

**YANGON UNIVERSITY OF ECONOMICS
MASTER OF DEVELOPMENT STUDIES PROGRAMME**

**THE STUDY ON THE ECONOMIC RELATIONSHIP
BETWEEN CHINA AND MYANMAR**

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EMDevS-78 (14th Batch)**

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Master of Development Studies (MDevS) Degree

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ABSTRACT

This study examines the economic relationship between China and Myanmar and analyzes China's support in Myanmar's economy. The study uses a descriptive method. The required data and information are obtained from secondary sources, including official data and publications such as government statements and official documents, research papers, journals, articles, newspapers and published books, and internet websites. The study found that China is one of the major import partners as well as the second major export partners of Myanmar. China is a major supplier of consumer goods, machinery, equipment, and intermediate products for Myanmar. Chinese Foreign Direct Investment (FDI) in Myanmar has been increasing. The lack of competitors due to international sanctions over Myanmar also provides China with an ease of access to Myanmar, making it rely more on China. China's development assistance has been closely related to Chinese business relations in Myanmar. Overall, the Myanmar-China economic relationship has a positive impact on Myanmar's economy. However, the two economies are comparatively unbalanced, and Myanmar is facing long-term trade deficits with China. Exports to China should be diversified, and Myanmar should export more manufactured products.

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LIST OF ABBREVIATIONS

BEAC	Bid Evaluation and Awarding Committee
CNMC	China Nonferrous Metal Mining (Group) Co., Ltd
CPI	China Power Investment Corporation
CSO	Central Statistical Organization
DICA	Directorate of Investment and Company Administration
DICA	Directorate of Investment and Company Administration
DTT	Double Taxation Treaty
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
IDL	International Division of Labor
LDC	less developed countries
MEH	Myanmar Economic Holding Ltd.
MNPF	Ministry of National Planning and Finance
MOFCOM	Ministry of Commerce, People's Republic of China
NLD	National League for Democracy
NORINCO	North Industries Corporation (China)
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PSC	Production Sharing contract
SEE	State-owned Economic Enterprise
SET	Supporting Economic Transformation
SEZ	Special Economic Zone
SLORC	State Law and Order Restoration Council
SOE	State Owned Enterprises
TISCO	Taiyuan Iron and Steel (Group) Co., Ltd.

CHAPTER I

INTRODUCTION

1.1 Rationale of the Study

Myanmar and China call each other 'paukphaw', a Myanmar word for siblings. Paukphaw is not used for any other foreign country, reflecting Myanmar and China's close and cordial relationship. Historically Myanmar and China has been most important neighbors, sharing the longest border, of 2227 kilometers.

Against the background of closer diplomatic, political and security ties between Myanmar and China since 1988, their economic relations have also become stronger throughout the 1990s and up to the present. However, the year 1988 was also marked by the first set of international sanction, which would then be regularly re-imposed by the Western world on Myanmar. Thus, the mixture of political and economic factors led Myanmar to tighten its economic relations with China. Myanmar economic dependence on China; economic cooperation played an important role in the economic growth of the country; the volume of trade increased gradually and China became Myanmar's largest trading partner in 2011; foreign direct investment (FDI) from China improved notably after 2004 and made it the largest investor in Myanmar in 2010. Although economic ties with China contributed to the stability of Myanmar, they were also seen as a factor that hindered the country's reforms under military rule.

After a new Quasi-civilian government came to power in 2011, its rapidly improving relations with the USA and other developed countries enabled Myanmar to broaden and to restore balance in its external economic relations. Myanmar's economic dependence on China is likely to be affected and mitigated by this

development, though not very soon. Nevertheless, the bilateral economic relations will continue to have a strategic impact.

Furthermore, alongside the political and economic reforms in Myanmar after 2011, public opinion progressively became a possible determining factor in its political economy. Simultaneously, the USA and the EU lifted economic sanctions and the developed world began to provide a significant amount of ODA to support reforms and the progress of Myanmar's development

Myanmar's reforms have opened the door and provide more opportunities for Myanmar-China cooperation in the economy, trade, and culture on the one hand, and created some uncertainties about the economic relations of Myanmar-China on the other hand. Although it is uncertain whether Myanmar will implement a "one-sided" policy towards the western countries because of their pressure, China's national interests will be directly affected by Myanmar's political stance, economic development, social stability, and the smooth development of the economic relations of Myanmar-China because of China's significant interests in Myanmar.

