

## **Chapter 6**

### **Conclusion**

This study examined the pattern of cross border trade in Myawaddy Township, Myanmar at the micro level by conducting interview surveys.

There are a number of rationales for Myanmar's trade interest to increase trade with Thailand. The first one is that the trade relations between the two countries has continued to grow since the Myanmar socialist era because Thai products have received a good reputation among Myanmar consumers. The second reason is the hindered industrial sector development in Myanmar which is still not able to compete with Thai production. Because of this, Myanmar still depends on Thailand for value added and other products. Economic sanctions from the west starting from 1997 are the final reason why Myanmar finds it necessary to deeply engage in more trade with neighboring countries.

Thailand's industrial sector development contributed an average of 40% to its GDP while Myanmar's contributed an average of only 15%. The impeding stage of the industrial development in Myanmar necessitated the importation of more heavy machinery, raw materials and consumer goods. The agriculture sector has not changed significantly over time in Myanmar. It contributed 11.6% in 2009 when its export mainly relied on agricultural products. In terms of trade with Thailand which includes border trade, Myanmar has been in a trade surplus since 2000 when it started to export natural gas.

According to the Ministry of Commerce, cross border trade at Myawaddy accounted for 48.35% (nearly half) of the total value of Myanmar border trade with Thailand in 2008-09.

### 6.1 Summary

Myawaddy is a very small border town with a population of 52,000. There are no actual trading companies which are conducting buying and selling of goods directly at Myawaddy as a base. Wholesalers distributing to the rest of the country do not exist in Myawaddy.

The most *significant characteristics of Myawaddy cross border trade* are the involvement of people, the town's geographic location, transportation, illegal channels, warehouses and the Myawaddy Trade Zone. The key characteristics in Myawaddy cross border trade are the broker trading companies and their role. They appointed many staffs to engage in the daily documentation process with government bodies as well as for transportation. The flows of goods are getting faster because of the role of broker trading companies. The character of small and medium-sized individual traders has been contributing to the cross border trade by overcoming a lot of difficulties regarding import restrictions, financial problems, and high taxes which discourage them to participate in border trading. The risk is that they could not be able to compete with the prices of imported goods that enter through the illegal channels.

The function of the transporters in Myawaddy cross border trade is also important. Transporters are not only drivers but are also managers or car owners. Some are working independently, some link up with broker trading companies and some are the managers of Yangon-based wholesalers.

Their role is often to cross the border and to find buyers from the Thai side especially for marine products which do not have a long shelf-life. They deal with every transaction directly with buyers from the Thailand side and present it back to the wholesalers/retailers in Myanmar. If something is lost while being transported, those transporters are fully responsible for it.

The trade route between Myawaddy and Yangon is not very smooth. There are many barriers like the risk of insurgency, fees from the many tolls gates, fees for crossing bridges, and other charges on the way to the destination city. All these charges are added to the original cost of the goods by sellers and this becomes the burden of the consumers in Myanmar especially in imported goods.

As a transit trade border town, there are not many warehouses. Most of the warehouses are located near the Thai-Myanmar Friendship Bridge owned by private local people and broker trading companies. It is convenient for them to store their goods near the bridge as it costs less for transportation charges. Now the Myawaddy Trade Zone took over the function of warehouses. Every commodity which is about to be exported or imported must be stored in Trade Zone warehouses in an attempt to control illegal trade. But as stated in Chapter 5, there are supposedly many illegal border posts engaging in border trade. Controlling trade activities in only one channel is not an effective strategy to discourage illegal trade and it can sometimes encourage more illegal activities so that it needs to revise the rules and regulations on border trade.

Exporting and importing, in other words, selling and buying goods across border is difficult in Myanmar. The main reason for export/import restrictions is to adjust the trade balance not to show trade deficits. In a country like Myanmar which exists with a lower degree of industrialization, it makes sense that import volume is larger than export volume. The “export first and import later” policy was introduced when the government

was trying to adjust the value of export and import ( $Ex=Im$ ) with the restrictions of export earnings. Besides, the Myawaddy Trade post is frequently closed because of the political situation between Thailand and Myanmar. Recently the Thai-Myanmar Friendship Bridge located on the Myawaddy-Mae Sot border has been closed since July 12, 2010 apparently because of an issue about the embankment of the river. It will not probably open again until the Myanmar elections on November 7, 2010. Frequent border closures discourage the flow of goods across border and cause difficulties in the daily life of the local citizens.

In terms of the *pattern of traded goods* or imported goods, they are distributed by two major wholesale markets in Yangon: Mingalar Market and Bayint Naung Market. As mentioned in Chapter 5, the price of imported commodities is determined by many factors which include the availability of stock in the market, border closures, and whether or not there are any road blockades along the trade route. Some wholesalers usually buy directly from the producer in Bangkok. Some go through broker trading companies while small and medium-sized go through broker trading companies or complete the procedures themselves.

The opinions on joining FTAs from producers and consumers in Myanmar are different. When the efficiency of productivity is lower due to the constraints of financial assistance, power supply and technological know-how, the joining FTAs would put Myanmar industries in great risk of survival amongst the intra-region competition. But for consumers, they will have more choices over varieties of products at different prices and qualities. At the national level, the government may subsidize the firms but not in the long term.

There are negative impacts and positive impacts of the cross border trade between Myawaddy and Mae Sot. The illegal cross border human flow and trade flow

would be the negative effect of cross border activity. The illegal cross border human flow could only be solved by political solutions that get at the root cause of illegal trade. Traders have been facing difficulties in cross border trade because of the instability of the frontier, frequent border closures, higher transportation charges, the service charge to broker trading companies, and many toll gate fees. These businesses sometimes have a loss of profits because they incur so many fees and charges when importing and transporting their goods. Also, these businesses are competing with smuggled goods in the Myanmar market which don't have the added cost of these legal procedures.

The frequent border closure relates to political matters between Myanmar and Thailand. There may be some reasons behind this like Thai support for ethnic minorities, exile political associations from Myanmar, and the strong tie between the United States and Thailand.

In an effort to reduce illegal trade, the restrictions on export/import should be lessened to a level that traders feel is not so different from the illegal channel. The export/import tax should be revised. Addressing the political stability in the frontiers should be of the highest priority.

The positive impacts from the cross-border trade are the well being of local economy, the increasing employment opportunities and local infrastructure development that is benefitted through trans-national transport linkages.

In conclusion, the pattern of Myawaddy cross border trade is functioning as transit trade. There is no small and medium enterprise which chiefly focuses on export to Mae Sot. There is no evidence to be found of wholesalers based in Myawaddy who

distribute to the whole country. Porter diamond model mostly do not reflect the border trade pattern in Myawaddy. An analysis using the Porter Diamond Theory reveals that the pattern of Myawaddy cross border trade does not have a profound outcome in the Porter Diamond Model.

### **6.2 Suggestions for Further Studies**

Since this study has contributed to an understanding of the pattern of the cross border trade in Myawaddy, it would be helpful to study other border trade posts of Myanmar as well as the regional trade integration. This study could be compared with the pattern of cross border trade with China. It would also be interesting to study the trade linkages between GMS countries.