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TRADE PATTERN CHANGES IN MYANMAR (1989-2016)

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MDevS -5 (13th BATCH)

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TRADE PATTERN CHANGES IN MYANMAR (1989-2016)

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This is to certify that this study entitled **"Trade Pattern Changes in Myanmar (1989 - 2016)"**, submitted as a partial fulfillment of the requirements for the degree of Master of Development Studies has been accepted by the Board of Examiners.

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ABSTRACT

The study analyzes trade pattern changes of Myanmar in different regimes since 1988 by focusing on five fiscal years. Trade pattern change is crucial to understand for Myanmar which is in-born situated at natural strategic central point among two large countries, China and India and the regions that has potential to grow. Myanmar is naturally already given the strategic location to trade. The analysis intends to give the considerations for evolving trade pattern in Myanmar. The study will focus on the changes in trade patterns of Myanmar in terms of compositions of trade and in terms of destinations. Secondary data are used with descriptive analysis. The study finds out that Myanmar trade patterns evolution is nearly entirely rely on export pattern changes and generally unchanged import pattern till now.

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LIST OF ABBREVIATIONS

ASEAN	=	Association of South East Asian Nations
BIMSTEC	=	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Corporation
CSO	=	Central Statistical Organization
FEC	=	Foreign Exchange Certificates
FESR	=	Framework for Economic and Social Reforms
FY	=	Fiscal Year
GDP	=	Gross Domestic Products
GMS	=	Greater Mekong Sub-regional Program
MEC	=	Myanmar Economic Corporation
MEHL	=	Myanmar Economic Holdings Ltd.
MEIS	=	Myanmar Exports and Imports Services
NESC	=	National Economic and Social Council
RCEP	=	Regional Comprehensive Economic Partnership
SAMB	=	State Agricultural Marketing Board
SLORC	=	State Law and Order Restoration Council
SPDC	=	State Peace and Development Council
WTO	=	World Trade Organization

CHAPTER (I)

INTRODUCTION

1.1 Rationale of the Study

There is no country that does not trade with other countries in the world because any country without trade will definitely ever enjoy poverty but never taste prosperity. Both theoretically and in practice, trade is the source of national income for the country. And trade creates more employment positions and promotes productivity of labor or returns to capital according to their intensive use of factor endowment than without trade. Increases in productivity and returns to capital tend to economic growth and with the processes of economic structure transformations, trade tends to economic development. That's why a country with trade is on the road to economic prosperity.

Although trade has benefits for the nations, it also has inevitably dark side costs. So, it becomes the duty of the government to be able to reduce the costs of trade till to minimum amount and to be able to raise the benefits of trade as much as possible by means of policies and regulations. Likewise other governments in the world, Myanmar governments have tried to promote the benefits and make their costs less and less by means of policies and regulations.

Myanmar's economy became to be open economy step by step in different regimes since 1988, contrasting with the closed economy of socialist principles in previous era. Between 1988 and 2011, Myanmar governments made efforts of partial economic reforms without considerations of political openness. As a result, Myanmar government can make reforms only to certain extents because of the absence of recognition of Western governments. But even partial reforms make trade sector developed to some extents. These partial reforms which import restrictions are included increased degree of openness from 22% to 65% of GDP. After 2011, with the emergence of newly elected government of President U Thein Sein, the recognition of international family gave Myanmar's trade sector to break external barriers to be developed with their hope of appearance of legitimated government in next election. The result is that Myanmar trade sector in terms of trade volumes developed to a huge extent despite of the increase in deficits of trade balance because of the lift in imports restrictions which were imposed in previous regime.

Trade pattern changes have been evolved in accordance with both underlying conditions of Myanmar trade and efforts to make the economy more open. And Myanmar's trade pattern changes are undeniably influenced by China and India which countries are major drivers of Asia and Southeast Asia region. Myanmar's evolving trade pattern changes is strongly interested and indeed influenced to Myanmar economy. This study on trade pattern changes in Myanmar will give further considerations for forging toward future trade patterns of Myanmar.

1.2 Objectives of the Study

The objectives of the study are to analyze the changes in patterns of Myanmar's exports and imports in terms of commodities and directions and to describe the share of border trade in total trade.

1.3 Scope and Limitations of the Study

The study focuses on the trade pattern changes in Myanmar between 1989 and 2016 and describes the share of border trade in total trade.

1.4 Method of the Study

Methods of descriptive analysis conducted in the study. Secondary data from Center of Statistical Organization and information from Ministry of Commerce, World Bank Groups, World Trade Organization and Asian Development Bank will be used to analyze.

1.5 Organization of the Study

The Study is organized by five chapters. Chapter (1) is “Introduction” in which rationale of the study, its objectives, its scope and limitations and method of the study will be mentioned. Chapter (2) presents about literature review which theories and models are relating with the study. Chapter (3) explains about overview of trade sector in Myanmar which is background conditions with historical perspective and the conditions that affects trade patterns in the present of Myanmar. Chapter (4) analyzes about trade pattern changes in terms of composition of trade, directions of trade, share of trade sector in Gross Domestic Products GDP and the value, the share and the balance of border trade. Finally, Chapter (5) is the conclusion in which findings and suggestions will be explored.

CHAPTER II

LITERATURE REVIEWS

2.1 Concepts and Features of International Trade

International trade is the exchange of goods and services between countries. This type of trade gives rise to a world economy in which prices or supply and demand affect and are affected by global events. Foreign trade helps each country to specialize in the production of those goods which best suits its environments. Tt thus leads to maximum use of its natural resources. It enables a country to obtain good by importing which it cannot produce due to higher costs at home. There are two types of Foreign Trade. They are (a) Bilateral Trade: This is a trade agreement in which two countries exchange goods and services, and (b) Multilateral trade: This is the the type of international trade where a country trades with two pr more countries.

The following are the features of foreign trade:

(i) Change in the composition of exports

(ii) Change in the composition of imports

(iii) Direction of Foreign Trade

(iv) Balance of Trade

(v) Dependent Trade

(vi) Trade Through sea routes.

Foreign trade, as the name suggests is trade between different countries, this can also be referred to as International Trade or later Inter Region Trade. It is basically a guideline around import and export trades. Foreign trade policies are essential of two types, Free Trade Policy and Protective Trade Policy.

International trade policy describes collectively the international laws and multilateral trade agreements that govern the sale of goods between different countries. Some international trade policy is made by transnational institutions such as the United Nations and the World Trade Organization, which are directly controlled by any particular national government. Instead, member governments elect representatives to these transnational bodies in much the same way that citizens elect representatives to legislatures.

Man-made trade barriers come in several forms, including: tariff, non-tariff barriers to trade, import licenses, export licenses, import quotas, subsidies, voluntary export restraints and local content requirements.

2.2 Advantages and Disadvantages of International Trade

Trade is not without its problems. One country can profit greatly from it by exporting but not importing, goods and services. It can also be used to undercut domestic markets by offering cheaper but equally valuable goods. There are many advantages and disadvantages of international trade to consider in all its various forms. Here are the key points to consider. Advantages of international trade are-

1. It provides a foundation for international growth.

Companies that are involved in exporting can achieve levels of growth that may not be possible if they only focus on their domestic markets. This allows brands and businesses at opportunity to achieve sustained revenues from a diversified portfolio of customers in several markets instead of a limited customer base in a single home market.

2. International trade improves financial performance.

Brands and businesses which assert themselves in foreign trade work can increase their financial performance. This allows them to augment the returns they achieve on their investments into research and development. By rotating the products or services through the global market, the commercial lifespan of each opportunity can be amplified, expanding what existing products and services can provide. This benefit can even be achieved if a domestic market is no longer interested.

3. It speeds out the risk a brand and business must assume.

Organizations can better protect themselves from risk thanks to international trade because of the amount of diversification that can be achieved. Whether, it is a financial disaster, like the Great Recession of 2007-2009, or a natural disaster Hurricane Katrina, a company with an international presence can survive and even maintain profitability without domestic customer support. A home market may be unstable, but international trade can still let the brand and business be stable.

4. International trade encourages market competitiveness.

When a brand and business cpmpetes in several markets simultaneously, then it must focus on its competitivemness for it to be able to thrive.. By observing a larger range of trends because of their greater level of global market access, brands and businesses can focus on quality, design and product development improvements so that they can continuously improvements so that they can continuously improve and diversify.

5. International exchange rates can be beneficial to a business.

Brands and businesses involved with international trade can further reduce their risk by taking advantage of monetary exchange rates. If a company does most of its trading in US dollars, then trading with Japan to spread the risk of exchange rate between the yen and the dollar can potentially add to the profiles of the company. The same could be said of the euro or the pound to the dollar.

6. Revenue streams have some protections.

Although all risks cannot be eliminated from international trade, a series of contracts, insurance and financial instruments trading can help to protect the revenue streams a brand and business is able to develop.

7. It can be used as a way to get around high levels of domestic competition.

A domestic market can have several products or services that are like what a new brand and business is trying to offer. Instead of competing for a small silver of that domestic market, going through international trade can help an organization target similar foreign markets where competition may be much lower. Over time, the experiences gained in the foreign market can help an organization be able to establish a stronger domestic presence as well.

The disadvantages of International Trade are:

1. There is a political risk involved with international trade.

2. There can be severe exchange rate risks.

3. International trade also presents cultural complications.

4. It has a credit risk that must be specifically managed.

5. International trade increases the risk of proprietary information theft.

The advantages and disadvantages of international trade can all be managed appropriately with good market research and an understanding of foreign cultures. There will always be brands and businesses that succeed more than others in any trade deal. The goal must be evaluate these key points so that a full understanding of what to expect can be obtained so participation levels can be properly gauged.

2.3 Mercantilists' view on Trade and Free Trade

During 17^{th} and 18^{th} century, a group of men which are included merchants, bankers, government official or even philosophers wrote essays and pamphlets on international trade that advocated an economic philosophy which is known as mercantilism. In short, the mercantilists maintained that the way for a nation to become rich and powerful was to export more than it imported. The mercantilists also held firmly the idea of static view for favorable trade balance (Salvatore, 2014).

According to “Law of Absolute Advantage” by Adam Smith (1776), a Scottish philosopher and economist, there is a commodity that makes absolute advantage for a nation. If the two nations exchange and trade their each commodity which is absolutely advantageous respectively, both nations will get benefits without regarding to make efforts for trade surplus and with consideration of the minimal government. Law of Absolute Advantage denied the idea that the nation will tend to prosperity only with the mean of making “more exports, less imports” under the protection of the State (ruling government). In another words, this new revolutionized theory which was advocated for “free trade” which is different from the idea of the mercantilists, “a favorable trade balance” with the static view. In short, Smith’s “free trade” idea challenged the mercantilists’ view (Salvatore, 2014).

2.4 Law of Comparative Advantage

Despite Smith’s Law of Absolute Advantage is a first step to “free trade”, A British economist, David Ricardo’s Law of Comparative Advantage (1817) is more influential to the next-coming theories for trade because Law of Comparative Advantage is more useful with the condition in which all countries do not have the commodities that is absolutely advantaged to trade with other countries. Ricardo developed the principle that trade which is mutually beneficial can occur even one nation is absolutely more efficient in the production of all goods. (Carbaugh, 2005) Ricardo pointed out that a country could specialize in the production of the commodity which absolute disadvantage is smaller in terms of labor theory of values. The major sole weakness of Law of Comparative Advantage is the use of labor theory of values which became unacceptable later. However, the rescuer “Gotfried Haberlar” (1936) presented Law of Comparative Advantage in terms of “opportunity cost theory”. According to “opportunity cost theory”, the cost of a commodity is the amount of the second commodity that must be given up to release just enough resources to produce one additional unit of the first commodity. Consequently, the nation with lower opportunity cost in the production of a commodity has a comparative advantage in that commodity. It is a widely accepted way of understanding on Law of Comparative Advantage. Whatever, Law of Comparative

Advantage in terms of opportunity cost theory became a base-stone for upcoming theories of international trade (Salvatore, 2014) .

2.5 Heckscher-Ohlin Model

Another important trade theory after Law of Comparative Advantage is Heckscher-Ohlin model, a combination of factor endowment theory and factor price equalization theorem. The factor endowment theory states that a nation will export the commodity which resource is abundant and cheap and will import the commodity which resource is scarce and expensive. The theory highlights that the role of nation's resource endowments as the key determinants of comparative advantage. Eli Heckscher and Bertil Ohlin, two Swedish economists, continued that international trade makes the pre-trade gap between factor prices, labor wages and rents of capital (returns to capital), to be narrow. They believe that the efforts of international trade to reduce the gap will tend to complete equalization of factor prices. Paul Samuelson proved factor price equalization theorem. Therefore, sometimes, the theorem is referred to as the Heckscher-Ohlin-Samuelson Theorem. (H-O-S Theorem) (Salvatore, 2014) Although it is simple and appealing, the major problem is that factor prices are not equalized in the real world because crucial assumptions to the prediction of factor price equalization are not true in reality (Krugman & Maurice, 2002).

2.6 Pattern of Trade

Trade patterns, who sell what and what come from where to where, have been firmly established in the literature of international economics. Respective academicians have contributed the ground rules for estimating the flows of trade patterns. The founders of classical trade theories, Adam Smith, David Ricardo and Gotfried Harberlar found out that what will be produced and exchanged to be mutually beneficially. Eli Heckscher and Bertil Ohlin presented the role of factor endowments in international trade. In new trade theories, the theorists postulated that the role of intra-industry trade, economies of scales, knowledge and etc. Although the theory focuses have been shifted along with evolving with the time, central focus has not been changed yet, still forecasting trade patterns with their theoretical findings (Bionogen & Wilson, 2012).