China is one of major supplier of consumer and capital goods to Myanmar, in particular through border trade., Investment and China also provides a large amount of economic cooperation in the areas of infrastructure, state-owned economic enterprises (SEEs) and energy. It is worth studying the economic relations between Chia and Myanmar to trace for Myanmar's future economic development.

1.2 Objectives of the Study

The main objectives of the study are to address the evolving economic relations between China and Myanmar and to analyze how much China can support Myanmar's economy.

1.3 Method of the Study

In order to achieve the objectives of the study, descriptive method was used based on the secondary official data such as government statements and official documents, research papers, journals, articles, newspapers, published books, and internet websites.

1.4 Scope and Limitations of the Study

The study focus on economic relation between Myanmar and China for the period of 1989 – 2015. The study emphasis in the areas of Trade, Foreign Direct Investment (FDI), and Aid. As the study rely on secondary data, not complete information is available because it is not transparent and difficult to get official data.

1.5 Organization of the Study

This study is divided into five chapters. The first chapter is the introductory chapter with the rationale, objectives, scope and limitation of the study and method of study. The second chapter is literature review, that include economic relation, international trade, Foreign direct investment and Official Development assistance are very important to less-developed countries (LDCs) around the globe. The third chapter is economic country profile of Myanmar and Trade, FDI and ODA flow in Myanmar. The fourth chapter is analysis the economic relation between China and Myanmar. The fifth chapter concludes findings and suggestion.

CHAPTER-II

LITERATURE REVIEW

2.1 Economic Relations among the countries

Economic Relations among the countries is very crucial today because the modern world economy is a holistic system, which evolved gradually. World economy was formed with the evolution of the international division of labor, the process of internationalization of economic life of the countries of the world community, the integration of groups of countries into regional economic complexes of interstate regulation of social and economic processes and trans-nationalization of production. The beginning of the of the world economy is started with the international division of labor (IDL) associated with the exchange activity and its products between nation states. The division of labor between countries is a step in public territorial division of labor. Individual countries produced their specialization products to be cost effective and then those specialized products are exchanges. There are two basic forms in the international division of labor known as the international specialization and international production cooperation. A form of division of labor between the countries is called international specialization. In those countries, the increase in then concentration of homogeneous production is based on the progressive differentiation of the national production. The production of certain products for the global market is based on the specialization in the international division of labor which provide the specialization of countries and regions. As the result of the specialization of national industries that interact in the international division of labor, the international production cooperation is developed.

In the global economy International clustering is based on the specialization. That is also the form of the private and public division of labor in global economy. The international production cooperation is meant to include the country in the

international division of labor within the so-called vertical model of the international division of labor, while maintaining the autonomy of the production process within the national borders. International economic relations should lead to sustainable development of countries with optimum use of world's resources. the WTO states that members should conduct their trade and economic relations with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of development. There has been a significant increase in scientific and practical interest in international economic integration. In scientific terms, the international economic integration issues were well presented. Theories of economic integration can be divided into two groups – traditional ones, based on short-term static effects like trade creation and trade diversion, and new theories of economic integration, which introduced dynamic effects as criteria. The dynamic effects of integration are an expanding domestic market, increasing competitive advantages of particular industries, and redistribution of resources between the integrating parties. (Yuriy Kozak, Temur Shengelia, 2014)

2.2 International Trade

Trade is a basic economic concept involving the buying and selling of goods and services, with compensation paid by a buyer to a seller, or the exchange of goods or services between parties. Trade occurs when firms or consumers or even the government in one country purchase goods or services that are produced in whole or in part, in other. Trade can take place within an economy between producers and consumers. International Trade is the exchange of capital, goods, and services across international borders or territories. Economic transactions in international trade made between countries. Among the items commonly traded are consumer goods, such as television sets and clothing; capital goods, such as machinery; and raw materials and food. Other transactions involve services, such as travel services and payments for foreign patents. International trade transactions are facilitated by international

financial payments, in which the private banking system and the central banks of the trading nations play important roles. (Poon, J. P. H., & McConnell, J. E. 2004)

International trade allows countries to expand markets for both goods and services that otherwise may not have been available to it. International trade allows countries to expand their markets for both goods and services that otherwise may not have been available domestically. As a result of international trade, the market contains greater competition, and therefore more competitive prices, which brings a cheaper product home to the consumer. Because of international trade, the countries can exchange goods and service among them. Consumers and countries got the changes to be exposed goods and service that cannot get or expensive in their country domestically. Since Adam Smith and David Ricardo's time, the importance of international trade was well notice. Although there are many advantages in international trade, there are some argument that the international trade can be worsen the weak and undeveloped countries.

