Trade Policy Reforms in Myanmar (1988-2010)

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Abstract

In the late 1988, the State Law and Order Restoration Council (SLORC) opened up to the outside world and initiated a series of economic reforms. It has also looked forward to having closer trade relationship with all the countries in general and with neighboring countries in particular. In this respect, along with the adoption of market-oriented economy and liberalization of the trade sector, Myanmar adopted free trade policy and legalized border trade with neighboring countries. Since that time, Myanmar's foreign trade including oversea and cross border trade have developed from year to year and contributed to the economic growth of the country.

Keywords: Border Trade, Foreign Trade, Export, Import, Myanmar

Introduction

Trade, especially foreign trade, is a major vehicle for a country's economic growth as well as social development. Enhanced trade could boost production and lead to efficient allocation of resources. Furthermore, trade sector development is a very important matter in this age of globalization. Hence, each and every country in the world has explored ways and means to promote trade sector. As trade plays an important role in the drive for a nation's economic development, trade policy should be reviewed and reformed from time to time in order to adapt changing economic conditions of the world. That is why, in accordance with the market - oriented economic system, Myanmar has adopted free trade policy since the late 1988.

Myanmar's Trade Policies before 1988

In analyzing trade policy reforms towards market-oriented economy in 1988, it is needed to explain brief historical background of Myanmar's foreign trade policy before 1988. After the British annexation of Myanmar in 1885, Laissez-Faire (free trade) policy was introduced and most of the production and trade activities were in the hands of private traders. However, Myanmar's foreign trade during this period was dominated by foreigners, especially British and Indian merchants. In 1948, the newly independent government of Myanmar tried to establish a mixed economy. There was neither a basically genuine market-oriented system nor a basically genuine socialist system. In fact, although the government continued to practise the capitalist economic system, the foreign-controlled businesses were bound by national rules and regulations. On the other hand, a few State-owned corporations and some government departments were also engaged in the export-import of trade. Nevertheless, most of the businesses were conducted by the private sectors (foreign capitalists) and Myanmar's economy in the post-independence period was also full of characteristics of the colonial economic systems. In other words, though Myanmar became a sovereign State, it was still heavily dependent on foreign trade and imports.

Then, Myanmar had practised centrally-planned economy from 1962 to 1988 for more than a quarter of a century. In 1962, when the Revolutionary Council came into power, some institutional changes took place in both domestic and foreign trade. In order to carry out socialist economy, vital means of production, distribution and external trade were nationalized in 1964. The government restructured the trade sector and established the Trade Council in 1965 for formulating the trade policy. The external trade was conducted solely by the State's organization, Myanmar Export Import Corporation (MEIC). During this period, foreign capitalists as well as national capitalists and the economic basis of landlords were effectively eliminated from the nation's economic sphere. As a result, overall national investment

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decreased and trade and commerce with foreign countries became weaker. Therefore, the foreign trade system of the Union of Myanmar had been decentralized since May 1976, while the country was pursuing the centrally-planned economy. Following the decentralization guidelines, State Economic Enterprises (SEEs) under the different ministries were authorized to engage their own external trade. They could freely export their products and they could import back what they needed. Nevertheless, the economic and trade policy during this period had been inward looking or import substitution, thereby giving priority to import capital goods and machinery for domestic industries. Although export promotion was not totally neglected, it was severely hindered by the import substitution or self-sufficiency policy, leading to balance of payment difficulties and stagnation in economic development.

In addition, there was no legal border trade with neighboring countries and the nature of trade during that time was more like an illegal business. Insurgent ethnic minorities had played a major role in smuggling. The size of informal trade was almost as big as that of formal one. The countries that had informal trade ties with Myanmar were China, India, Bangladesh, Laos, Thailand, Singapore, Malaysia and Indonesia. The main items traded at the border consisted of textile goods, plastic products, pharmaceuticals, machinery and spare parts, transport vehicles (mainly motor cycles and bicycles), seasoning powders, chemicals, electrical goods, watches and clocks, and miscellaneous manufactured goods. From the Myanmar side, timber, gems and precious metals such as jade and gold, minerals such as tin and tungsten, livestock, opium and heroin, marine products, agricultural products such as rice and rubber, and antiques were smuggled out to neighboring countries. In so doing, the government did not get the proper amount of revenues from the border trade business. Under these circumstances, economic growth averaged 4.5 percent per year in the 1970s but slowed down in the early 1980s and by 1985/1986 increased by only 3.2 percent yearly. The country faced economic and political difficulties from 1986/1987 to 1987/1988.

