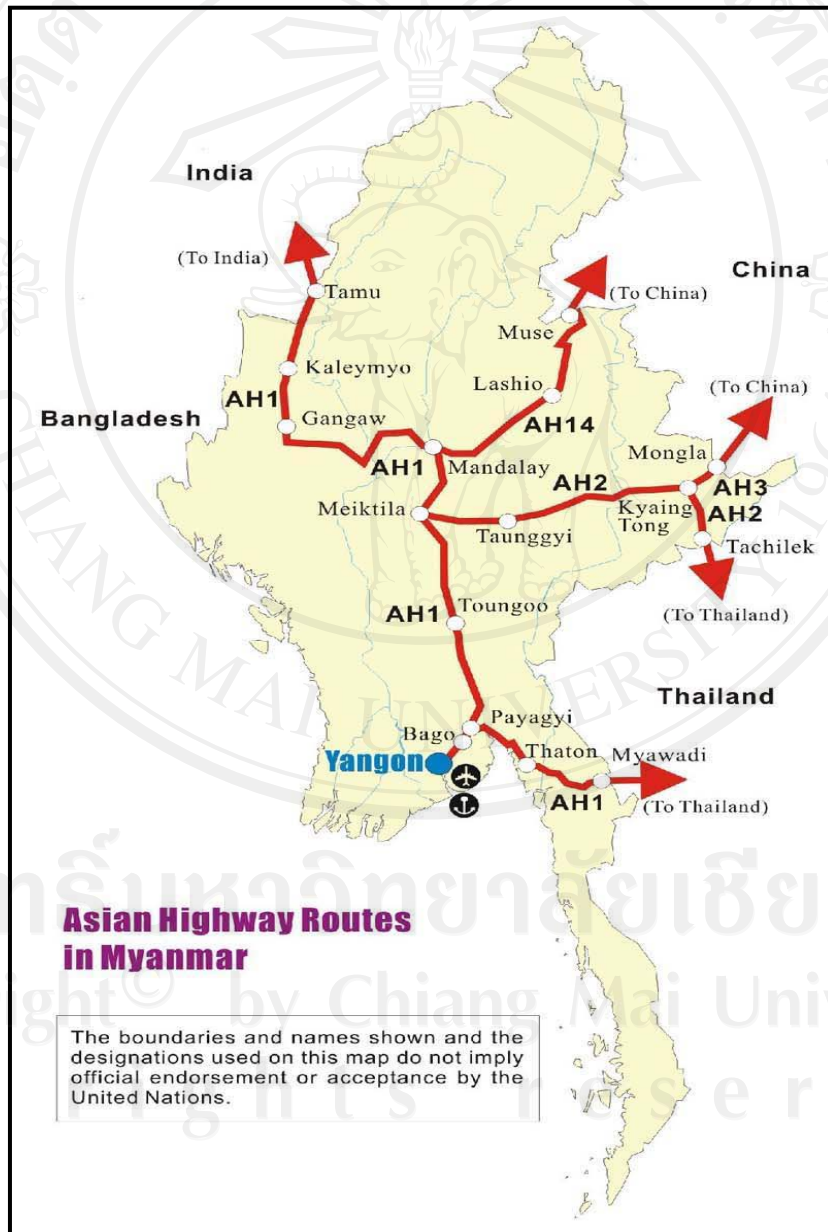


Source: <http://www.adb.org>

One could clearly notice that the trade value of Myawaddy represents the second largest share of Myanmar border trade apart from Muse. In addition, Myawaddy is the most important border city and is located on the East-West Economic Corridor of

GMS (Greater Mekong Sub-region) (Map 1.2) Additionally, it has been proposed that Myawaddy-Mae Sot become a special economic zone (SEZ) (JODC, March 2005). It is also the border point closest to Yangon which the biggest commercial city of Myanmar.

Map 1.3 Asian Highway Routes in Myanmar



Source: <http://www.unescap.org>

Myawaddy is also an important area in terms of Asian Highway routes. Myawaddy will be one of the main access points for Asian Highway Routes (AH1, AH2, AH3 and AH4) in Myanmar. (Map 1.3) Myanmar will be a transit country for overland travel between Thailand, India and China. Myawaddy Township is important because of its strategic location within this transportation network.

1.3 Purpose of the study

The purpose of the study is to understand the cross border trade of Myanmar particularly at Myawaddy. In the cross border economy, there is cross border trade and cross border migration. This paper is going to emphasize on cross border trade.