Paul R. Krugman and Maurice Obstfeld said in their book international economic that International trade often has strong effects on the distribution of income within countries, so that it often produces losers as well as winners. Income distribution effects arise for two reasons: Factors of production cannot move instantaneously and costless from one industry to another, and changes in an economy's output mix have differential effects on the demand for different factors of production. There is a well-known useful model of income distribution effects of international trade called the specific factors model, that allows for a distinction between general-purpose factors that can move between sectors and factors that are specific to particular uses. In this model, differences in resources can cause countries to have different relative supply curves, and thus cause international trade. In the specific factors model, factors specific to export sectors in each country gain from trade, while factors specific to import-competing sectors lose. Mobile factors that can work in either sector may either gain or lose. Trade nonetheless produces overall gains in the limited sense that those who gain could in principle compensate those who lose while still remaining better off than before. Most economists do not regard the effects of international trade on income distribution as a good reason to limit this trade. In its distributional effects, trade is no different from many other forms of economic change, which are not normally regulated. Furthermore, economists would prefer to address the problem of income distribution directly, rather than by

interfering with trade flows. Nonetheless, in the actual politics of trade policy income distribution is of crucial importance. This is true in particular because those who lose from trade are usually a much more informed, cohesive, and organized group than those who gain. (Paul R. Krugman and Maurice Obstfeld 2003)

2.3 Foreign Direct Investment

An investment made by a firm or individual in one country into business interest located in another country is called a foreign direct investment (FDI). FDI takes place generally when an investor creates foreign business operations or obtains foreign business assets in a foreign company. FDI can be different from portfolio investments in which an investor merely purchases equities of foreign-based companies. (FDI) is a global perspective of transacting businesses of a country made by a company/entity which exists in another country. In FDI, investment should be in the form of ownership/controlling ownership in the foreign company. Over the last few decades, foreign direct investment has been a matter of academic study (Globalization has inspired the companies to formulate various types of approaches to globalize their business, which results in activities like FDI. FDI can have both favorable and adverse impact on country's economy. The international monetary fund, foreign direct investment requires relationship on long term basis-which shows the interest of resident company in one's economy.

There are some arguments about Economic sustainability of host countries in regards to the national output and gross national product (for example Thomas, 2016). There are various case studies and articles which focus on FDI's determinate factors and the end results that are obtained. There is a heavy penalty and contributes to the overall goal of maintain the flow of funds and factors of production into the economy. It can be said that FDI has an impact on economic growth of the country. The Foreign direct investment requires new technology, capital and management skills. Foreign direct investment allows a company that engages in supply of important and consumable goods into the market and the services to the people to have the stability and certainty in the going concern over the foreseeable future. There are only two types of FDI which included the horizontal and the vertical all of which heavily contribute to sustaining the economy of countries and bringing stability and also a suitable currency which is not subject to fluctuations. These investments of business

are outside their own country that it operates at their own country (domestic country). In horizontal foreign direct investment company wants to take the advantage of international platform by selling their good and services all over the world with the help of globalization and foreign direct investment. It provides platform to companies to showcase their talent and take the advantage of same to increase the wealth of their domestic country. Foreign direct investments are commonly made in open economies that offer a skilled workforce and above-average growth prospects for the investor, as opposed to tightly regulated economies. Foreign direct investment frequently involves more than just a capital investment. It may include provisions of management or technology as well. (Selma .K.Kastrati,2013)

The key feature of foreign direct investment is that it establishes either effective control of or at least substantial influence over the decision-making of a foreign business. Foreign direct investments are commonly categorized as being horizontal, vertical or conglomerate. A horizontal direct investment refers to the investor establishing the same type of business operation in a foreign country as it operates in its home country, for example, a cell phone provider based in the United States opening stores in China. A vertical investment is one in which different but related business activities from the investor's main business are established or acquired in a foreign country, such as when a manufacturing company acquires an interest in a foreign company that supplies parts or raw materials required for the manufacturing company to make its products. A conglomerate type of foreign direct investment is one where a company or individual makes a foreign investment in a business that is unrelated to its existing business in its home country. Since this type of investment involves entering an industry in which the investor has no previous experience, it often takes the form of a joint venture with a foreign company already operating in the industry. (Khaldoun .M.Q, 2017)

2.4 Official Development Assistance (ODA)

Foreign aid refers to transfer of real resources from governments or public institutions of the richer countries to governments of less developed countries (LDCs) in the third world. The flows of foreign resources can be of many types and it is important to know the different elements. Foreign capital flows are generally divided into two broad streams, official and private. The official capital flows are in turn

subdivided into bilateral and multilateral flows. Official bilateral flows consist of capital provided by government of donor to government of recipient countries. Multilateral flows consist of capital flows from multilateral organizations such as the World Bank, the United Nations, the IMF. Both types of the official flow can take the form of grants, loans or grant-like contributions.