Trade Policy Reforms (1988-2010)

The State Law and Order Restoration Council (SLORC), which assumed power in September 1988, abolished the 1965 law on the establishment of a socialist economic system and moved towards a more opened, market-oriented economy in March 1989. Since then, a series of economic reform measures have been introduced to open up and integrate the economy with the world economy. Accordingly, laws, orders, rules, regulations, and notifications which had prohibited or restricted the private sectors from engaging in economic activities were replaced by many laws and rules which were revived and amended to be in line with the system and with the change of the time and circumstances.

One of the major reform measures undertaken to induce foreign investment was the enactment of the Union of Myanmar Foreign Investment Law on 30 November 1988. The basic principles of this law are: to encourage the expansion of exports, to enhance the flow of foreign capital, technologies, and to promote employment opportunities, etc. In April 1989, the State-owned Economic Enterprises Law was enacted and most of the State-owned Enterprises have been directly involved in foreign trade. Moreover, the Central Bank of Myanmar Law was promulgated to promote foreign investment and trade. Myanmar has also permitted the establishment of joint venture business with foreign firms which represent one of the more viable means of improving foreign trade. Furthermore, the Myanmar Chamber of Commerce and Industry was reorganized as the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) in January 1989 to support internal and external trade activities. At the apex of the Chambers and Associations in the country, the UMFCCI stands as a national level non-governmental organization (NGO) representing and safeguarding the interest of the private business sector. It is also a forum for dialogue and discussions between the private sector and Government agencies on matters involving international trade. Moreover, according to the new trade policy of Myanmar, cross border trade with neighboring countries was legalized in November 1988. Then, the Department of Border Trade (DOBT) was established in 1996 to implement and facilitate border trade activities. Besides, the Ministry of Trade was transformed as the Ministry of Commerce in 1996 with a view to implement the economic activities for the development of national economy. In particular, the following trade liberalization measures have been instituted since Myanmar adopted the market-oriented economy:-

(1) Encouraging wider participation of private and co-operative sectors in domestic as well as in foreign trade which was previously monopolized by the State,

(2) Regularizing the border trade in order to develop and strengthen the bilateral trade relations with the neighboring countries,

(3) Forming joint-venture corporations with SEEs and local and foreign private enterprises as an initial step towards privatization,

(4) Realigning Export and Import procedures,

(5) Lowering the technical barriers to trade and simplifying the export/import procedures geared towards trade facilitations and promotion,

(6) Offering incentives to exporters by allowing 100 percent retention of export earnings for importation of goods,

(7) Issuing trade notifications and specifying necessary rules in conformity with the changing internal and external business environment,

(8) Giving exemption of commercial tax and customs duty on the imported items like fertilizers, agricultural machineries and implements, insecticides and pesticides, medicines and raw materials,

(9) Reactivating the role of Chamber of Commerce and Industry for the promotion of trade and industry in the private sector.

To activate trade and commerce, the Government of Myanmar recognized the private sector as a prime mover of the market mechanism and paid great attention for its development. The State has permitted the private entrepreneurs and co-operatives to undertake trading businesses with foreign countries. So, they can engage in trade freely in accordance with the rules and regulations and laws as regards trade and notifications issued from time to time.