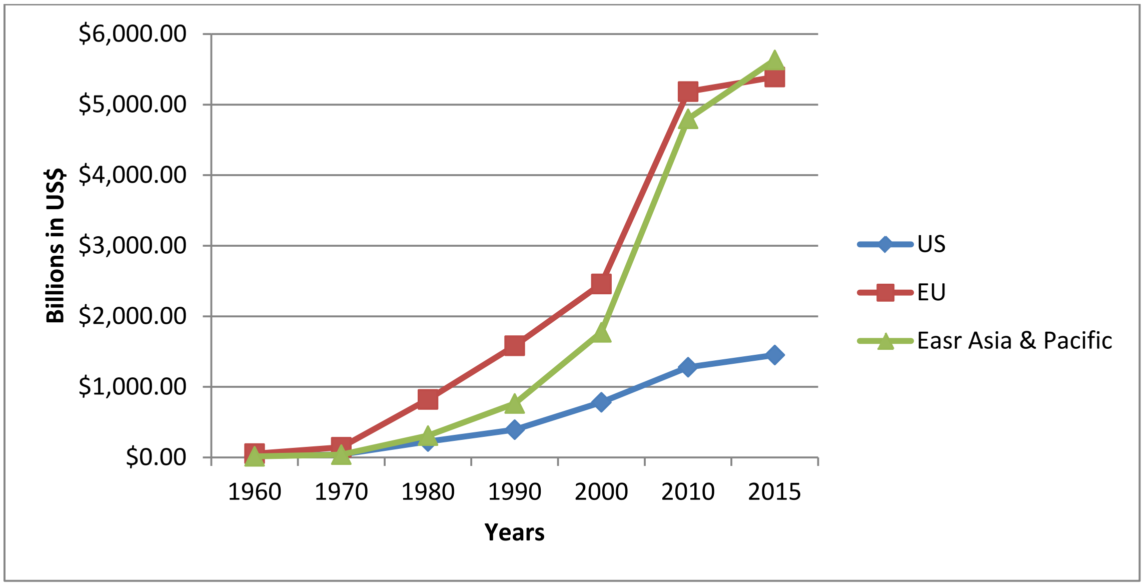
The patterns of international trade_ who sell what to whom_ have been a major preoccupation of international economics. Some aspects of the pattern of trade are easy to understand but much of the pattern of trade is subtle. Since countries tend to export goods whose production is intensive in factors with which they are abundantly endowed, it shows that factor endowments what the country will send to others. And again, countries purchase the product which has to use its scarce factor for the country. Besides, external economies potentially give a strong role to historical accident in determining who produces what and may allow established patterns of specialization to persist even when they run counter to comparative advantage (Krugman & Maurice, 2002).

External economies affect the pattern of international trade. Specifically, the nation where a given industry is larger is likely to have lower average costs of production and thus to be the exporter of the commodity. The nation in which an industry is first established or becomes larger may be a purely historical accident. Once, an industry is established or has grown larger in one nation than in another. That’s why the pattern of trade cannot be determined in the presence of significant external economies (Salvatore, 2014).

2.7 A Status of Changing Global Trade Patterns

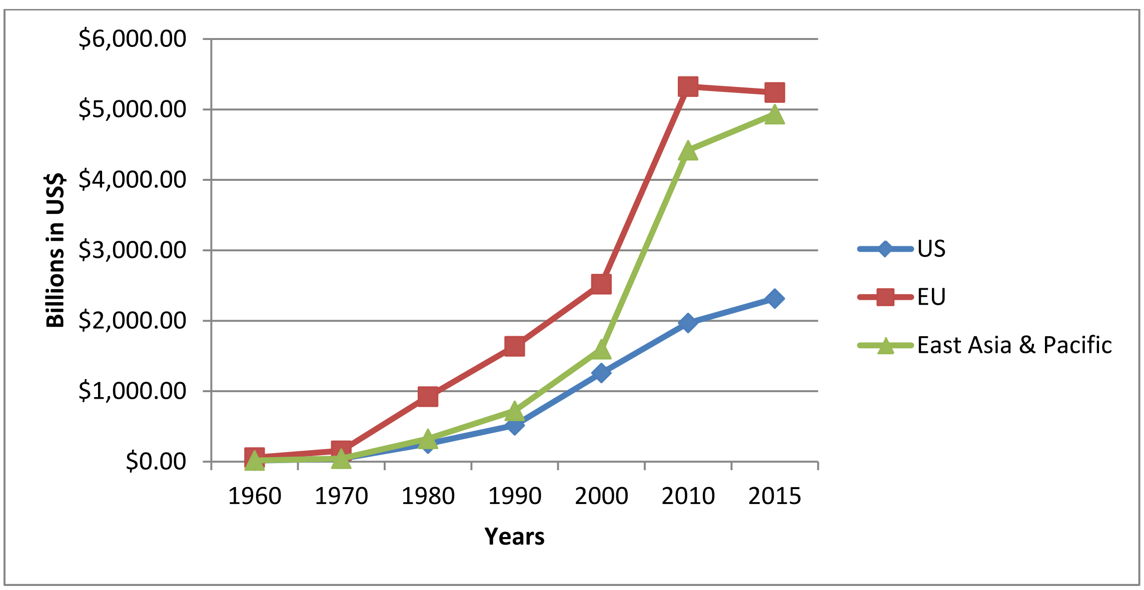
After Second World War, there have been many shifts in patterns of international trade. At the beginning, pattern of world trade was bi-polar which means that a majority of trade relations was between Europe and North America. To that situation, developing countries depended on these economies to a huge extent. But times passed on and in 1970s that bi-polar system splintered. The analysis on trade patterns shows that there are large trade blocs: firstly, a block which is leaded by United States of America and is followed by North America and Central America, secondly, the European Union which is included much of its territory and thirdly, a near trade bloc composed of the countries in East and Southeast Asia. Among them, Asian giants which are also termed as Asian drivers are

Figure 2.1 Global Changing Trade Patterns in terms of Merchandise Exports



Source: World Bank Group Data Bank

Figure 2.2 Global Changing Trade Patterns in terms of Merchandise Imports



Source: World Bank Group Data Bank

China and India. China is a strong member of East and Southeast Asia trading blocs with high intra-block trade shares and evidence of strong outward orientation. Now, share of East and Southeast Asia in global trade is larger than that of NAFTA (McDonald, Robinson, & Thertelder). Because of notable reduction in barriers to international trade, the inevitable result is rapid growth and structural changes in advanced developing economies over the past four decades (Athukorala, 2011). Asia has become the world's workshop over the last decade; Asia will definitely become the world's fastest growing consumer markets, the enormous increase of income in the middle class affect intra-regional trade of rapid growth markets and global trade as well. However, the opportunity for the growth of EMEs is to trade with US (Young & Oxford, 2011). With China and other emerging market economies EMEs which are increasing their presence in sectors traditionally dominated by advanced economies, the similarity in export structures has increased overtime and so has competitive pressures. In addition to rebalancing effects, changes in relative prices result in important adjustment in sectoral trade patterns. Whatever, role of global supply chains is associated with increases in trade interconnectedness (IMF, 2011).

CHAPTER III

OVERVIEW OF TRADE SECTOR IN MYANMAR

3.1 Historical Background of Trade Sector in Myanmar

Starting from the time of being ruled by Myanmar Monarchs, they have controlled trade sector of the country. It is noted that Myanmar kings adopted trade policy with mercantilists' view (Wai, 1961). In the hand of King Mindon, the tax rate that imposed on imports was 10% and export tax was 5% before Myingun revolt and its consequence of British pressure (Myint-U, 2004). Anyway, it can be said that Myanmar Monarchs believed the mercantilists' view only as the way to economic prosperity.

After the annexation of Lower Myanmar including Yangon and the Irrawaddy Delta region where was the main production base of rice, Myanmar kingdom lost seaborne route and became land-locked country. It is needless to say how much neighboring countries are important that for such a land-locked country like Royal Kingdom of Burma. Excepting from British Burma, the only major trading partner was China, exactly, Yunnan region. Due to Panthay revolt, Myanmar cannot export cotton anymore. Myanmar's only sole trading partner was British Burma (Lower Burma including Yangon, delta regions, Rakhnie and Tanninsarry). According to commercial treaties of 1862 and of 1867, Myanmar must be able to collect 5% tax rate on import and 6% tax rate on exports. (Myint-U, 2004). It is an undeniable historical cause that the failure of King Mindon who was making efforts to trade with other countries except Britain, was a crucial and considerable factor in losing independence into the British's hand.

In 1885, Myanmar was defeated by British's imperialism and start from that time until to gain independence, was under colonial rule mostly by British Empire. In the colonial periods, the British ruled Myanmar's economy by Laissez-faire policy and monopolized international trade (Thein, 2004). It is noticeable that the trade balance of British Burma did not experience a single deficit from 1886 to 1940 (Maung, 1991). During pre-war periods and Second World War, Myanmar was the main exporter of rice in the world. The British government could facilitate the field to be able to export rice as in the world level. Although Myanmar ranked as the main exporter of rice in the world, most of Myanmar citizens, even Myanmar national farmers, did not enjoy benefits of the exports and face severe land tenure problems which became the rationale for nationalizing all land area in parliamentary period. By the end of the colonial period, Myanmar became an export economy which is much dependent on the production of rice, only one commodity (Thein, 2004). Although there is a large room of inequity in the distribution of income and economic powers between the foreigners and the native Burmese people, the efficiency of dual economy of Colonial Burma performed was undeniably one of the highest in Asia so that Colonial Burma could be labeled as “Rice Bowl of Asia” (Maung, 1991).

After independence, Myanmar government supposed moderately high tariff wall, replacing “free trade” of the previous era. Trade surplus was up to 1956. Between 1948-1949 and 1956-1957, Myanmar enjoyed an annual average trade surplus of over US$50 millions. Since then, trade surplus had disappeared. In the composition of trade, the share percentage of rice and rice products in total export was much more in post-war periods than in pre-war period. Even for production of rice, there were constraints of incentive to produce more rice by farmers because of the control of State Agricultural Marketing Board (SAMB) which purpose is to provide revenue for development plans by making profits from the difference between purchase price given for farmers and the export price received from rice (Thein, 2004). SAMB was founded by British Ministry of Food to distribute Burmese rice to other parts of British Empire. According to Hla Myint, a classical Burmese economist, Burmese’s rice export industry was being stopped from growing and tending to death by the government policy and by the deadweight loss from its inefficiency and corruption. Hla Myint advised to U Nu, Prime Minister of Myanmar at that time, that Myanmar’s export sector can be saved by abandoning the SAMB and by allowing both private firms and the investment of foreign firms to re-enter the industry. That advice was wholly unacceptable for U Nu thinking of re-emergence of Colonial British’s Laissez Faire Policy and practices (Turnell, 2017). The foreign sector of Parliamentary era’s economy did not reach to the pre-war level of exports. But it can be said that the economy was relatively performs well, comparing with the next era that was controlled by Revolutionary Council (Maung, 1991).

In the hands of Revolutionary Council started from 1962, foreign trade became the monopoly of the State. The value of exports declined dramatically from 1272 kyat million in 1961-62 to 591kyat million in 1968-69 due to the decline in export volume. From 1968-69 onwards, exports recovered, increasing from US$132 million to US$188 million in 1974-75. Even recovered export volume was much below 1962 level. From 1983-84, it began to nosedive again in a free fall. And between 1976 and 1983, both exports and imports as percentages of GDP were falling from about 20 percent of GDP in 1962-62 to three or four percentages in 1987-88. The share of primary products in all export items is over eighty percents and so, Myanmar's export structure remained almost unchanged. At that period, in the side of imports, the Revolutionary Council changed significantly, thinking about the import could not contribute for economic growth. The share was reduced from 67.1 percents in 1960-61 to 5.2 percents in 1980-81, tending toward the emergence of black market due to not being availability of consumer goods for the needs of the people. The direction of Myanmar's external trade changes which can be just said "change". Like in the past era, Asia is still main trading partner with Singapore, Indonesia and the Philippines which are importing a considerable portion of Myanmar's exports. In short, the value of exports, US$ 147 million in 1988-89 was less than it was in 1962 and drastic cuts in official imports could not reduce it to reach below the level of US$244 million. After a quarter century of a self-imposed isolationist self-reliant policy, the government had to seek Least Development Country status from UN (Thein, 2004).

3.2 Export Policy of Myanmar

Myanmar's export policy is to export all exportable surpluses and diversify the foreign markets by using natural and human resources. The activities of increasing and diversifying exports and improving the quality of products have been attempted to increase the volume and the value of export.

The following are the main components of Myanmar's external export policy.

(1) Export promotion is the main ingredient of Myanmar's external export policy:

(2) The private sector is allowed to engage in external trade activities in accordance with the rules and regulation which are related with exports:

(3) Exports first are required in the case of private sector however accounts transfer between different foreign currency accounts holders is also permitted:

(4) The private exporters are allowed 100 percent export retention:

(5) All commodities are allowed to be exported except certain restricted items like rice and rice products and other products which are prescribed to be solely exportable by the state owned Economic Enterprises with a view to maintaining internal food security:

(6) All export of private sector including foreign traders and state enterprises are subject to licensing.