The objectives of the study are as follows:

- To explore the characteristics of cross border trade at Myawaddy Township bordering Mae Sot of Thailand.
- To investigate how people are buying and selling goods and services at the Myawaddy Border Area.
- To examine the pattern of the traded goods through Myawaddy transit to final consumers in Myanmar.

1.4 Scope of the Study

This study approaches the border trade pattern of Myawaddy Township, Myanmar through the three stated objectives. The three objectives of this thesis will be explored by using interview survey, in-depth interview survey and focus group survey methods. The research areas are Myawaddy, primarily, and Yangon. The secondary

data from Myanmar's officials are having a limited reliability. The survey activities are not expected to be encouraged by local authorities. Some of the interviewees are expected to be very careful in answering questions which they assume to be sensitive. These specific features of the research process will be taken into account by the researcher.

1.5 Methodology

This research will approach explore the national competitiveness of Myanmar by referring to Porter's Diamond model analysis, Revealed Comparative Advantage analysis and other prominent classical theory analysis at the macro level. It will investigate the three objectives of this research by collecting primary data at Myawaddy Township and Yangon at the micro level. Trade and cross border trade-related secondary data will be requested from the Ministry of Commerce of Myanmar. The researcher will also gather historical data, macro and micro socio-economic data from secondary sources; books, articles, available local and national government reports on national policies towards international trade, published interviews and newspaper clippings.

Macro Level

Porter's Diamond model will be mainly employed to explain the national competitiveness of Myanmar. The Porter Diamond model comprises of four characteristics of a nation which can be attributed individually and as a system.

These characteristics are factor conditions, demand conditions, related and supporting industries, and firm strategy, structure and rivalry (Porter, 1990).

According to Porter's Diamond model, the national competitiveness of Myanmar will be explained.

Factor conditions such as land, labor, capital, natural resources, infrastructure, skilled human resources and the scientific base are important. Myanmar has strong competitiveness in land, labor and natural resources especially in natural gas and timber.

Demand conditions explain how the nature of the home market is important. Countries achieve competitive advantage in industries where home demand provides more challenging needs, where customers drive companies to upgrade their respective technologies. In Myanmar, the presence of a strong factor condition is a large domestic market demand regardless of other significant factor conditions such as capital, infrastructure, skilled human resources and the scientific base as mentioned above.

Related and supporting industries imply the presence of home based suppliers, industries or related industries that are internationally competitive. But the benefits of both home-based suppliers and related industries depend on the rest of the model.

Lastly, there is the context in which firms are created, organized, managed and the nature of domestic rivalry in an industry which is referred to as firm strategy, structure and rivalry. Since Myanmar has been strong in important factor conditions and demand conditions, the other two determinants of Porter's Diamond model could reflect as a system.

Cross border trade of Myanmar will be briefly explained by referring to other classical theories.

Micro Level

The research site for field data gathering will be in Myawaddy Township bordering on Mae Sot of Thailand. The three objectives of this thesis will be explored by using interview survey, in-depth interview survey and focus group survey methods. Interviewees will be selected by random sampling method. Key informant interviews will also be done. The people who will be interviewed are classified in seven categories; wholesalers, managers, company/shop owners, traders, broker companies, broker persons and border inhabitants. Twenty persons each from each of the above categories of people will be asked and the total number of interviewees will be 140 people from Myawaddy. The thirty retailers (including key informants) from major markets in Yangon will also be interviewed to reach the third objective of this research.

The following data will be collected based on the above stated interview methods at Myawaddy Township.

- a. Gender/Age/Ethnicity
- b. How many businesses and what types of business or factories they are connected to in Myawaddy
- c. Nature of business/ their customers/ suppliers/ kind of products
- d. Mode of transportation/ transportation cost
- e. When/ how did they start their business?

- f. Their business problems
- g. Mode of currency/ exchange rate
- h. Whether they have knowledge of or/ their opinions on ASEAN Free Trade Areas
- i. How traded goods flow into the major cities inside Myanmar