As regards trade policy, Trade Council formulates, adopts, and regulates trade policy according to the State's political, economic and social objectives. The Ministry of Commerce carries out trade policy adopted by the Trade Council. In line with the independent and active foreign policy of the country, the foreign trade policy of Myanmar is also an independent one. It believes in trade liberalization and also wants free and fair trade in the world. Myanmar was the founding member of the General Agreement on Tariff and Trade (GATT). And it is the signatory member of the World Trade Organization (WTO) as well. Hence, Myanmar's external trade policies are generally governed by WTO trading principles. Myanmar can trade with any country in the world, except with some countries that are trade embargoed by the United Nations' resolutions and a few countries that are cut off diplomatic relations by Myanmar. Moreover, Myanmar is actively participating in the regional trade blocs, namely the Association of Southeast Asian Nations (ASEAN), the Bay of Bengal Initiative for Multi Sectoral, Technical and Economic Cooperation (BIMSTEC) and the Greater Mekong Sub-region (GMS). Likewise, the policy of the Government of Myanmar is to further develop and strengthen trade relations with its five neighboring countries. Thus, Myanmar signed border trade agreements with People's Republic of China, India, Bangladesh, Thailand and exchanged draft agreement with Laos.

Actually, the main goal of Myanmar's economic policy is mutual benefit and the fostering of international friendship and understanding. Exercising this policy, Myanmar is ready to trade and establish economic relations with all the countries of the world. In this respect, Myanmar signed the bilateral trade agreements with People's Republic of China, Republic of Korea, Thailand, Bangladesh, India, Pakistan, Vietnam, Laos, Philippines, Malaysia and with seven countries in Eastern Europe. However, Myanmar's foreign trade is mainly with Asian countries. People's Republic of China, Singapore, Japan, Thailand, India, and Malaysia are its major trading partners. Regionally, the European Union (EU) ranks second in importance. In fact, with the change in the pattern of trade, the direction of Myanmar's foreign trade has changed since 1980s. Instead of trade partners from western countries, Myanmar has carried out its major foreign trade transactions, both exporting and importing, with trade partners from ASEAN and non-ASEAN countries in Asia.

Like most developing countries, Myanmar is mainly an exporter of agricultural and other primary products while its imports consist largely of manufactured goods. Thus, the import policy of Myanmar is to give priority to import capital goods, industrial machineries including raw materials and other essential items. The major import items are capital goods, industrial raw materials, spare parts and consumer goods. Reflecting the trade liberalization measures and more and more coming into being of market mechanism, substantial changes are being taken place in the pattern of import. However, the capital goods and raw materials are still enjoying the lion's share in Myanmar's import items. This is because, the State has been steadily increasing the volume of imports of commodities required by the infrastructure development projects being implemented by the State. The total volume of imports in the financial year 1988/1989 was US$ 573.733 million. But, the total volume of imports in the financial year 2009/2010 amounted to US$ 3806.233 million.

The export policy of Myanmar is to export all exportable surpluses and diversify foreign markets by using natural and human resources. Increasing and diversifying exports and improving the quality of products are among the main objectives of the export promotion policy. Main export items include agricultural products, forest products, fishery products, metals and minerals, precious stones, and industrial products. The total volume of exports in the financial year 1988/1989 was US$ 361.483 million. But, the total volume of exports in the financial year 2009/2010 amounted to US$ 6881.522 million.

To promote private sector participation in foreign trade, private companies were initially allowed simultaneous transactions of exports and imports, an "Import First and Export Later" scheme as well as export and import on a consignment basis. However, in order to increase export and to reduce trade deficit, "Export First Practice" was introduced for both oversea (normal trade) and overland (border trade) in July 1997 and import was permitted only after the certification of export-earning by the respective bank.