Grants should be considered as the most desirable type of foreign aid since they represent a net addition to the resources available for development purposes. Some loans are given by the international lending agencies (i.e. World Bank) at interest rates which are lower than those in the capital markets. Where the loans are granted to the LDC's at a concessionary rate for very long periods, say for 40-50 years, the inflow of foreign resources take the character of foreign aid as foreign private investment in the LDC's are not exactly foreign aid because they are made on commercial terms.

Foreign aid is very important to many less-developed countries (LDCs) around the globe. It can have a substantial effect on their improvement by providing much-needed programs that provide jobs, healthcare and sustainability to the regions of the globe that need it most. Providing aid to LDCs can also promote positive outcomes for the country giving aid. (OECD, 2016) .There are 10 reasons why providing foreign aid to LDCs is so important:

It can be used as humanitarian aid. This form of aid is generally given during times of great distress such as natural disasters until the state can support the disaster relief effort. The European Consensus on Humanitarian Aid categorizes humanitarian aid as a "...needs-based emergency response aimed at preserving life, preventing and alleviating human suffering, and maintaining human dignity wherever the need arises if governments and local actors are overwhelmed, unable, or unwilling to act."

It can help LDCs fight against diseases such as HIV/AIDS. HIV and AIDS are still a major threat in countries such as Africa and require support from other countries willing to help with the crisis. Organizations and governments around the globe, such as UNITAID and PEPFAR, provide aid to help fight HIV/AIDS in LDCs. A new plan submitted by UNAIDS projects the end of the HIV epidemic as a public health threat by 2030. The new plan would need \$26.2 billion by 2020 and an additional \$22.3 billion by 2030 to eliminate the disease.

It helps with economic growth in LDCs. Aid is generally given in countries that are characterized as low income or that have high unemployment rates. This results in low savings and investments, meaning the capital stock is small. Countries

that are provided aid need rapid economic development. Providing aid stimulates the growth of the world economy along with promoting economic development within the region.

It can help with market expansion. Providing aid to a country could mean the expansion of goods and resources that can be shared between the two countries. This can attract new investors into the country further improving the LDCs economy.

It helps with basic infrastructure in LDCs. Another key component to promoting a strong economy is the expansion of a well-developed infrastructure. Basic necessities such as transport, communication, power, education, health services and industry serve as key components to building a strong and long-lasting infrastructure.

It helps promote improvements in agriculture. Aid can be used to teach farmers how to utilize their land and resources more efficiently to produce more crops. This, in turn, provides vitamin and nutrient giving foods to people living in LDCs.

It can help with poverty relief. In 2013, 767 million people (10.7 percent of the world population) lived on less than \$1.90 a day, well below the world poverty line. This is a drastic improvement from the 1.85 billion in 1990 and the number has gotten significantly better over the years. However, there is still much to do. Many of the global poor live in rural areas where they do not have access to adequate medical treatment and education.

It helps LDCs grow and become more independent. By providing aid to promote health, education, and infrastructure, LDCs can focus more on growing their economies. By reducing the amount of disease and poverty, citizens of these regions will be able to flourish and contribute to the growth of the country.

It promotes political ties. Aid can be used to establish and strengthen the connection between the donor and recipient countries. Aid is given to both LDCs and developed countries alike to promote solidarity and companionship.

It makes the world safer. Providing LDCs with aid and development reduces the threat of terrorist organizations by alleviating poverty in susceptible countries. A study provided by the RAND Corporation concluded that development is a more effective strategy against terrorism than military force.