Myanmar's main export items are agricultural products, forest products, fishery products, metals and minerals, precious stones and industrial products. Some commodities which are restricted to be exported from time to time are allowed to export in accordance with the prescribed rules and regulations. Although rice and other restricted crops (except credible oil seeds) and rubber are restricted to export by private sector, the agricultural products from the large farm leased to the private sector under the land reclamation. Programme of the government are permitted to export.

Normally, the registered exporters/ importers have the right to export all commodities, except rice and rice products and other products which are prescribed to be solely export by the State-owned Economic Enterprises. Thirty one items which are including teak, rice etc… is prohibited to export overseas and through the border areas. Method of Exports is Normal Letter of Credit, Transit Trade Account Trade, Counter Trade, Barter Trade, Re-export and other methods. Trade can be exported only to Thailand and Bangladesh signed to carry out with Account Trade.

Although above mentioned commodities are prohibited to be exported by private entrepreneurs, the state-owned organizations are allowed to export in accordance with the prescribed rules and regulations. Although rice and other restricted crops (except edible oil seeds) and rubber are restricted to be exported by private sector, the agricultural products from large firms leased to the private sector under land reclamation programme of the government are permitted as follows:

(a) Rice and other restricted 50% of produced crop (Except edible oil seeds)

(b) Rubber- After 45%of produce has been sold to Myanmar Perennial Crops Enterprise: the rest 55% shall be exported.

Normally, the registered exporter/ importer has the right to export all commodities except rice products and other products which are prescribed to be solely exportable by the State-owned Economic Enterprises 20/31 items including teak, rice etc are prohibited to export overseas and through the border areas (Hlaing, 2014).

In the hand of democratic government, export policy of Myanmar is to extend and explore the foreign markets by utilizing the natural and human resources in an effective and efficient and to promote traditional and value-added products (Naing, 2014).

3.3 Import Policy of Myanmar

Regarding the import policy, what is important is allowed against the export earning with a view to promote export and to overcome the balance of trade deficit problem. The private businessmen are encouraged to import capital goods, industrial mechanism including raw materials and other essential items while the consumer choices can be fulfilled equally at the same time.

The following are the main components of Myanmar's Import Policy.

(1) Activities pertaining to import substitution is the main ingredient of Myanmar's external trade policy.

(2) Accordingly, the attempts have been made to substitute some import items with natural resources based industries and implementation of economic reforms, it can be expected to manufacture value-added items like semi manufactured or manufactured products.

(3) The Private sector is allowed to engage in external trade activities in accordance with the rules and regulations relating to imports.

(4) All imports of private sector including foreign traders and state enterprises are subject to licensing.

(5) Agricultural machinery from implements fertilizers, edible oils, raw materials for industries machineries and equipments, construction stores and building materials etc are given top priority for imports.

(6)The private sector is required to import a specified ratio of priority items.

Policy declaration as to import is to fulfill the basic needs of the country's economic sectors, namely, agriculture, livestock breeding fishery forestry, transportation, manufacturing and mining. The consumer choices can equally be fulfilled at the same time. These are reflected in the classification of import items which are now divided into two categories.

(1) Priority items (A) which include machinery and spare parts, agricultural machinery and farm implements, fertilizers, pesticides, high yield quality seeds, edible oils, oil and industrial raw materials.

(2) Priority items (B) about sixty times grouped under personal goods, household goods, foodstuff, construction materials, textiles, electronic products and general products.

The private importer is required to import 80% for priority A items; if he wishes to import priority B items, he could also import 20% for priority B items, together with priority A items and ship them at the same time. Generally no quota or ceiling import the prescribed amount of priority items is fulfilled with the exception of edible oil.

Some commodities which are not in the list of prohibited items, restricted items and priority items are allowed to import as in the list within the right of 20% ratio for imports. At present, the under-mentioned items are not allowed to be imported both by overseas and through the border areas. The commodities prohibited to import shall be from time to time amended in accordance with the situation of local market conditions. The main law government the authorization licensing is contained in the control of Import and Export (Temporary) Act, 1947 which has been amended as necessary and which is still in force. This law is administered by the Ministry of commerce holding all export/ import matters including issues of licenses and permits as well. The authority to issue export/import licenses and permits is delegated to Directorate of Trade and Department of border trade under the ministry of Commerce is authorized to issue export/import licenses and permits for export/import by overseas.

Department of border trade is authorized to issue export/import licenses and permits for export/import licenses for cross border area. All private business enterprises, both local and foreign, Co-operative societies, Joint Venture Organization, desirous of carrying on export/import business are required to apply to the Directorate of Trade for registration as exporters and importers. Generally, every export/ import by private enterprises and Shan enterprises are subject to export/ import licenses / permit issued by the licensing out authorities concerned. The validity of exports and import licenses six months from the date of issue and can be extended for three months periods at a time (Hlaing, 2014).

3.4 Regional Trade Co-operations in Myanmar

Myanmar is an original Member of the WTO. The authorities consider that Myanmar's foreign trade policies are governed by the rules-based multilateral trading system. The government considers that the multilateral trading system can bring a wide range of opportunities for Myanmar's exports and overcome its supply-side constraints. Myanmar has been participating in the Doha Round, aiming to make sure that 100% duty-free, quota-free market access will be granted to LDCs by the end of the Round. The government wishes to take advantage of the special and differential treatment provisions and technical assistance offers LDCs meet the Government's economic objectives (WTO, 2014).

Myanmar became an ASEAN member in 1997; it will chair the ASEAN in 2014. Trade with other ASEAN members is around 40% of Myanmar's total imports and around 50% of its total exports. ASEAN Economic Ministers agreed to realize an ASEAN Economic Community (AEC) by 2015 to establish a single market and production base in the ASEAN region, with freer flow of goods, services, skilled labor, and capital. ASEAN currently has component agreements on goods (ATIGA), services (AFAS), and investment (ACIA) (WTO, 2014).

Under ATIGA, ASEAN members must apply a tariff rate of 0-5% for goods originating within ASEAN, with flexibility granted to LDCs including Myanmar. Myanmar's average tariff under AGITA was 0.6% in 2012. The basic principle for granting origin status to a product is 40% regional/local content. An ASEAN Single Window to process trade documents electronically at national and regional levels will integrate national single windows of ASEAN member countries. Myanmar has been adopting trade facilitation measures and is preparing to start its single window system in 2015 (WTO, 2014).

Under AFAS, restrictions on services trade are to be removed in 2015-18 for Myanmar. However, the agreement on services has not been notified to the WTO. The ASEAN Comprehensive Investment Agreement (ACIA), signed in 2009 is intended to streamline the existing ASEAN investment agreements with a view to attracting more foreign investment into ASEA and increasing intra-ASEAN investment (WTO, 2014).

As an ASEAN member, Myanmar participates in ASEAN's preferential agreements with Australia, New Zealand, China, India, Japan and the Republic of Korea. And Myanmar is negotiating a Framework for Regional Comprehensive Economic Partnership (RCEP) which was decided to be concluded in 2015. The Framework covers trade in goods, trade in services, trade in investment, economic and technical co-operation, competition, intellectual property, dispute settlement and other issues (WTO, 2014).

Myanmar signed the Global System of Trade Preference among Developing Countries (GSTP) in 1988. It entered into force on 19^{th} April, 1989 to increase trade between developing countries (WTO, 2014).

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Co-operation (BIMSTEC) were joined on 22^{nd} December 1997. But it is not functioning till now. BIMSTEC is a forum to facilitate and promote trade, investment and technical co-operation among participating countries: Bangladesh, Bhutan, India, Nepal, Sri Lanka, Myanmar and Thailand. It identifies 13 broad sectors for co-operation, including trade and investment, technology, tourism, transport and communication, energy, agriculture, fisheries, poverty alleviation, and counter terrorism and transnational crimes. In 2004, BIMSTEC parties agreed to establish a BIMSTEC Free Trade Area that goods except those included in the Negative List, will be subject to tariff reduction, or elimination according to their different time frames. Myanmar had tariff reduction and eliminations for its fast track products before June 2011 and the tariff on its normal track products are to be reduced or eliminated before June 2017. Rules of Origin have not yet been agreed among BIMSTEC countries (WTO, 2014).

The Greater Mekong Sub-region Program appears to have aided integration within the region. In 1992, Myanmar, Cambodia, Lao PDR, Thailand, Vietnam and Yunnan Province of China launched a program of sub-regional economic co-operation to enhance economic linkages across their borders. The GMS program covers nine priority sectors: transport, energy, telecommunication, environment, human resource development, tourism, trade, private sector investment and agriculture. The GMS countries have ratified an agreement to facilitate the cross-border movement of goods of goods and people which is being implemented a pilot basis at key border crossings, and is being prepared for full implementation in the GMS corridors. There is no preferential trade arrangement under the GMS (WTO, 2014).

CHAPTER IV

ANALYSIS OF TRADE SECTOR IN MYANMAR

4.1 Exports, Imports, and Trade Volumes in Different Regimes since 1988

In the hand of State Law and Order Restoration Council and State Peace of Development Council (1989/1990-2010/2011), the governments initiated the reforms in economic sectors including trade sector as described in previous chapter. Departing from Socialist economy and marching toward Market-oriented economy, trade sector grew to some extents. Trade volume in 1989-1990 was 6229.1 Kyats in million, 17266.5 Kyats in millions in 1996-1997, 20812.9 Kyats in millions in 1997-1998 and 70609.8 Kyats in millions in 2009-2010. Trade volume in 1996-1997 became 2.7 folds of the trade volume in 1989-1990. And, trade volume in 2009-2010 FY was about 3.4 times of the trade volume in 1996-1997 FY. Again trade volume in 2010-1011 FY was above five folds of trade volume in 1996-1997 FY. The times that could be increased between 1989-1990 FY and 2010-2011 FY are about 11.34 times. According to the significant increases in trade volumes through the period (1989-2010), it can generally be said that trade sector grew to some extent because of the partial reforms of the governments, in another words, because the governments tried to partially open the economy. However, it is still needed to dig in depth into more specific data to visualize the real condition of trade sector through the period as seen in Table 4.1.

In export sector, there is a general tendency of increasing year after year through the period between 1989-1990 FY and 2010-2011 FY. The export in 1996-1997 FY is 1.9 times of the exports in 1989-1990 FY. And the export in 2009-2010 is nearly about 8.3 times of the export in 1996-1997 FY. The export in 2009-2010 FY is above 16 times of the export in 1989-1990 FY. In import sector, the data of the import shows that the import generally and gradually increases except for the decrease in imports from 2001-2002 FY to 2002-2003 FY. The amount of import in 1996-1997 FY is almost 3.5 times of the imports in 1989-1990 FY. And the amount of imports in 2009-2010 FY is about 2.12 times of the imports of 1996-1997 FY. The import of 2009-2010 FY is above seven folds of the imports of 1989-1990 FY. Thus, generally, both the amounts of exports and imports have an ascending tendency in the periods see in Figure 4.1.

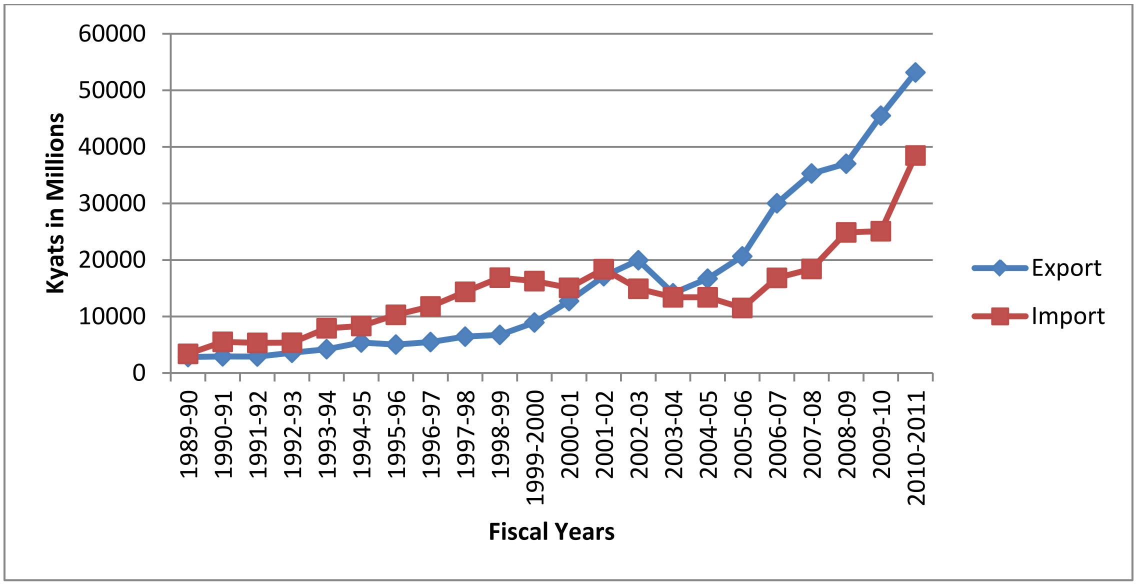
Table 4.1 Exports, Imports and Trade Volumes in Different Regimes since 1988

(Kyats in Millions)