Normally, the registered exporters/importers have the right to export all kinds of product, except some important agricultural products, forest products, petroleum products, precious stones and minerals which are solely exported by the SEEs. Nevertheless, on 1 April 1994, the export of timber in log form was not allowed but only value-added finished timber products were allowed to be exported. They also have the right to import all kinds of product, except some items which are specifically prohibited by the SEEs and Ministry of Commerce. Thus, thirty-one/thirty-two items including teak and rice are prohibited to export oversea and through the border areas. According to the changing structure of the supply and demand of certain commodities, the applications or practices of the policies have to be changed to meet the needs. In this context, some commodities have to be temporarily restricted to export till the situation could be maintained. As Myanmar is trying to achieve self-sufficiency of edible oil, export of oil seeds is temporarily banned for the private sector and only the Ministry of Commerce can export the oil seeds for the time being. Similarly, fifteen/sixteen items including seasoning powder, soft drinks and liquor are not allowed to be imported both by oversea and border. However, the commodities prohibited to import shall be, from time to time, amended in accordance with the latest situation of local market conditions.

Besides, in accordance with the Imports and Exports (Temporary) Act 1947, which has been amended when necessary and which is still in force, the Ministry of Commerce, from time to time, issues necessary orders, notifications, directives, relating to all export/import matters including issuance of licences and permits to private business enterprises and State enterprises. The import licences will be allowed against ninety percent of export earning after making payment of ten percent of revenue tax, prescribed by the Ministry of Finance and Revenue.

According to the market-oriented economic policy of Myanmar, customs duties have been progressively reduced since 1988. Moreover, as the most important tax legislation concerning trading activities, a general commercial tax was introduced in 1990. Under the new tax law, a commercial tax is imposed on all enterprises. Excepting luxury goods, the tax-rates are generally low, so that there is no likelihood of hindrance to trading activity. These tax rates were revised downward in April 1991, thus giving further encouragement to the market-oriented economic system. No customs duty is payable on export, except only for the some commodities for oversea trade such as (a)Vegetables and roots, (b) Pulses, beans and maize, (c) Rice and rice products, (d) Bamboo, (e) Animal feed, (f) Animal horns, hides and skin.

Moreover, commodities imported temporally for inward processing such as industrial raw materials, packing materials are exempted from customs duty for a period of two years under bond to re-export within time limit. Similarly, no export licence fee is payable on export of any commodity including agricultural crops. With regard to export tax, it is regulated that eight percent commercial tax and two percent income tax (ten percent revenue tax) in used currencies for all exports from private sector. But, State-owned enterprises will have to pay only eight percent commercial tax in used currencies for all exports. There are exemptions on the payment of eight percent commercial tax for the enterprises established under Myanmar Investment Commission (MIC) and Cutting Making and Packaging (CMP) bases. Nevertheless, all imports are subject to payment of licence fees, customs duty and commercial tax. Import licence fee is payable on Cost, Insurance & Freight (CIF) value at a minimum of Kyat 250 up to a maximum of Kyat 50,000. On CIF value over Kyat one million licence fee payable is Kyat 50,000 only. However, import licence fee is exempted on the following commodities: -

(1) sixty-seven kinds of medicines and pharmaceutical raw materials for public health.

(2) Commodities c imported for the development of agriculture sector.

(3) Commodities transported through the territory of the Union of Myanmar under the transit trade system.

(4) Materials used in the business during the construction and production period under the foreign investment permit issued by the Myanmar Investment Commission.

(5) Commodities imported for departmental use by the State’s organizations.

The three state banks namely Myanmar Foreign Trade Bank (MFTB), Myanmar Investment and Commercial Bank (MICB) and Myanmar Economic Bank (MEB) are conducting foreign trade transactions of the Union of Myanmar. MFTB and MICB deal with the financial transactions for oversea trade and the branch offices of MEB at the border check points handle the financial transactions for border trade.

Impacts of Trade Policy Reforms

As the government adopted the market-oriented economic policy after 1988 and sought wider participation of the private sector, the role of private sector in external trade increased significantly in the 1990s. Exports from the private sector accounted for seventy-seven percent of the total exports in 1999, but this decreased to around fifty percent of the total exports in 2001/2002 and 2002/2003, with the rise in the share of total export by the State sector. State sector export of gas accounted for thirty percent of the total exports. On the import side, private sector imports were more than seventy percent of the total imports. The number of registered exporters, importers, business representatives, partnership firms, foreign and local companies, and Joint-Venture Companies Limited came up to 29389 at the end of March 2010. In addition, since the enactment of the Foreign Investment Law of Myanmar in November 1988, permitted total amount of foreign investment reached US$ 16055.623 million at the end of March 2010. A total number of 430 enterprises from thirty-one countries were permitted to invest in Myanmar during the same period.