There are two types of ODA. Bilateral aid is provided directly from the governments of other countries, often through a dedicated aid department such as the U.S. Agency

for International Development (USAID), or the UK Department for International Development (DFID). Multilateral aid is provided from the budgets of intergovernmental international organizations, such as the European Union, the World Bank, and the Asian Development Bank. While all multilateral aid organizations receive their funding from bilateral donors, these funds must be pooled under that organization's management, strictly limiting how much bilateral donor agencies can control the flow of finances after the commitment to the multilateral organization has been made. Funding that is disbursed through multilateral organizations but earmarked by the original donor is regarded as bilateral. (Drew Hazzard, Project B. 2017)

2.5 Reviews on Previous Studies

Maung Aung Myoe, (2011) studied the China- Myanmar policy since 1948 .In his book " In the name of Pauk- Phaw ",he analyzed China- Myanmar relation through three parts, Sino-Myanmar Relations 1948-1962: The Years of Charting the Water, Sino-Myanmar Relations 1962-1988:Years of Living Dangerously, Sino-Myanmar Relations: Toward Closer Cooperation. It concluded that since 1950s, the Myanmar government has realized that bilateral relations with China can best be conducted in the context of promoting the five principles of peaceful coexistence the Bandung spirit and the Pauk-Phaw friendship. As the result of personality ad policy style since 1962, the activism of Myanmar's foreign policy has become less pronounced. Revolutionary Council was determined to eliminate outside interference at all costs. Myanmar's china policy since 1988, unlike its previous cautious and balanced approach, has seen the country being drawn closer to China in the context of changes in the domestic and external environment.

Hitke Htike Thu, (2013), conducted a study about "Myanmar – Thailand Economic Relations". The purpose of the study is to identify the current status of trade relations and investments between Myanmar and Thailand and to examine the development of and changes in Myanmar-Thailand economic relations. The study based on secondary data review. The key finding is that the trade relations between Myanmar and Thailand is more significant in terms of value and volume than other neighboring countries. In Myanmar, there are less trade surplus less degree of openness than Thailand. Thailand is second largest foreign investor in Myanmar especially in investment of natural gas production. The study concluded that the

economic relationship between Myanmar and Thailand would be improved. Thailand investment in Myanmar can be increased.

Aye Khine Khine Tun, (2015), studied on the title “Bilateral Trade Relation between Myanmar and China”. The objective of the study is to explore the performance of bilateral trade between Myanmar and China. The study focus on trade of Myanmar and China from 2000-2001 to 2013-2014. She found that China’s export to Myanmar are based primarily on value-added products which are mainly textile, steel and oil refined products. China imports from Myanmar are led by primary products such as raw wood, sawn timber, natural rubber and cane products. China is the first major trading partners of Myanmar in 2013-2014. The study suggested that Myanmar should limit its imports from China. International trade sector needs to take the lead in striving for the development of export – oriented production and import substitute. Myanmar should be diversified and value-added. The bilateral trade development is the one of the main pillar in increasing the foreign exchange earnings of the nation.

CHAPTER III

AN OVERVIEW OF MYANMAR ECONOMY

3.1 Background of Myanmar Economy

Myanmar is situated in Southeastern Asia, with total land area of 6765775 square km and bordering the Andaman Sea and the Bay of Bengal, between Bangladesh and Thailand. It's land boundaries is total of 5876 km and bordered with the countries: Bangladesh (193 km), China (2185 km), India (1463 km), Laos (235 km) and Thailand (1800 km). Myanmar is a resource-rich country and possesses vast cultivable land, lush forests, navigable river systems, a large coastline, area of different minerals and gems, oil and gas reserves and 1930 km of coastline is possessed. It has 12 nm of territorial sea area and 24 nm of contiguous zone and 200 nm of exclusive economic zone. The length of continental shelf is 200 nm or to the edge of the continental margin. Most natural resources exploited in Myanmar are petroleum, timber, tin, antimony, zinc, copper, tungsten, led, coal, marble, limestone, precious stones, natural gas and hydropower. Agricultural processing, wood and wood products, copper, tin, tungsten, iron, cement, construction materials, pharmaceuticals, fertilizer, oil and natural gas, garments, jade and gems are the most industries operating in Myanmar.

Since 2011, government reforms and the subsequent easing of most Western sanctions led to accelerated growth, from under 6% in 2011 to roughly 7% in 2013 through 2017. Economic growth remains strong by regional and global standards but is slowing. Myanmar's economy grew at 6.8 percent in 2017/18, driven by strong performance in domestic trade and telecommunications, but offset by slowing growth in manufacturing, construction and transport sectors. Real GDP growth is projected to moderate to 6.2 percent in 2018/19. Exchange rate in the first half of 2018 (period average): 1 342.8 (MMK/USD)

Table (3.1) Annual Growth Rate of Myanmar GDP (2009 to 2018)

Sr.	Year	GDP Growth Rate(%)
1	2009	5.14
2	2010	5.35
3	2011	5.60
4	2012	7.30
5	2013	8.40
6	2014	8.00
7	2015	7.30
8	2016	6.30
9	2017	5.9
10	2018	6.8

Source: Tradingeconomic.com and Central bank of Myanmar

Myanmar is emerging as a natural gas exporter; socio-economic conditions have deteriorated under the mismanagement of the previous regime. Approximately 32% of population lives in poverty and Myanmar is the poorest country in Southeast Asia. In 2010-11, the transfer of state assets especially real estate to military families under the guise of privatization policy widened the gap between the economic elite and the public. Serious macroeconomic imbalances hits Myanmar economy including multiple official exchange rates, fiscal deficits, lack of commercial credit, unpredictable inflation, unreliable economic data, and an inability to reconcile national accounts. Weakness of the rule of law in investment deters the inflow of foreign investment.