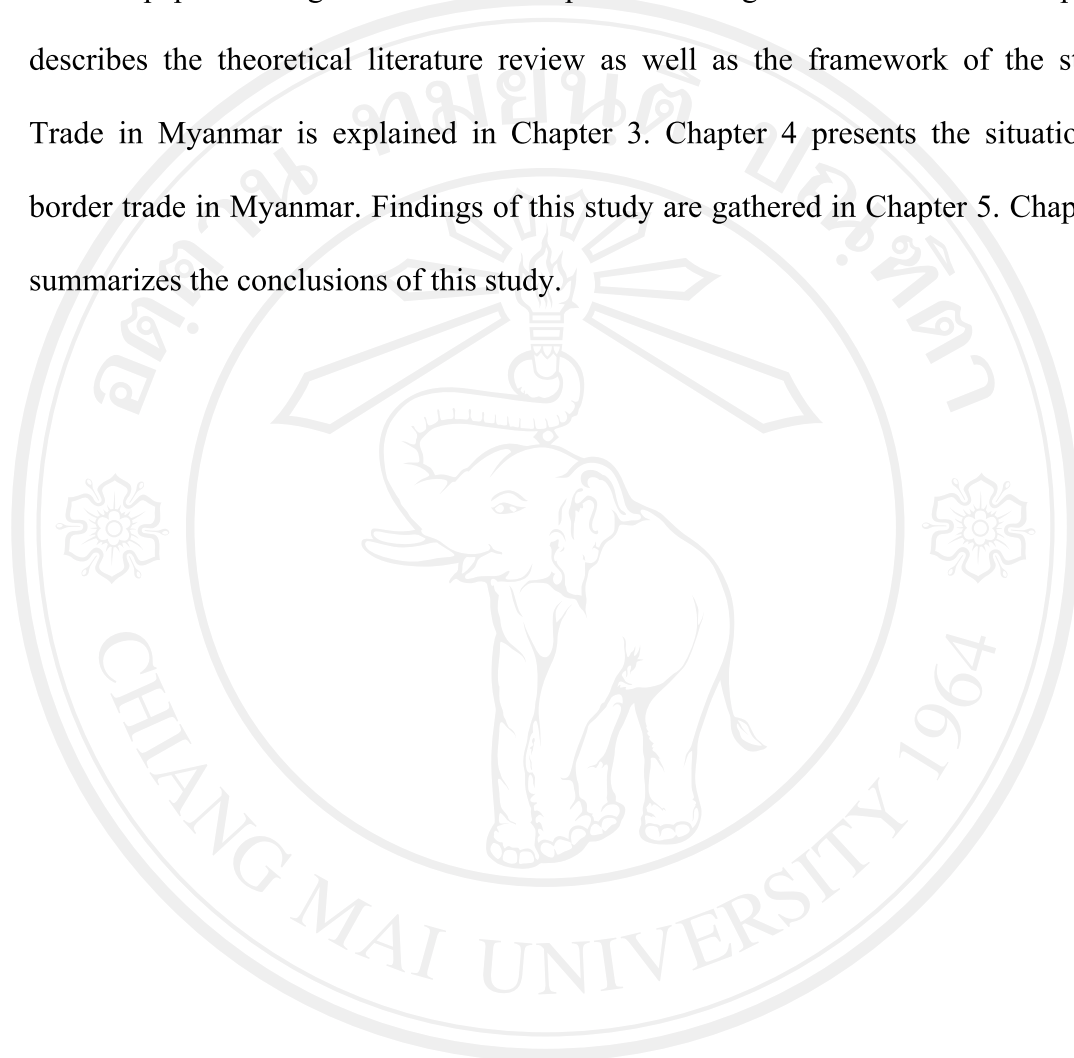
This data will be cross checked with existing secondary sources from local government records, local newspapers and archive materials. The process of fulfilling the three objectives of this research is described below in detail.

To explore the characteristics of cross border trade in Myawaddy, interview survey and in-depth interview survey will be mainly employed. To investigate how people are buying and selling goods and services at Myawaddy border area, interview survey and focus group survey will be utilized. The trade pattern of how actors are buying and selling goods and services will be asked about in detail. To examine the pattern of traded goods through Myawaddy transit to the final consumers in Myanmar, in-depth interview survey will be done. To learn the pattern of traded goods, the wholesalers in Myawaddy and the retailers in Yangon will be interviewed.

The whole research data-gathering process is estimated to last for two months. Tentatively one month is allocated for field work in Myawaddy and 15 days will be for selected interviews of key informants (retailers) in Yangon major markets. The remaining 15 days would also include secondary data research.

1.6 Organization of the Study

This paper is categorized into six chapters including this introduction. Chapter 2 describes the theoretical literature review as well as the framework of the study. Trade in Myanmar is explained in Chapter 3. Chapter 4 presents the situation of border trade in Myanmar. Findings of this study are gathered in Chapter 5. Chapter 6 summarizes the conclusions of this study.



ลิขสิทธิ์มหาวิทยาลัยเชียงใหม่

Copyright© by Chiang Mai University

All rights reserved