Due to the trade liberalization measures and changes of Myanmar's foreign trade policy since the late 1988, the role of border trade with neighboring countries has increased in Myanmar's external trade and contributed to the economic development as well as all round development of the country. The SLORC, after taking over the State's responsibilities on 18 September 1988, began to realize that oversea trade alone could not be relied on for providing the adequate amount of essential items to rebuild all the damaged property, to rerun the industries and to supply the basic commodities for the people. On the other hand, before the border trade was formally opened, large-scale smuggling was thriving and smugglers were contributing to the support of anti-government organizations. Thus, on 25 November 1988, the Ministry of Trade issued the Notification No.1/88 and assigned the duty to the Myanmar Export and Import Service (MEIS) to transform the illegal trade existing at the border during 1962-1988 to a systematic and legal border trade. On 2 December 1988 the MEIS opened border trade offices in Lashio, Muse, Kyukok, Namkham and Kunglon along the border between Myanmar and the People's Republic of China. Firstly, the MEIS operated by using border trade method of payment in local currencies of both countries which was Import First /Export Later System. However, because of using Import First Practice and double exchange rate system at the border markets, there was extreme trade deficit and currency devaluation.

Therefore, on 25 July 1991, the Ministry of Trade conducted the new system of border trade comprising border trade method and normal trade method. The MEIS, after opening border trade offices at the respective border areas, launched the new border trade system at the Myanmar-China border on 1 October 1991, at the Myanmar-Bangladesh border on 1 November 1991, at the Myanmar-Thai border on 1 December 1991 and at the Myanmar-India border on 1 December 1991. As Myanmar has adopted more flexible open-door policy regarding trade it is learnt that the immediate neighbors are interested in establishing legal border trade with Myanmar. Thus, in order to formulate proper arrangements for smooth and official flow of trade across the border, Myanmar signed border trade agreements with the Republic of India in January 1994, the People's Republic of Bangladesh in May 1994, the People's Republic of China in August 1994, Thailand in March 1996 and exchanged draft agreement with the Laos People's Democratic Republic in December 2000.

However, due to the weaknesses of trading system, internal revenue, immigration and customs practices, attempts to evade taxes were found in conducting border trade with neighboring countries. Therefore, the Directorate of Border Trade was opened in Muse on 5 August 1995 and the new border trade system was initiated with Muse region at the Myanmar-China border as a testing ground. In order to provide easy and prompt services for smooth flow of commercial activities, the new system offered One Stop Services (OSS) comprising personnel from Customs Department, Internal Revenue Department, Immigration and Manpower Department (later Immigration and National Registration Department), Myanmar Economic Bank and Myanmar Police Force, headed by Border Trade Department. Similarly, the new system was initiated at the Myanmar-India border trade posts on 12 April 1995, at the Myanmar-Bangladesh border trade posts on 5 September 1995, and at the Myanmar-Thai border trade posts on 19 March 1996. On 28 August 1996, the Department of Border Trade (DOBT) was established as a separate department to implement and facilitate border trade activities under the guidance of the Ministry of Commerce.

Besides, of the existing border trade posts, only the required ones were consolidated and reorganized at the vital points. New posts were also opened along the border areas. That is why, the DOBT could supervise border trade activities more smoothly and more effectively. Until 2009/2010 the DOBT had opened eleven border trade posts along the border areas. They are: Muse, Lwejel, Chinshwehaw at the Myanmar-China border area; Tachileik, Myawady, Kawthaung, Myeik at the Myanmar-Thailand border area; Tamu and Rhi at the Myanmar-India border area; Maungdaw and Sittway at the Myanmar-Bangladesh border area. As and when required, depending on the demanding situation, some new points are under consideration to be introduced. So, there are potentials and possibility for setting up of some new points along the Myanmar’s border areas.