Year	Export	Import	Trade Volume
1988-1989	2168.9	3443	5611.9
1989-1990	2834.1	3395	6229.1
1990-1991	2952.6	5522.8	8475.4
1991-1992	2925.9	5336.7	8262.6
1992-1993	3590	5365.3	8955.3
1993-1994	4227.8	7923.3	12151.1
1994-1995	5405.2	8332.3	13737.5
1995-1996	5043.8	10301.6	15345.4
1996-1997	5487.7	11778.8	17266.5
1997-1998	6446.8	14366.1	20812.9
1998-1999	6755.8	16871.7	23627.5
1999-2000	8947.3	16264.8	25212.1
2000-2001	12736.0	15073.1	27809.1
2001-2002	17130.7	18377.7	35508.4
2002-2003	19955.1	14910	34865.1
2003-2004	14119.2	13397.6	27516.8
2004-2005	16697.3	13397.6	28035.3
2005-2006	20646.6	11514.2	32160.8
2006-2007	30026.1	16835	46861.1
2007-2008	35296.8	18418.9	53715.7
2008-2009	37027.8	24873.8	61901.6
2009-2010	45521.4	25088.4	70609.8
2010-2011	53166	38476.2	91642.2
2011-2012	54813.6	54210.6	109024.2
2012-2013	7746191	7825491	15571681.51
2013-2014	10761576	13216165	23977741.31
2014-2015	12464338	16553761	29018099.14
2015-2016	13626888	20284387	33911274.98

Source: Central Statistical Organization

Figure 4.1 Exports and Imports between 1989-1990 FY and 2010-2011



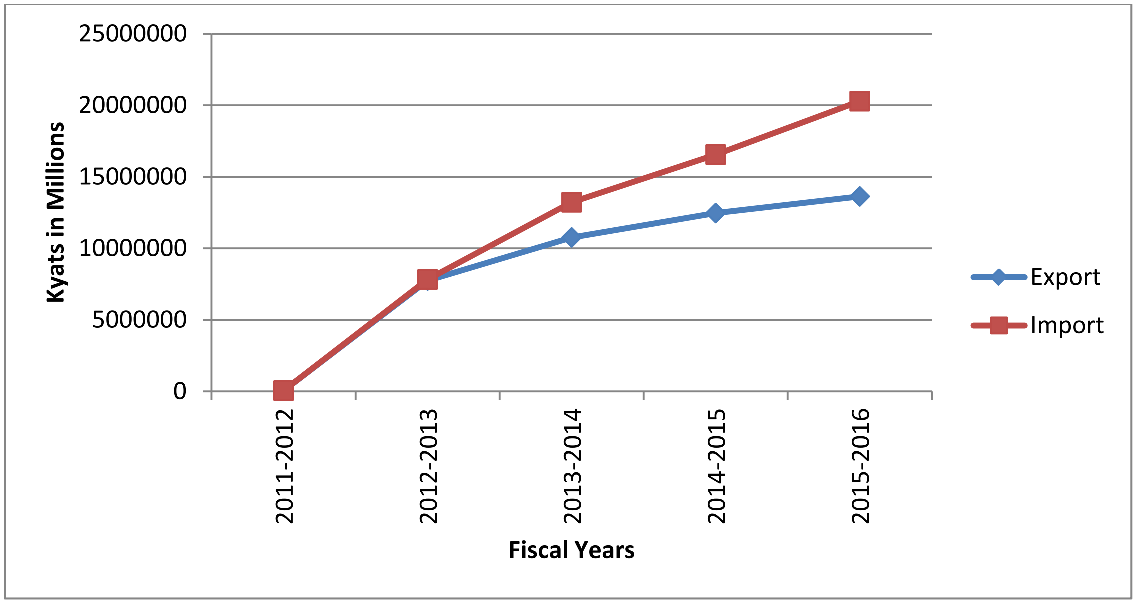
Source: Central Statistical Organization

Before 2002-2003 FY, trade sector shows deficits and exports were less than imports. Starting from 2002-2003 FY till to 2010-2011 FY, trade sector can generate surplus sign because of the imposition of several regulations. It can be clearly viewed in Figure (4.1). In another words, it shows the state of trade balance between 1989-1990 FY and 2010-2011 FY.

Trade volumes between 2011-2012 FY and 2015-2106 FY increase dramatically because of the abolishment of trade restriction especially import restrictions. Trade volume in 2011-2012 FY is 109024.2 Kyats in millions and 33911274.98 Kyats in millions in 2015-2016 FY. Trade volume in 2015-2016 is above 300 times of trade volumes in former fiscal year as shown in Table 4.1.

The export in 2011-2012 FY is 54813.6 Kyats in millions and 13626888.1 Kyats in million in 2015-2016 FY. The export in 2015-2016 FY is about 248.6 times of the export in 2011-2012 FY. And the import in 2011-2012 FY is 54210.6 Kyats in millions and 20284386.88 Kyats in millions in 2015-2016 FY. The import in 2015-2016 FY is about 374 times of the import in 2011-2012 FY. So, it is found that the import growth rate is more than export growth rate as shown in Figure 4.2.

Figure 4.2 Exports and Imports between 2011-2012 FY and 2015-2016 FY



Source: Central Statistical Organization

Since import growth rate is much more than export growth rate, the trade balance shows trade deficits. Trade balance in 2011-2012 FY is 603 Kyats in Millions but trade balance in 2015-2016 is (-) 6657498.88 Kyats in millions. The deficits in trade balance started from 2012-2013 FY till to 2015-2016 FY throughout four fiscal years. This is the results of liberalization on import restricted regulations which were imposed under SLORC/SPDC regimes without enough institutionalization. However, the liberalization tended to positive benefit of being able to purchase by the consumers as much as they demanded. On the other hand, the absence of clear and able policy promoting exports makes the condition of trade balance to descending trend.

Terms of trade are important for the welfare of the country. If terms of trade are decreasing and others are ascending, it is termed as immiserizing growth according to Jagdish Bhagwati. Term of trade is the ratio of export price to import price. In trade sector of Myanmar between 1989-1990 FY and 2010-2011 FY, terms of trade is less than 100 excepting for six fiscal years, 2001-2002 FY, 2002-2003 FY, 2006-2007 FY, 2007-2008 FY, 2008-2009 FY and 2009-2010 FY. Terms of trade are still deteriorating till to 2015-2016 FY substantially. With deteriorating terms of trade and increases or growth in trade volume, the result is tending to immiserizing growth of the country, a usual experience of the developing world as seen in Table 4.2.

Table 4.2 Terms of Trade in Different Regimes since 1988

Years	Unit Value Index		Terms of Trade
	Exports	Imports	
(Base Year 1985-1986 = 100)			
1988-1989	83.4	112.2	74.3
1989-1990	96.4	119	81
1990-1991	97.7	131.1	74.5
1991-1992	91.1	138.7	65.7
1992-1993	73.8	140.1	52.7
1993-1994	68.9	145.9	47.2
1994-1995	91.3	163.2	55.9
1995-1996	107.9	168.4	64.1
1996-1997	101.5	208	48.8
1997-1998	91.5	245.3	37.3
1998-1999	84.3	247	34.1
1999-2000	78.1	240	32.5
(Base Year 2000-2001 = 100)			
2000-2001	100	100	100
2001-2002	116.5	109.9	106
2002-2003	112.4	108.1	104
2003-2004	106.1	115.3	92
2004-2005	108.5	116.9	92.8
2005-2006	100	100	100
2006-2007	118	102.7	114.9
2007-2008	141.5	104.6	135.3
2008-2009	158.7	107.6	147.5
2009-2010	194.5	121.8	159.7
(Base Year 2010-2011 = 100)			
2010-2011	100	100	100
2011-2012	106.2	120.2	88.4
2012-2013	105.8	122.6	86.3
2013-2014	119.9	136.8	87.6
2014-2015	120.1	139.6	86
2015-2016	114.6	140.5	81.6

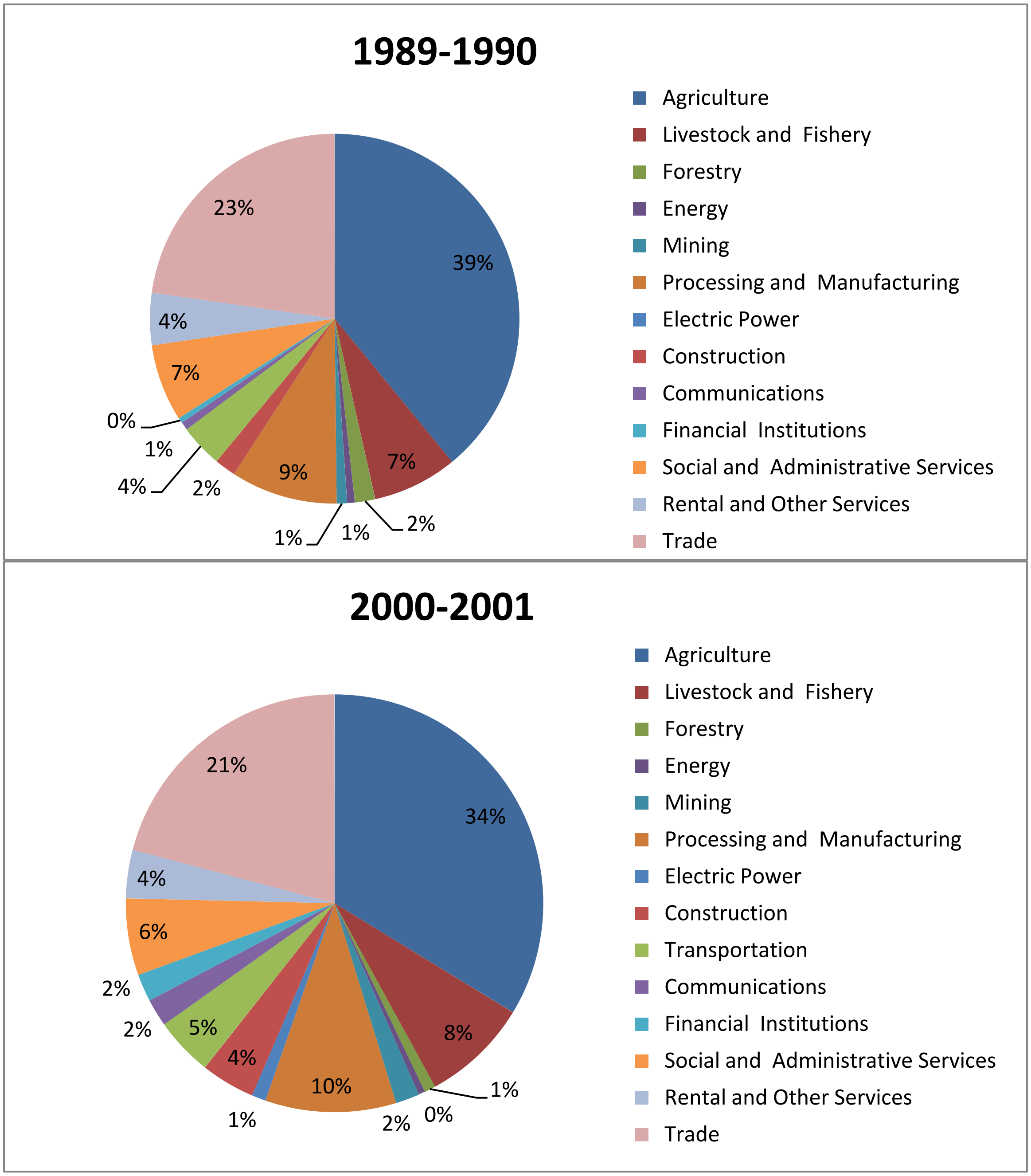
Source: Central Statistical Organization

4.1.1 Share of Trade Sector in GDP

The difference between open economy and closed economy is whether there is absence or presence of trade with other nations. In another word, open economy trades with other open economies. In modern world, every nation becomes and is open economy but the degree of openness of the economy or economic openness is different with other countries. The degree is economic openness is determined by the share of trade sector in Gross Domestic Products of the economy. Again, economies become more open than previous eras when the ruled make reforms of economy. For the sakes of greater economic openness, the government has to set or liberalize the restrictions on trade sector of the economy. So, it can be said that the government’s efforts are important for the increase of the share of trade sector in the economy.