In recent years, except from natural gas, power generation, timber. and mining, other industries cannot attract to invest foreign investors into Myanmar. Thus the most productive sectors will continue to be in such extractive industries as oil and gas, mining, and timber. However significant environmental degradation can be mused due to the extraction of mining and timber. Other sectors of manufacturing, tourism, and services are facing with the poor infrastructure, unpredictable trade policies, underdeveloped human resources, and inadequate access to capital for investment. There is limitation to the private sector's access to credit because private banks are operating under tight domestic and international restrictions.

During the past decade the United States, the European Union and Canada had imposed financial and economic sanctions on Myanmar. US sanctions prohibited most financial transactions with Myanmar entities and banned imports of Myanmar

products. These sanctions affected the country's fledgling garment industry, isolated the struggling banking sector and raised the costs of doing business with Myanmar companies, particularly firms tied to Myanmar regime leaders. Thus Myanmar had taken new liberalization in the economy in responding these sanctions. In 2011, the government measured initial steps toward reforming and opening up the economy by lowering export taxes, easing restrictions on its financial sector, and reaching out to international organizations for assistance.

Myanmar's major agricultural products are rice, plum, beans, sesame, groundnuts, sugarcane, fish and fish products and hardwood. Natural gas, wood products, pulses, beans, fish, rice, clothing, jade and gems are Myanmar's export commodities and Thailand, China, India and Japan are major export partners. Myanmar imports the products of fabric, petroleum products, fertilizer, plastics, machinery, transport equipment, cement, construction materials, crude oil, food products and edible oil. Major import partners of Myanmar are china, Thailand, Singapore, South Korea, Malaysia and Japan. External debt reached 14.9 USD billion is appeared in Myanmar according to 31 December 2018 estimated data. Current Account recorded a deficit of 138.2 USD million in Dec 2018. Foreign Direct Investment (FDI) increased by 109.0 USD million in Dec 2018.

3.2 Trade in Myanmar

Trade relations between Myanmar and its neighbors have existed since the earliest days of Myanmar's history. The governments of State Law and Order Restoration Council and State Peace and Development Council (SLORD) initiated the reforms in economic sectors including trade sector. Myanmar has pursued export-led growth policy, the government has encouraged export promotion through liberalization of trade policy. To be in line with the changing economic system, the ministry of commerce amended export and import policies and procedures with a view to developing external markets and adopted trade strategies to export all exportable surpluses, to import all the country's required goods and to utilize human and natural resources effectively. It also promoted external trade not only in traditional exports but also more value-added commodities.

Myanmar foreign trade is mainly with Asian countries. Myanmar became an ASEAN member in 1997 and chair of ASEAN in 2014. Trade with other ASEAN

members is around 40% of Myanmar's total imports and around 50% of its total exports. (WTO,2014)

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.

Departing from Socialist economy and marching toward Market-oriented economy, trade sector grew to some extents. The table shows the volume of trade in Myanmar from the year 1989 to 2015 is shown in Table (3.2).

Table (3.2) Exports, Imports and Trade Volumes in Different Periods**(Kyats in Millions)**