At first, the DOBT continued to pursue “Import First Practice”. But, “Import First Practice” resulted in considerable trade deficit in Myanmar’s border trade accounts. Thus, “Export First Practice”, meaning that import was permitted only after the certification of export-earning by the respective bank, was adopted on 21 July 1997. Then, border trade method of payment in local currencies was suspended and normal trade method based on payment in US Dollar was introduced for all border trade transactions on 25 November 1997, with an exception of China. Then, border trade with China was also changed in agreement with normal trade practice on 2 February 1998.

However, despite the government adopted normal trade mechanisms for transactions with neighboring countries, traders had accustomed to conducting business through border trade practices. In normal trade practice, cash payment must be made by means of Letter of Credit (LC) and Telegraphic Transfer (TT) through the corresponding banks and designated banks of the two countries. However, despite the government adopted normal trade mechanisms for transactions with neighboring countries, traders had accustomed to conducting business through border trade practices. Besides, small traders on both sides of the borders, who are doing business in small scale under the border trade system, usually have no knowledge of the international trading practices and documentation procedures. So, they are not willing to transact business under the normal trade system. Therefore, with intention to remove some trade barriers and to boost volume of border trade with neighboring countries, the Ministry of Commerce allowed trading activities as of 15 November 2000 to be carried out with the use of Kyat or Yuan as well as US Dollar at the Myanmar-China border areas and Kyat or Rupee as well as US Dollar at the Myanmar-India border areas. Similarly, the Ministry of Commerce allowed trading activities as of 1 January 2001 to be carried out with the use of Kyat or Baht in addition to US Dollar at the Myanmar-Thai border areas. But, payments have to be made only in US Dollar at the Myanmar-Bangladesh border areas as prescribed in previous notification.

In addition, the DOBT has opened training courses for export/import matters to enable private entrepreneurs to get knowledge on international trade and to be able to systematically carry out export/import business in accordance with rules and regulations of export/import. Besides, the DOBT has organized the border trade fairs, business matching meetings and workshops in order to promote border trade volume. Similarly, extension of border check points and construction of roads at the border, and the establishment of border trade zones are the effective ways of trade promotion with neighboring countries. As a result, cross border trade of Myanmar is obviously growing. The volume and balance of Myanmar's border trade with neighboring countries from 1995/1996 to 2009/2010 can be seen in Table (1).

Table (1) Volume and Balance of Myanmar's Border Trade with Neighboring Countries (1995/1996-2009/2010)

(US$ Million)

Year	Export	Import	Volume	Balance
1995 – 1996	43.151	292.798	335.949	- 249.647
1996 – 1997	58.404	298.721	357.125	- 240.317
1997 – 1998	154.972	102.091	257.063	+ 52.881
1998 – 1999	146.300	153.968	300.268	- 7.668
1999 – 2000	196.402	147.992	344.394	+ 48.410
2000 – 2001	235.401	176.339	411.740	+ 59.062
2001 – 2002	292.995	212.839	505.834	+ 80.156
2002 – 2003	272.635	187.937	460.572	+ 84.698
2003 – 2004	307.307	224.492	531.799	+ 82.815
2004 – 2005	409.985	277.899	687.884	+ 132.086
2005 – 2006	479.615	298.521	778.136	+ 181.094
2006 – 2007	666.727	580.431	1247.158	+ 86.296
2007–2008`	746.680	582.850	1329.530	+ 163.830
2008–2009	657.300	619.180	1276.480	+ 38.120
2009–2010	664.350	719.330	1383.680	- 54.980

Source: Department of Border Trade

According to Table (1), the volume of border trade with neighboring countries steadily increased during the past fifteen years and reached the peak level of US$ 1383.680 millions in 2009/2010. However, in terms of trade balance, Myanmar got trade deficit in every year (except 1997/1998) up to 1998/1999. Especially, during 1995/1996-1996/1997, it was resulted considerable trade deficit for Myanmar over US$ 489 millions. This was because of Import First/Export Later System and illegal trade along the border areas. But, after the establishment of DOBT in 1996, the State could handle effectively and systematically on border trade. Especially, because of Export First/Import Later System which was introduced in 1997, the volume of border trade has increased year after year and Myanmar has maintained trade surplus by exporting her export items.