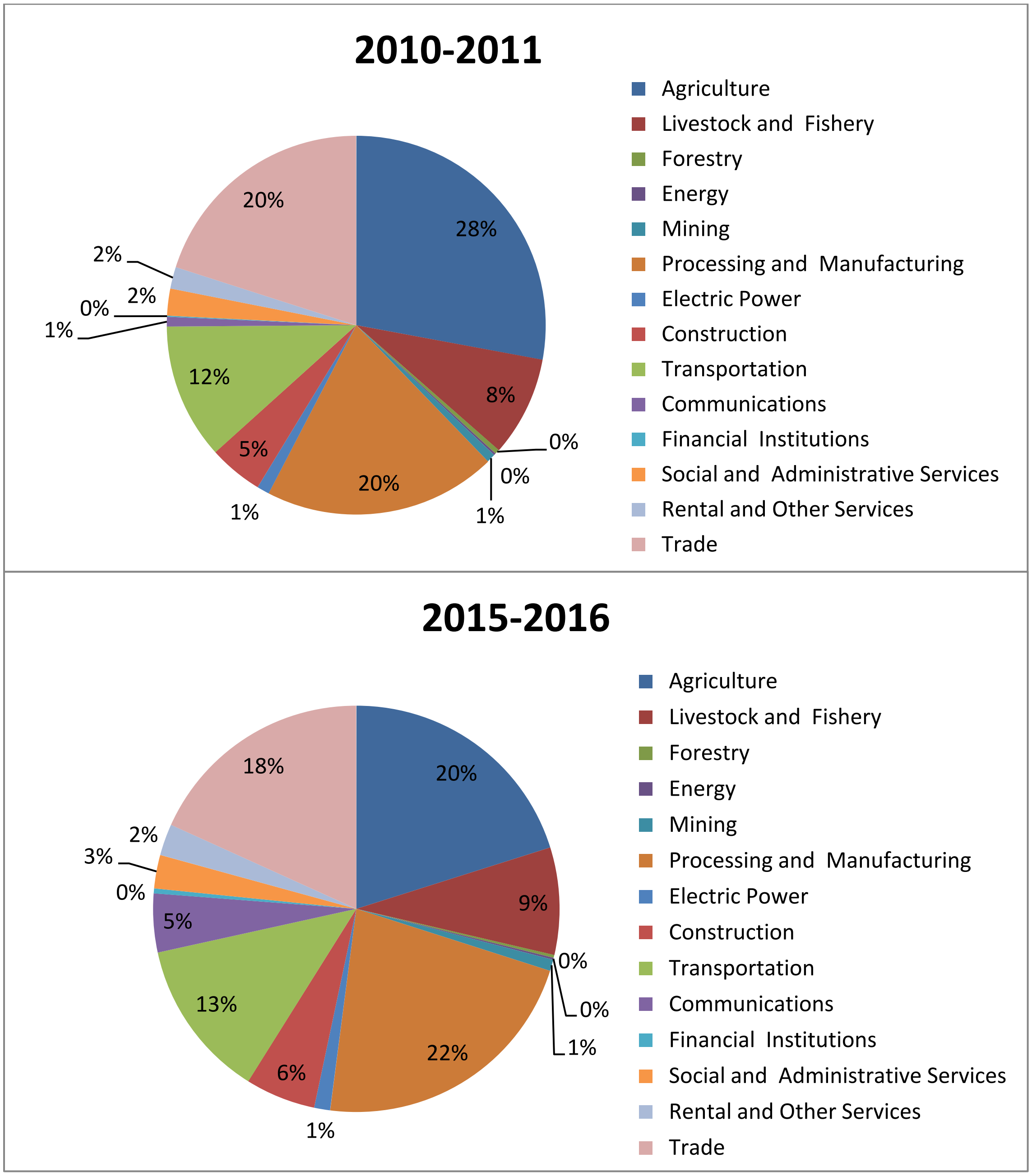
According to the table in Appendix 6, the share of trade sector in Myanmar seems to deteriorate because the share of trade sector in 1988-1989 FY is 22.40% of GDP and the share in 2015-2016 FY is 18.9% of GDP. However, the real cause is that the sector growth rate of trade is less that the sector growth rate of other sectors in Myanmar as shown in figure 4.3 and in figure 4.4.

Figure 4.3: Shares of Trade and Other Activities in GDP in 1989-1990 FY and in 2000-2001 FY



Source: Central Statistical Organization

Figure 4.4: Shares of Trade Other Activities in GDP in 2010-2011 FY and 2015-2016 FY



Source: Central Statistical Organization

4.2 Changes in Trade Patterns of Myanmar in terms of Composition of Trade

Trade patterns are always changing according to the nature of trade: the differences in factor endowments, increasing or decreasing returns to scales, technological innovation and etc. The study will focus on the changing trade patterns in terms of the change of major export items and the change of major import items which are selected as top fifteen items. To analyze distinctively and alternatively, trade pattern changes, five fiscal years, 1988-1989 FY, 1995-1996 FY, 2002-2003 FY, 2009-2010 FY and 2015-2016 FY are selected.

In 1988-1989 FY, top fifteen selected exported items are timber, teak, base metal and ores, hardwood, precious metals, rice and rice products, pulses, precious pearls, raw rubbers, silver, oilcakes, skins and leathers, maize, raw cotton and raw jutes. Even among these top fifteen selected exported items, the last two commodities, the export values of raw cotton and raw jute respectively, are below one millions in Kyats. The trade value of timber was 661 Kyats in millions and which of teak was 600 Kyats in millions. And the values of the rest ones were under 100 Kyats in millions respectively. Myanmar's classical export product, rice and rice products stand as in sixth of all selected exported items with the amount of 54 Kyats in millions in which the country had been termed as "rice bowl of Asia" in Colonial history as seen in Appendix 1.

In 1995-1996 FY, top fifteen selected exported items are pulses, timber, teak, rice and rice products, prawn, garment, other agricultural products, raw rubber, fish, hardwood, precious minerals, precious stones and pearls, base metal and ores, other marine products and maize. The new comer, pulses was more than the traditional ones, timber and teak. And the importance of rice and rice products was again increased into fourth standard of the list. The amount that is trade value of rice and rice products increased the amount of rice and rice products in 1988-1989 FY. The trade value of pulses was 1358 Kyats in millions standing at first position of the top 15 list. The second two listed items are timber and teak with the amount of 1048 Kyats in millions and 903 Kyats in millions. The 15th listed item in the list was maize with the amount of 48 Kyats in millions as seen in Appendix 1.

In 2002-2003 FY, trade pattern of Myanmar has changed to a huge extent with the emergence of a new lion share exported item of natural gas and garment. With the amount of 5919 Kyats in millions, natural gas leaded the list as in first position. The second is garment with amount of 2976 Kyats in millions. The amount of gas and garment was beyond the amount of traditional leading exported items, timber and teak and pulses which was contributed in the leading exported items of 1995-1996 FY. Prawn, rice and rice products, hardwood, fish, base metals and ores, precious minerals, precious stones and pearls, other agricultural products, maize and raw rubber contributed top fifteen exported items list of 2002-2003 FY together with natural gas and garment as seen in Appendix 1.

In 2009-2010 FY, gas leaded top fifteen exported items as with first position of the list by 17562 Kyats in millions. After natural gas, precious minerals and precious stone and pearls stand as in second and third positions of the list with 5694 Kyats in millions. Garment which contributed a lot in the list of 2002-2003 FY went down the 6th position of the list which was situated after pulses and timber. Although pulses and timber cannot stand at the leading exported items, they can contribute in the list of top fifteen items after leading items. Other contributors in the top fifteen exported items list of 2009-2010 FY, hardwood, rice and rice products, teak, fish, raw rubbers, prawn, other agricultural products, base metals and ores and other mineral products as shown in Appendix 1.

In 2015-2016 FY, natural gas still leads top fifteen exported items list with the amount of 3076080.12 Kyats in millions. And traditional member “pulses” came to the second position of the list by amount of 1211344.2 Kyats in millions and garment which stood as the leading exported items with natural gas in 2002-2003 FY came into third position of the list by amount of 104608 Kyats in millions. Base metal and ores came to the fourth position of the list and precious minerals and precious stone and pearls which contributed in the list of 2009-2010 FY went down to fifth and sixth positions of the list. Other contributors in top fifteen exported item list are fish, timber, rice and rice products, other agricultural products, teak, raw rubber, other mineral products, prawn and hardwoods as shown in Appendix 1.

In the list of top fifteen selected imported items of 1988-1989 FY, non-electronic machinery and transport equipments stand firmly in the first position of the list by amount of 1162.14 Kyats in millions. In the second position of the list, base metals and manufactures stand by amount of 288.63 Kyats in millions. Electronic machinery apparatus was in third position of the list by amount of 283.37 Kyats in millions. In addition to these three items, paper, paperboards and manufactures, chemical elements and compounds, manufactured fertilizers, manufactured rubber, scientific instruments, edible oils, dyeing, refined oil, pharmaceutical products, fishing nuts, cotton yarns and condensed and evaporated milk as seen in Appendix 2.

In 1995-1996 FY, non-electronic machinery and transport equipments leaded the list again by amount of 2401.97 Kyats in millions. After non-electronic machinery and transport equipments, edible oils (including other hydrogenated oils), and base metals and manufactures contributed in the list by amount of 1185.56 Kyats in millions and 971.32 Kyats in millions respectively as in the second and the third position of the list. Besides, electronic machinery apparatus, chemical elements and compounds, taste powder, paper, paperboards and manufactures, cement, manufactured fertilizers, condensed and evaporated milk, pharmaceutical products, cotton fabrics, dyeing, scientific instruments and wheat as seen in Appendix 2.

In 2002-2003 FY, the first leading imported items remain unchanged. Non-electronic machinery and transport equipments stand firmly in the first position of the list by amount of 2801.36 Kyats in millions. After that, fabrics of artificial and synthetics fibers stand in second position of the list with the amount of 1597.74 Kyats in millions. And refined mineral oil is in third position of the list by amount of 1163.95 Kyats in millions. Other contributors of the list in 2002-2003 FY are base metals and manufactures, electronic machinery and apparatus, paper, paperboards and manufactures, edible oils (including hydrogenated oils), pharmaceutical products, manufactured rubbers, chemical element compounds, manufactured fertilizers, scientific instruments, tobacco and tobacco manufactures, condensed and evaporated milk and dyeing as seen in Appendix 2.

In 2009-2010 FY, non-electronic machinery and transport equipments are firmly possessed in the first position by amount of 5938.2 Kyats in millions. After non-electronic machinery and transport equipments, refined mineral oils go second with the amount of 4041 Kyats in millions and base metals and manufactures line in the list as in the third position of the list by the amount of 2191.8 Kyats in millions. Other contributors are electronic machinery apparatus, edible oils, pharmaceutical products, fabrics of artificial and synthetic fibers, manufactured rubbers, paper, paperboards and manufactures, cements, chemical elements and compounds, condensed and evaporated milk, scientific instruments, cotton fabrics and manufactured fertilizers. as seen in Appendix 2.

In 2015-2016 FY, non-electronic machinery and transport equipments stand firmly beginning from 1988-1989 FY toward this fiscal year. In 2015-2016 FY, non-electronic machinery and transport equipments are by the amount of 5333462.86 Kyats in millions. And base metals and manufactures go second in the list by the amount of 2009730.15 Kyats in millions and refined mineral oils is in the third place of the list with the amount of 186916.07 Kyats in millions. Besides, electronic machinery apparatus, edible oils (including other hydrogenated oils), fabrics of artificial and synthetic fibers, cement, pharmaceutical products, chemical elements and compounds, paper, paperboards and manufactures, scientific instruments, manufactured rubber, condensed and evaporated milk, coal and coke manufactured rubbers contributed to some extents as seen in Appendix 2.

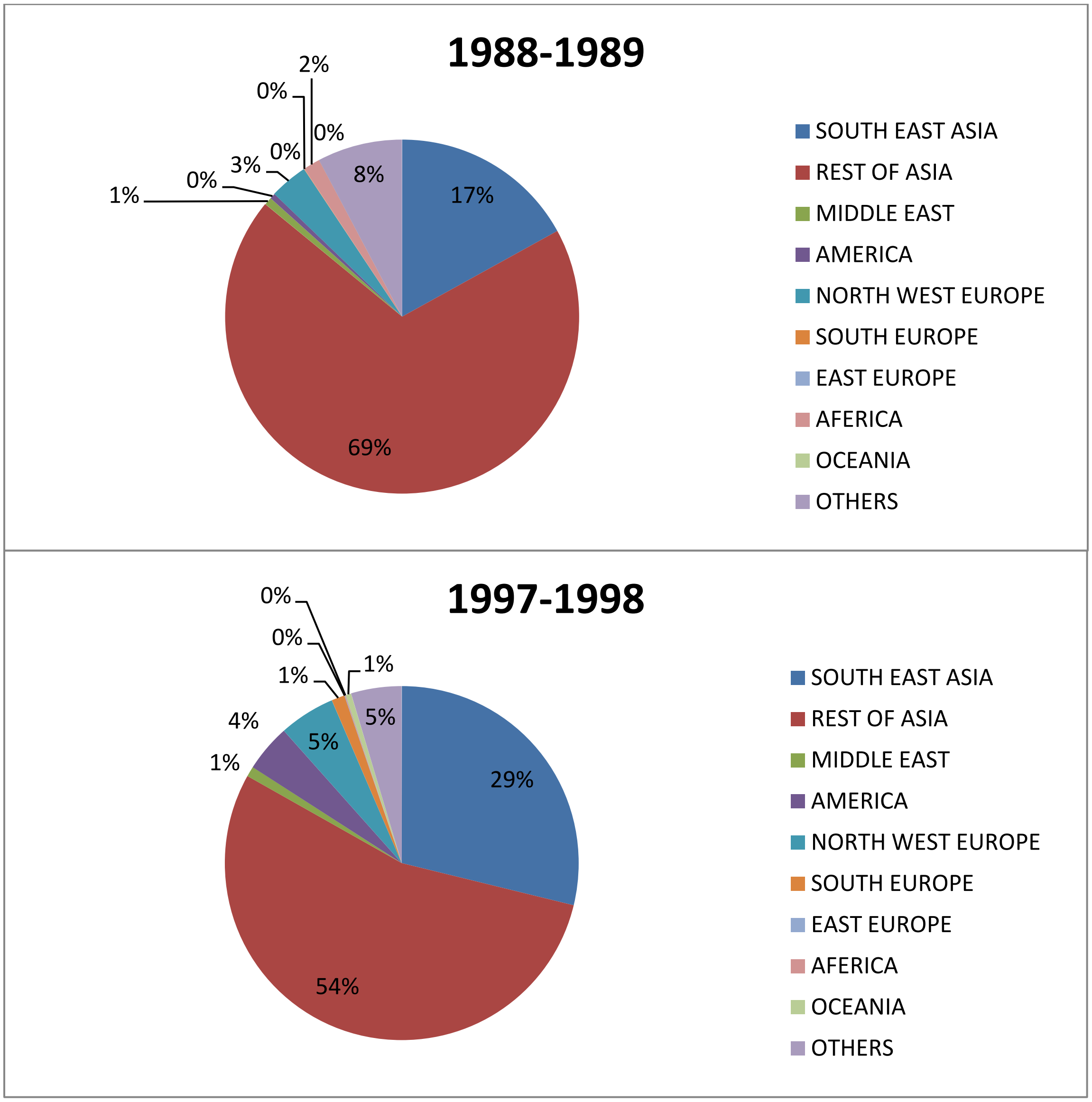
In import sector in terms of top fifteen imported commodities, the patterns of import changes to some extent but no a huge extent like pattern change in exports before and after the involvement of natural gas in export items. In fact, it can be made argument that the changes in export patterns will lead to pattern changes in imports. Now, although there is a huge change in export pattern because of the finding of natural gas Myanmar land, export pattern change has not been because of the increase in labor productivity, gaining economies of scales and the change in economic structures, the pattern change is just about the change in type of primary commodities which are always from natural resources in another words from extractive industries. The exports are primary commodities and the imports are value-added commodities. Thus, despite of the presence of pattern change in export sector, there is no significant change in import sector. So it is generally remarked that there is no pattern change that make good to Myanmar economy.