Year	Export	Export %	Import	Import %	Trade Volume	Trade Balance
1988-1989	2168.9	39%	3443	61%	5611.9	-1274.1
1989-1990	2834.1	45%	3395	55%	6229.1	-560.9
1990-1991	2952.6	35%	5522.8	65%	8475.4	-2570.2
1991-1992	2952.9	36%	5336.7	65%	8262.6	-2383.8
1992-1993	3590	36%	5365.3	54%	9855.3	-1775.3
1993-1994	4227.8	35%	7923.3	65%	12151.1	-3695.5
1994-1995	5405.2	39%	8332.3	61%	13737.5	-2927.1
1995-1996	5043.8	33%	10301.6	67%	15345.4	-5257.8
1996-1997	5487.7	32%	11778.8	68%	17266.5	-6291.1
1997-1998	6446.8	31%	14366.1	69%	20812.9	-7919.3
1998-1999	6755.8	29%	16871.7	71%	23627.5	-10115.9
1999-2000	8947.3	35%	16264.8	65%	25212.1	-7317.5
2000-2001	12736	46%	15073.1	54%	27809.1	-2337.1
2001-2002	17130.7	48%	18377.7	52%	35508.4	-1247
2002-2003	19955.1	57%	14910	43%	34865.1	5045.1
2003-2004	14119.2	51%	13397.6	49%	27516.8	721.6
2004-2005	16697.3	60%	13397.6	48%	28035.3	3299.7
2005-2006	20646.6	64%	11514.2	36%	32160.8	9132.4
2006-2007	30026.1	64%	16835	36%	46861.1	13191.1
2007-2008	35296.8	66%	18418.9	34%	53715.7	16877.9
2008-2009	37027.8	60%	24873.8	40%	61901.6	12154
2009-2010	45521.4	64%	25088.4	36%	70609.8	20433
2010-2011	53166	58%	38476.2	42%	91642.2	14689.8
2011-2012	54813.6	50%	54210.6	50%	109024.2	603
2012-2013	7746191	50%	7825491	50%	15571681.5	-79300
2013-2014	10761576	45%	13216165	55%	23977741.3	-2454589
2014-2015	12464338	43%	16553761	57%	29018099.1	-4089423
2015-2016	13626888	40%	20284387	60%	33911275	-6657499

Source: Central Statistical Organization

Before 2002-2003 FY, trade sector showed deficits and exports were less than imports. Starting from 2002-2003 FY till to 2010-2011 FY, trade sector could generate surplus sign because of the imposition of several regulations. It can be clearly viewed the state of trade balance between 1989-1990 FY and 2010-2011 FY.

Trade volumes between 2011-2012 FY and 2015-2016 FY increased dramatically because of the abolishment of trade restriction especially import restrictions. Trade volume in 2011-2012 FY was 109024.2 Kyats in millions and 33911274.98 Kyats in millions in 2015-2016 FY is shown in Table 3.2.

The export in 2011-2012 FY was 54813.6 Kyats in millions and 13626888.1 Kyats in million in 2015-2016 FY. The export in 2015-2016 FY was 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 was 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.

Both export and import volume has been increased from FY 2000-2001 to 2015-2016 except in FY 2003-2004 and FY 2004-2005. From FY 2002-2003 to 2011-2012, Myanmar can export more than its import resulting trade surplus from 2012-2013 to 2015-2016. The export , import and total trade volume significantly increased start from 2012-2013 when the sanction is released. However trade balance is still deficit as import volume is more than that of export.

Since import growth rate was much more than export growth rate, the trade balance shows trade deficits. Trade balance in 2011-2012 FY was 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 was 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 welfare of the country. It's terms of trade are decreasing and others are ascending, it is termed as immiserating growth according to Jagdish Bhagwati. Terms 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 immiserating growth of the country, a usual experience of the developing world as seen in Table 3.3.

Table (3.3) Terms of Trade in Different Periods

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: Statical Year Book , 2017

3.2.1 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 (3.4), 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.

Table (3.4) Values of Trade and Other Activities in GDP (in 1989-90 ,95-96,00-01,10-11,15-16) (Kyats in Millions)

Trade and Activities	1989-1990	1995-1996	2000-2001	2005-2006	2010-2011	2015-2016
Agriculture	19088.8	24764.7	33858.9	1878319	11108404	11357413
Livestock and Fishery	3630.3	4557.1	8310.3	444564.1	3392103.2	4820334.8
Forestry	870	740.3	866.5	17074.2	158453.7	128429.9
Energy	323.3	153.4	511.2	9221	66994.9	88366.9
Mining	448.4	724.3	1858.8	23950.3	299433.4	512226.7
Processing and Manufacturing	4555	6191.6	10170	532178.5	7900494	12496231
Electric Power	-	660.4	1092.9	5706.6	421882.7	716282.5
Constriction	913.1	6553.8	4190.5	144270.5	1839334.7	3149649.8
Transpiration	1841.1	2841.5	4549.5	359877.4	4594356.4	7133374.6
Communication	347.1	862.6	2149.4	32477.8	332227.1	2639379.8
Financial Institutions	229.4	997.8	2131.1	10237.7	37715.4	223775.5
Social and Administrative Service	3286.5	4470.9	5967.5	69937.3	915719.6	1506569.0
Rental and Other Services	2232.3	2805.5	3762.3	73109.0	738484.2	1417942.3
Trade	11117.8	14306.5	20945.1	1074296.5	7971161.2	10286249
Total GDP	48883.1	70630.4	100364	4675219.6	39776765	56476225

Source: Central Statistical Organization

3.2.2 Trade Patterns of Myanmar in terms of Direction of Trade

In the first half period (from 1989-1990 FY to 1996-1997 FY) under SLORC regime, about eighty percent 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 Table 3.5.