On the other hand, because of the trade liberalization measures including normalization of border trade, the volume of Myanmar's foreign trade gradually increased during the past fifteen years and reached the peak level of US$ 10687.750 million in 2009/2010. However, like many other developing countries, Myanmar had experienced persistent trade deficit until

2001/2002. Nevertheless, due to the systematic management of foreign trade, the trade deficit decreased gradually and the volume of trade increased yearly as shown in Table (2).

Table (2) Volume and Balance of Myanmar's Foreign Trade

(1995/1996-2009/2010) (US$* Million)

Year	Export	Import	Volume	Balance
1995 – 1996	896.947	1831.949	2728.896	- 935.002
1996 – 1997	928.482	1992.894	2921.376	- 1064.412
1997 – 1998	1036.030	2308.697	3344.727	- 1272.667
1998 – 1999	1081.741	2701.504	3783.245	- 1619.763
1999 – 2000	1433.242	2605.411	4038.653	- 1172.169
2000 – 2001	1960.863	2320.688	4281.551	- 359.825
2001 – 2002	2548.946	2734.492	5283.438	- 185.546
2002 – 2003	3074.509	2297.204	5371.713	+ 777.305
2003 – 2004	2355.831	2235.430	4591.261	+ 120.401
2004 – 2005	2914.879	1979.401	4894.280	+ 935.478
2005 – 2006	3553.754	1981.858	5535.612	+ 1571.896
2006 – 2007	5222.929	2928.386	8151.315	+ 2294.543
2007–2008	5882.800	3069.817	8952.917	+ 2812.983
2008–2009	6171.300	4145.633	10316.933	+ 2025.667
2009–2010	6881.517	3806.233	10687.750	+ 3075.284

* The data shown are based on the official exchange rate.

Source: ***Statistical Yearbook 2001, 2007**, **2010*** CSO, Yangon & Nay Pyi Taw

With the increased volume of Myanmar's foreign trade since the late 1988, there has been a sharp increase in revenue from tariffs which contributed the growth rate of Gross Domestic Product (GDP) and economic development of the country. Therefore, the first short-term four year plan (1992/1993- 1995/1996) achieved an average annual growth rate of 7.5 percent, the second short-term five year plan (1996/1997- 2000/2001) achieved an average annual growth rate of 8.5 percent, the third short-term five year plan (2001/2002-2005/2006) achieved an average annual growth rate of 12.8 percent and the fourth short-term five year plan (2006/2007-2010/2011) achieved an average annual growth rate of 11.2 percent.

Conclusion

In short, as a result of the trade liberalization measures since the late 1988, the role of private sector participation in both domestic and foreign trade has increased yearly. Moreover, the role of border trade has increased in Myanmar's foreign trade and the volume of Myanmar's foreign trade has also increased. Besides, legalizing cross border trade also increased government's revenue as well as economic growth. Nevertheless, Myanmar suffered persistent trade deficit in border trade up to 1998/1999 and in foreign trade up to 2001/2002. This was because of using Import First Practice. Besides, Myanmar exported mostly agricultural products and raw materials while its imports consisted largely of manufactured goods. But, after adoption of the Export First Practice, Myanmar has gained persistent trade surplus in border trade since 1999/2000 and in foreign trade since 2002/2003. However, although the government adopted free trade policy, some trade barriers and restrictions still exist in Myanmar's foreign trade. Furthermore, in spite of attempting to legalize border trade between Myanmar and its neighboring countries, illegal trade still remains along the border areas. In addition, dual exchange rate system until 2010 also hindered development of

Myanmar's border trade. Nevertheless, Myanmar's trade policy reforms during 1988-2010 contributed acceleration of economic growth and all round development of the country.

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