4.3 Changes in Trade Patterns in terms of Directions of Trade

In the first half period (from 1989-1990 FY to 1996-1997 FY) under SLORC regime, about eighty percents of all export go around the Asia in general. In this era, about 38.08% of all exports generally flow into the countries in Southeast Asia region and about 49.33% of the exports is to the countries which is situated in the rest of Asia region. So, it can be said that about 87.41% of Myanmar's export go to Asia. The rest shares of the exports flow into Middle East, America, Europe, Africa and Oceania as seen in Appendix 3.

Comparing directions of trade with Singapore, Thailand, China, Japan and India between 1988-1989 FY and 1995-1996 FY, Myanmar exports to Thailand, Japan, India and Singapore showed ascending trend although exports to Thailand is only a little bit increased. However, Myanmar's exports to China significant decreased in 1995-1996 FY because 42.98% of total export went to China in 1988-1989 FY but only 3.87% went to China in 1995-1996 FY.

Figure 4.5 Directions of Exports in 1988-1989 FY and 1997-1998 FY



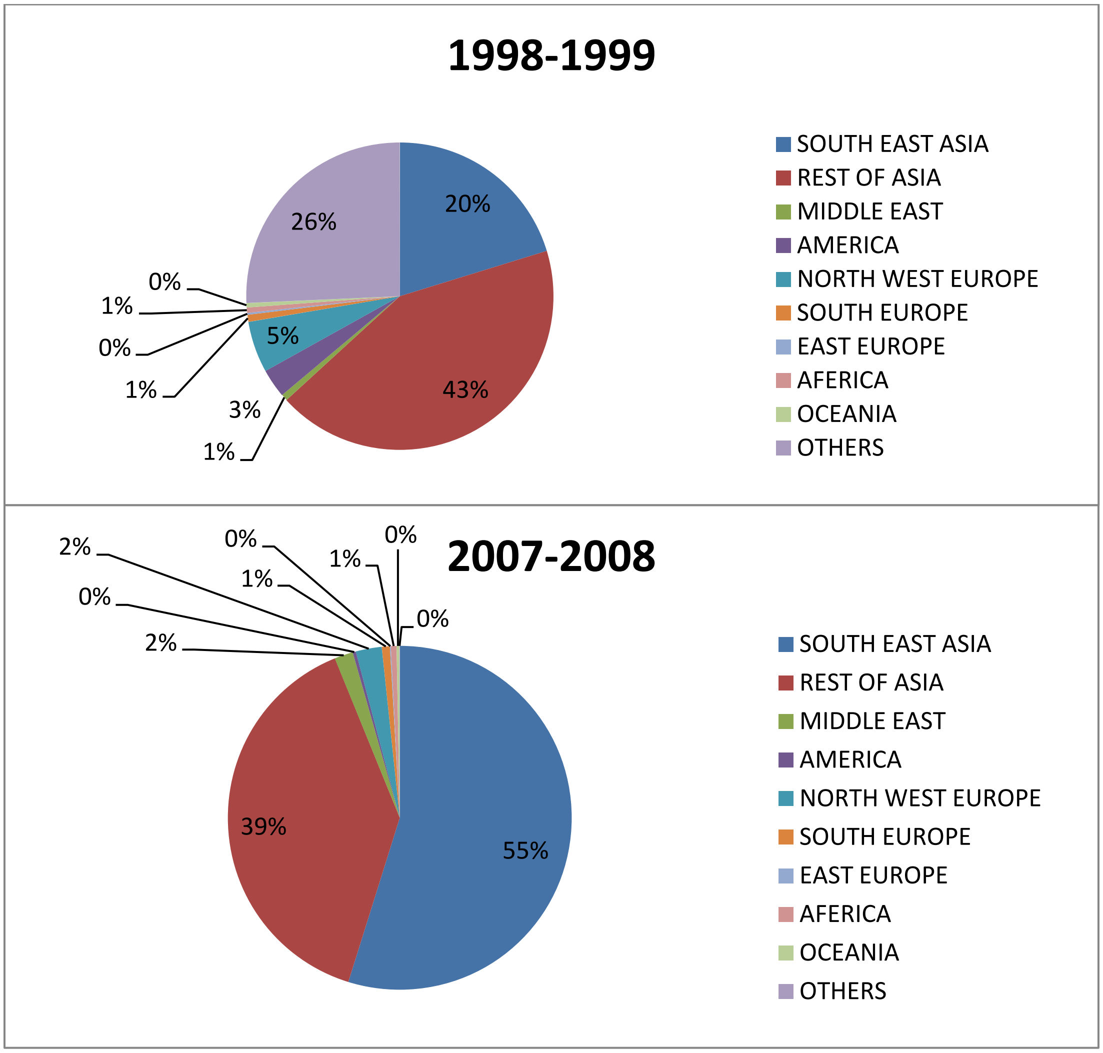
Source: Central Statistical Organization

In the second half period (1997-1998 FY to 2010-2011 FY) under SPDC regime, about eighty three percents of the exports go to Asia regions. In the era, about 43.37% of the exports flow to Southeast Asia region and 40.52% go to the rest areas of Asia. This direction of exports changes to some extents because the shares which Myanmar exports to rest of Asia was more that the shares of exports to Southeast Asia in SLORC regime but in SPDC regime, the share that exports to Southeast Asia is more than exports to rest of Asia. And the share of exports that flow through Asia decreases to a tiny extent by 2% or

3% in average. It means that the share of exports to other regions despite of Asia increases to a small extent by 2% or 3% in average. Due to both the change in direction of exports between Southeast Asia and rest of Asia and the decrease in share in exporting to the whole Asia, direction of exports changes to some extents comparing with that of SLORC regime as seen in Appendix 3.

Comparing Myanmar exports to Singapore, Thailand, China, India and Japan in 2002-2003 FY and the exports to these countries in 2009-2010 FY, Singapore, Thailand and India showed an upward trend but China and Japan signaled a downward trend. Both China and Japan (except India in South Asia) which are situated in rest of Asia region signaled the same trend and Singapore and Thailand which are located in Southeast Asia showed the similar trend. It seems to think toward whether it deals with regional concerns at the time.

Figure 4.6 Directions of Exports in 1998-1999 FY and in 2007-2008 FY

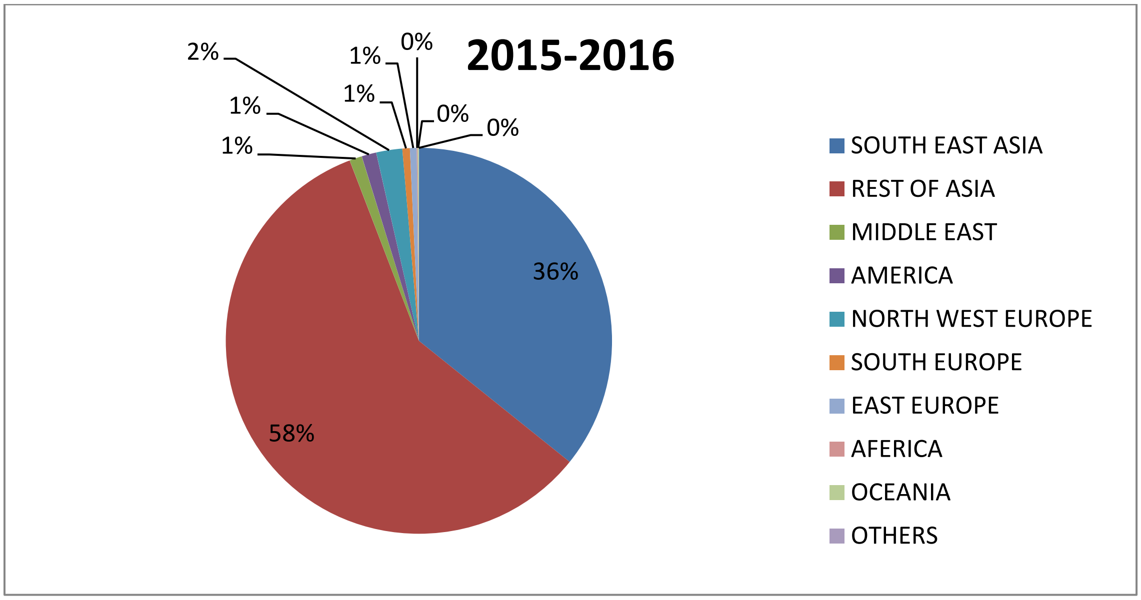


Source: Central Statistical Organization

In democratic regime, about 90.09% of exports go to Asia region: 45.30% go to Southeast Asia and 49.79% flow to rest of Asia region. This general direction of exports is similar with the direction of exports under SLORC regime but is different with SPDC regime. And with directions of exports, the value of exports that flow to rest of Asia region in democratic regime is maximum amount along the eras. Again, the share of exports that goes to Asia region is maximum amount along the eras. Only 9.91% of go to the rest regions despite of Asia regions as seen in Appendix 3.

Comparing Myanmar’s export to Singapore, Thailand, China, India and Japan in 2011-2012 FY and the exports to these countries in 2015-2016 FY, both toward Singapore and China, the trend is ascending but toward Thailand, India and Japan, the trend is not upward.

Figure 4.7 Directions of Exports in 2015-2016 FY

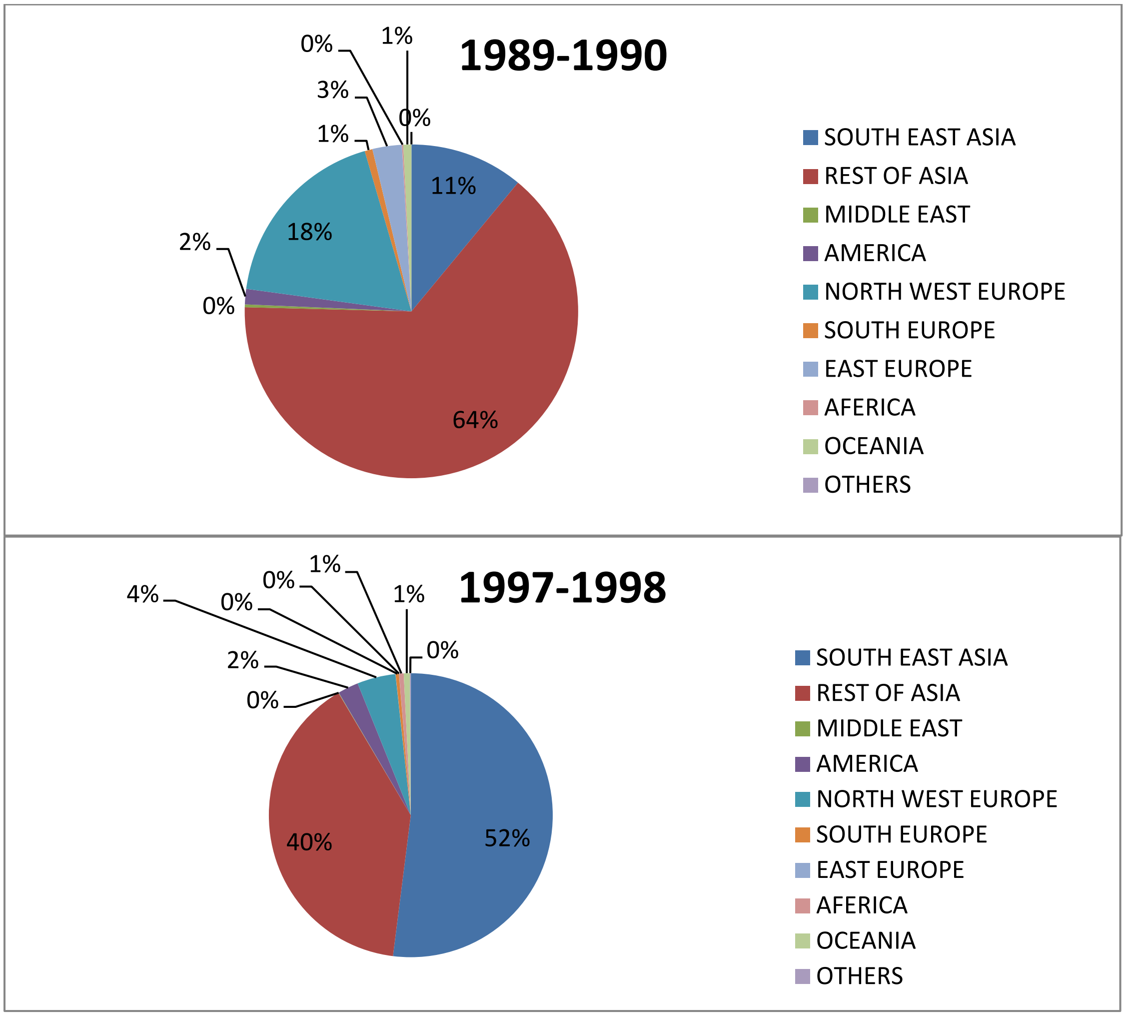


Source: Central Statistical Organization

In the first half period (1989-1990 FY to 1996-1997 FY) under SLORC, about eighty percents of imports come from Asia; 31.96% from Southeast Asia region and 49.63% from the rest of Asia region in average in the era. 10.08% of imports is from North West Europe and 4.55% is from America. The rest shares of the imports are from South Europe, East Europe, Middle East, Africa and Oceania. The above described percents are for general sketch of direction of imports to Myanmar and yearly directions of imports will be described in table below as seen in Appendix 4.

Concerning with importing from Singapore, Thailand, China, India and Japan, the trend is upward with all these countries, but with China, the trend is fluctuating in the period.

Figure 4.8 Directions of Imports in 1989-1990 FY and in 1997-1998 FY

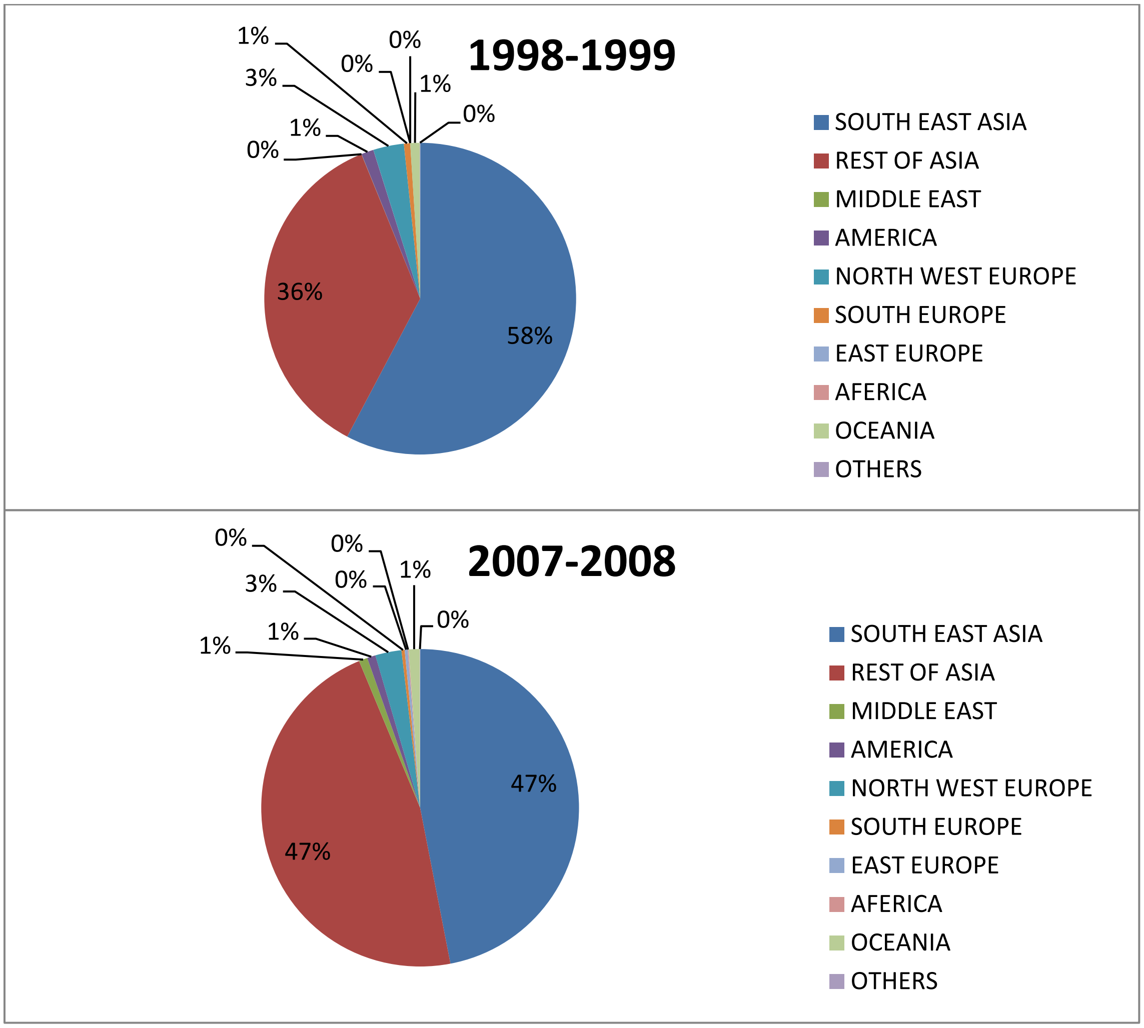


Source: Central Statistical Organization

In the second half period (1997-1998 FY to 2010-2011 FY), about 89.06% of imports come from Asia; 46.84% of imports from Southeast Asia region and 42.22% from rest of Asia. This average percents over fiscal years in the period of SPDC regime generally show that the share of direction of imports from Asia increases by 8% to 9% comparing with directions of imports under SLORC regime. And directions of imports from Southeast Asia region is more that from Rest of Asia region. It is not different but opposite tendency with direction of imports under SLORC regime. Similarly, average percents show that direction of imports from Middle East increase by a tiny extent of under 1%. However, both direction of imports from America and direction of imports from North West Europe decline from 4.55% in SLORC to 2.43% in SPDC and from 10.08% in SLORC to 3.22% in SPDC. So, it can be concluded that direction of imports under SPDC regime are more coming only from Asia region, especially from Southeast Asia region as seen in Appendix 4.

Dealing with importing from Singapore, Thailand, China, India and Japan, the trend with all these countries is upward but fluctuating and again the trend with Japan is downward.

Figure 4.9 Directions of Imports in 1998-1999 FY and in 2007-2008 FY

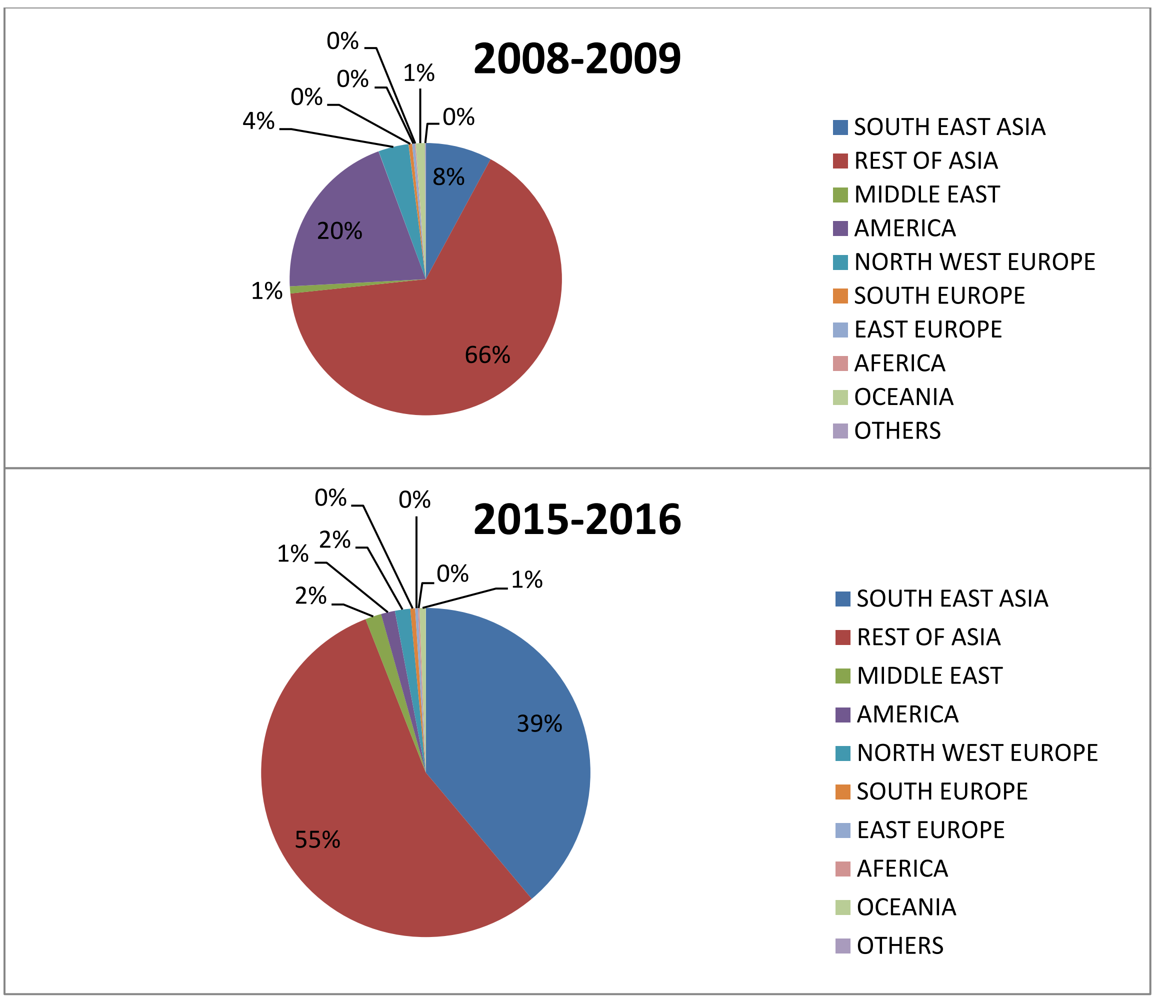


Source: Central Statistical Organization

In the hand of democratic government, 92.74% of imports which is in average during five fiscal years are coming from Asia region: 42.28% of imports from Southeast Asia region and 50.25% from rest of Asia. This share in the direction of imports from Asia is the maximum share throughout the eras. Similarly, the share of imports from Middle East in terms of directions of imports is the maximum share comparing with previous eras with the percentages of 1.52. However, imports from America and Northwest Europe are the least in history, less and less era after era with 2.11% of imports from America and 1.9% of imports from Northwest Europe. Other tiny shares of imports in terms of direction of imports are from East Europe, South Europe, Africa, Oceania and others. Myanmar's import sector in the hand of democratic government heavily depends on Asia region, over half imports are on rest of Asia regions despite of Southeast Asia. The imports from Middle East are showing ascending tendency but in opposite, imports from America and Northwest Europe are depicting descending tendency. In case of imports, the relations of Myanmar are more and more with the countries in Asia and Middle East and are less and less with other regions as seen in Appendix 4.

Imports from Singapore and Thailand are less and less in the period. But imports from China, India and Japan are more and more in the period but the trend with Japan is fluctuating in the period.

Figure 4.10 Directions of Imports between 2011-2012 FY and 2015-2016 FY



Source: Central Statistical Organization

4.4 Role of Border Trade in Trade Sector

Before 1988, normal trade was only conducted and legalized by the government. Under SLORC regime, trade across the border between Myanmar and its neighboring countries started to be formalized in December, 1988. Myanmar Exports and Imports Services (MEIS) signed an agreement with a State-owned company in Yunnan Province in China. And border trade agreements were subsequently agreed with Bangladesh, India and China in 1994. According to the Meeting No. 22/96 by SLORC which was held on 19th June, 1996, Myanmar border trade was mere official on 28th August of 1996. (Phyo, 2010) The main objective of border trade agreements is to enhance bilateral friendship with neighboring countries; to promote trade and keep it on the track of conventional trade; to ensure the full realization of revenues to be levied by the state. ; to provide favorable conditions, for private businessmen by which to earn reasonable benefits and to help facilitate the flow of goods (Naing, 2014).

China is the country which trade with Myanmar by maximum amount comparing with other neighboring country. China has much better situations concerning with Myanmar because of more favorable highways and road transportations. And the imported goods from China are closed with Myanmar people's preferences. In addition, China has more variable choices to export because China is the country of more advanced technologies and more abilities to diversify exports items. The result is that trade balance is nearly always favorable for China except only two fiscal years, 1989-1990 FY and 2002-2003 FY. Although the trade balance is negative for Myanmar, the increase in border trade volume is still beneficial for Myanmar comparing with absence of trade in closed economy as seen in Appendix 5.

Border trade volume with Thailand is the second largest one among all neighboring countries. Before 2001-2002 FY, the trade balance with Thailand was favorable for Thailand. After that fiscal year, the balance is favorable toward Myanmar. The trade volume between two countries has grown till to the state in present time as seen in Appendix 5.

With India, the trade volumes between the two nations substantially increased. One of democratic nations in the region had not strong relation with Myanmar. Starting from 2012-2013 FY, the trade balance has been favorable for India. Development of trade relations with India affects on development of Chin State. The main gate between Myanmar and India is Chin State. India is a big customer for Myanmar's beans and pulses. Later, at the near past, India stops to import Myanmar's beans and pulses. This makes worsen for Myanmar trade balance which already showed the negative sign of trade balance for Myanmar. The problem is the weak state of Myanmar exports diversification, now the local government is trying promoting trade relations with India by attempting to open border markets more as seen in Appendix 5.

Myanmar rarely shows negative sign of trade balance with Bangladesh. Only two fiscal years, 1990-1991 FY and 1993-1994 FY, the balance describes unfavorable sign for Myanmar. The trade volumes between Myanmar and Bangladesh cannot explicit the substantial increase. In means that it is hard to conclude Myanmar-Bangladesh trade relation improves as seen in Appendix 5.

The trade relations with Laos also do not develop substantially. Only two fiscal year, 2008-2009 FY and 2012-2013 FY, Laos can perform to Myanmar to show trade deficit with Laos. The data for some fiscal years cannot be collected too. Specifically, trade relation with Laos does not improve as seen in Appendix 5.

Overall and generally, border trade sector for Myanmar improve because in 1989-1990 FY, the share of border trade in total trade is 44.82% and in 2010-2011 FY, 65.21%. But in 2015-2016 FY, the share is 61.29% but comparing with the share in 1989-1990 FY, it still is more. However, the development of border trade is not substantial because in 1996-1997 FY, the share is 28.26%. Whatever, border trade is generally improved by certain reasons. One noticeable example is that he Ministry of Commerce introduced Individual Trading Cards (ITC) in 2012 to ease for small individual exporters and importers. Trading with ITC has increased continually year after year (Ling, 2012) For the purpose of speeding up trade flows; Ministry of Commerce sets up one-stop service OSS in dealing with imports and exports in Yangon and at the country's border trading posts as seen in Table 4.3. Installation of

Table 4.3 Value and Share of border trade in Total Trade (Kyats in Millions)

Years	Border Trade			Total Trade Volume	Share of Border Trade in Total Trade Volume
	Export	Import	Total		
1989-1990	1635.69	1156.31	2792	6229.1	44.82
1990-1991	1308.44	1800.31	3108.75	8475.4	36.68
1991-1992	1369.76	1848.36	3218.12	8262.6	38.95
1992-1993	1603.48	1799.17	3402.65	8955.3	38.00
1993-1994	1754.37	2591.61	4345.98	12151.1	35.77
1994-1995	1502.59	2171.9	3674.49	13737.5	26.75
1995-1996	1823.85	3119.04	4942.89	15345.4	32.21
1996-1997	1917.81	2962	4879.81	17266.5	28.26
1997-1998	3445.55	3516.94	6962.49	20812.9	33.45
1998-1999	3415.53	4248.88	7664.41	23627.5	32.44
1999-2000	2988.71	4194.49	7183.2	25212.1	28.49
2000-2001	5022.26	4374.75	9397.01	27809.1	33.79
2001-2002	9696.06	4435.05	14131.11	35508.4	39.79
2002-2003	12775.03	4557	17332.03	34865.1	49.71
2003-2004	8657.81	4623.35	13281.16	27516.8	48.27
2004-2005	11201.03	4372.2	15573.23	30094.9	51.75
2005-2006	13153.65	4586.88	17740.53	32160.8	55.16
2006-2007	21612.12	6875.03	28487.15	46861.1	60.79
2007-2008	24031.95	8468.77	32500.72	53715.7	60.51
2008-2009	22694.39	9744.58	32438.97	61901.6	52.40
2009-2010	29491.92	11050.44	40542.36	70609.8	57.42
2010-2011	41250.24	18508.08	59758.32	91642.2	65.21
2011-2012	42928.38	22905.54	65833.92	109024.2	60.38
2012-2013	5421203.2	3218910.3	8640113.5	15571681.51	55.49
2013-2014	7459288.2	5754773.2	13214061	23977741.31	55.11
2014-2015	9198770.7	7262026.4	16460797	29018099.14	56.73
2015-2016	9537499.1	11246009	20783509	33911274.98	61.29

Source: Central Statistical Organization

Border Trade Online System (BTOS) has begun as a measure of trade facilitation. And the establishment of border trade related committees such as Joint Border Trade Co-ordinating and Co-operating Committee with China in 2006, Joint Border Trade Committee with India in 2012 and Joint Working Group Border Trade officials with Bangladesh in 2011 are one of concrete steps discussing border trade related matters. Besides, new border trade posts were established in addition to be designated post-mentioned in trade agreements/ MoUs and protocols in accordance with the seven fundamental points, namely, Myeik, Maw Taung and Htee Khee border trade posts in Myanmar-Thailand border, Chin Shwe Haw and Kan Pyke Tee posts in Myanmar-China border and Sittwe post in Myanmar-Bangladesh border (Naing, 2014).

CHAPTER V

CONCLUSION

5.1 Findings

The study intends to analyze trade pattern changes of Myanmar in terms of composition of trade as in the form of top fifteen selected principle commodities, directions of trade and the share of trade sector in the country's Gross Domestic Products under the hands of SLORC regime, SPDC regime and democratic regime of U Thein Sein government. There are the changes of three governments and of two different political systems. Along with these changes, there became undeniably changes of the economy. Consequently, trade patterns have changed and the degree of economic openness has improved till to the present.

The first change which is the effort to make Myanmar toward open economy happened in the hand of SLORC regime. The regime mentioned that they will march toward "market-oriented economy" According to well-known Burmese economists, the regime really tried for reforms but the reforms are still partial and so it indeed needs to move forward more. Whatever, Myanmar fortunately jumped out from socialist economy which destiny is for poverty regarding to democratic India with socialist economy. The second change is with the appearance of SPDC regime in 1997. Although the regime move toward market-oriented economy in their will, unfortunately for the people of Myanmar, there was not enough to move forward. And for the international family did not accept Myanmar government as the legitimized government, international community refused to deliver aids and chose not to communicate with business relations. As a result, Myanmar's economy cannot reach as the economy intended. However, the economy did not bankrupt with the help of Asia economies but still in severe conditions. In 2010, first democratic government began to appear with the winning of 2010 General Election. This government which is headed by U Thein Sein made reforms which the international community cannot believe to happen really and so that U Thein Sein was mentioned as

Fredrik Willem de Klerk of South Africa. Although President U Thein Sein is successful in liberalization stage, insufficient steps to institutionalization make the reforms limited. These are the background situations which will need to be considered for the study.

In terms of composition of trade, there is a huge pattern change with the emergence of natural gas and garment products. Before Myanmar can export natural gas and garment, the pattern is mainly based on timber and teak. And later, the major exports became natural gas and garment. Even among natural gas and garment, the garment sector is usually fluctuated because of the imposition of sanctions by western governments because the major destination of garment is tending toward Europe.

In terms of directions of trade, Asia region is the main trading region that trade with Myanmar in all regimes. But Southeast Asia and rest of Asia have been putting in the first place of directions of trade list in turns. Both imports and exports, an era after era, are more and more directed between Myanmar and Asia region. The trading shares between Myanmar and Asia (Southeast Asia plus rest of Asia) have been increasing throughout the eras. It means that the share of trade between Myanmar and rest regions of the world are becoming less and less. In the rest shares of directions of trade, Myanmar trade is related more and more with Middle East Region but, Europe and America is going different sides. The reasons may be much but valid and strong reason is that Myanmar is still exporting primary commodities in cheap price and is importing cheap secondary products.

Since Myanmar has possessed a long border line with five neighboring countries, China, India, Thailand, Laos and Bangladesh, role of border trade is crucial in analyzing trade sector development of Myanmar. In trade relations with China, the balance has nearly always been unfavorable to Myanmar. With Thailand, the balance was unfavorable before 2001 and after that it has turned into favorable sign. Relating with India, before 2012-2013 FY, the balance was favorable and after that year, it turned into opposite direction. With Bangladesh, the balance was negative only in 1990-1991 FY and in 1993-1994 FY. There are not enough data to analyze border trade with Laos. The share of border trade was about 44% of total trade which was maximum in SLORC era. In the same era, the share goes down year after year. But in SPDC era, the share goes up to the last fiscal year with about 65% of total trade. This share, 65%, was the maximum share throughout the eras because the share of border trade decreases between 55% and 61% in democratic regime.

Analyzing trade sector development, the shares of trade sector in GDP or economic openness, is important. In SLORC regime, the share of trade sector in the first fiscal year of the regime was about 12% but at the last fiscal year, the share was about 24%. According to the share, it can be said that trade sector developed in the hand of SLORC regime. Share of trade sector of the first fiscal year of SPDC regime was about 27% but in the end year, it was about 0.2%. It was because of the imposition of sanctions on Myanmar by western world. The condition can be noticed distinctively. At the first fiscal year of democratic regime, the share was about 0.2% but at the end year, the share was about 60% because democratic government makes reforms that international family asked for many years ago and so international governments lifted sanctions as a reward for the reforms that the government wisely chose.

5.2 Suggestions

Since Myanmar is situated in the naturally strategic central point, Myanmar has already been the potential in trade sector. Myanmar in Colonial era proved the probability of its potential. However, there are still rooms for the government to support trade sector.

Firstly, the government needs to facilitate the rules and regulations to solve the long-lasting problems of trade sector, trade deficits, and excess of export primary commodities and import value-added items, unfavorable terms of trade that can tend to immiserizing growth and etc. In 1965, Burmese classical economist, Dr. Hla Myint advised for all developing countries to follow export-promotion strategy which will indeed encourage economic growth but Myanmar ignored the advice of the wise man. Now, the minister of commerce of newly elected government, declared and gave a promise that the government will raise three fold of present trade volumes. If the government were successful at that target, trade sector in Myanmar will march forward but for the sake of sustainability, the government needs to solve long-lasting problems in Myanmar's trade.

Second, it is crucial that the support of government, dynamic bureaucracy and the help of government-led think tank body for evolving trade pattern toward good and better pattern for Myanmar. According to Asia miracle development process, the government-led institutions played a very important role. For example, Korea Institute for International Economic Policy KIEP was founded in 1989 to make research for the relations between Korean economy and international economy. Every nation like Myanmar needs both types of institutions for trade sector development.

The final suggestion is to struggle for ability to involve in regional integration. As it is presented in previous chapters, Myanmar is situated between South Asia and Southeast Asia, the south of China. Even without considering Pacific Asia, if the country can trade well with China, India and ASEAN, the country will get benefits. It already understood the present statue of trade sector in Myanmar. If the country can perform regional integration with neighboring countries and neighboring regions, the sustainable welfare is enjoyed by Myanmar. At the time of Myanmar being performing well as it is described above, Myanmar's trade sector development will definitely be with the process of economic growth and welfare of Myanmar people.

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Appendices

Appendix 1

Top 15 Selected Exported Items in 1988-1989, 1995-1996, 2002-2003, 2009-2010 and 2015-2016 (Kyats in Millions)

No.	Commodity	1988-1989	Commodity	1995-1996	Commodity	2002-2003	Commodity	2009-2010	Commodity	2015-2016
1	Timber	661	Pulses	1358	Gas	5919	Gas	17562	Gas	3076080.1
2	Teak	600	Timber	1048	Garment	2976	PM	5694	Pulses	1211344.2
3	Base Metal and Ores	70	Teak	903	Timber	1871	PP	5694	Garment	1048608.1
4	Hardwood	61	Rice	440	Pulses	1760	Pulses	5580	BMO	429476.58
5	Precious Minerals	60	Prawn	407	Teak	1388	Timber	2964	PM	342602.4
6	Rice	54	Garment	300	Prawn	623	Garment	1698	PP	342602.4
7	Pulses	52	OAP	278	Rice	611	Hardwood	1668	Fish	156618.24
8	Precious Pearls	50	Rubber	180	Hardwood	483	Rice	1524	Timber	128475.9
9	Raw Rubbers	13	Fish	159	Fish	445	Teak	1296	Rice	124805.16
10	Silver	10	Hardwood	145	BMO	282	Fish	1092	OAP	123581.58
11	Oilcakes	6	PM	137	Precious & I	249	Rubber	450	Teak	99109.98
12	Skin and leather	2	PP	133	Precious Sto	249	Prawn	384	Raw Rubber	37930.98
13	Maize	1	BMO	70	OAP	178	OAP	342	OMP	37930.98
14	Raw Cotton		OMP	49	Maize	139	BMO	198	Prawn	34260.24
15	Raw Jute		Maize	48	Rubber	88	OMP	186	Hardwood	29365.92

Source: Central Statistical Organization

Where, OAP = Other Agricultural Products
OMP = Other Mineral Products
PP = Precious Pearls
PM = Precious Minerals
BMO = Base Metals and Ores