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.

In the second half period (1997-1998 FY to 2010-2011 FY) under SPDC regime, about eighty three percent 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. Due to 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 Table 3.5.

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.

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 Table 3.5.

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.

(Table 3.5) Directions of Exports in Different Periods since 1988**(Kyats in Millions)**

Country	1988-1989	1989-1990	1990-1991	1991-1992	1992-1993	1993-1994	1994 -1995	1995-1996	1996- 1997	1997-1998
SOUTH EAST ASIA	372.29	720.59	1274.86	1365.08	1276.69	1781.69	2373.43	2105.57	2062.74	1858.29
REST OF ASIA	1512.31	1659.87	1499.89	1357.42	1777.82	1845.68	1737.71	2126.12	2341.45	3503.5
MIDDLE EAST	15.59	51.23	11.18	18.48	14.07	26.83	19.16	17.05	34.01	60.13
AMERICA	11.31	10.87	19.27	33.5	76.29	170.42	284.67	260.5	317.61	278.42
NORTH WEST EUROPE	76.35	151.39	91.6	69.1	112.28	124.61	93.2	139.16	216.71	330.53
SOUTH EUROPE	0.71	2.85	0.78	2.47	3.42	21.46	15.84	17.31	68.87	77.17
EAST EUROPE	0.01	11.31	-	-	0.14	0.8	39.71	37.11	8.75	3.28
AFERICA	33.72	80.63	53.89	85.45	148.22	187.82	290.79	32.53	50.68	4.63
OCEANIA	0.16	0.1	0.01	0.01	15.79	11.3	12.59	31.3	30.51	32.3
OTHERS	170.2	157.64	10.43	0.3	230.69	57.28	538.07	277.13	356.36	298.53

Source: Central Statistical Organization

(Table 3.5) Continued Directions of Exports in Different periods since 1988**(Kyats in Millions)**

Country	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004 -2005	2005-2006	2006- 2007	2007-2008
SOUTH EAST ASIA	1766.96	1932.32	3332.71	7694.42	8922.88	6265.3	9128.64	10624.3	15995.1	19359.4
REST OF ASIA	3749.01	3390.84	4559.47	5439.93	6856.76	5540.28	5762.02	8008.98	12053	13778.6
MIDDLE EAST	60.27	91.75	83.24	403.57	393.85	141.29	240.91	388.97	431.11	614.3
AMERICA	264.43	625.83	1699.02	1970.24	2202.57	659.9	79.99	207.08	134.17	107.89
NORTH WEST EUROPE	471.93	401.66	639.76	919.75	858.76	831.52	612.5	974.48	924.17	860.53
SOUTH EUROPE	64.44	119.03	330.44	510.49	521.46	529.01	701.28	281.43	300.85	266.04
EAST EUROPE	16.62	78.51	56.18	52.72	100.92	79.79	81.28	41.59	20.94	31.98
AFERICA	49.55	2.38	18.38	2.46	1.2	0.6	0.34	15.37	24.15	187.24
OCEANIA	39.86	60.01	78.54	136.41	96.08	69.19	89.85	103.8	142.3	90.56
OTHERS	2244.97	1938.31	0.74	0.58	2.28	0.72	0.65	0.32	0.35	15.31

Source: Central Statistical Organization

Table (3.5) Continued Directions of Exports in Different Periods since 1988**(Kyats in Millions)**

Country	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014 -2015	2015-2016
SOUTH EAST ASIA	21116	24953	23585	28060.1	3908638	5088341	5208982	4876455.7
REST OF ASIA	13518.6	17582	27010.4	23585.9	3462755	5295850	6683718	7956157.6
MIDDLE EAST	518.27	711.3	696.54	695.34	108034	97780.1	129045	144137.72
AMERICA	91.26	69.12	97.32	308.58	40564.6	49792.9	82238.3	165917.45
NORTH WEST EUROPE	701.08	615.6	554.82	624.6	81457.1	120026	224172	297195.35
SOUTH EUROPE	213.34	222.78	239.82	230.7	34584.8	59273.2	62661.6	85638.364
EAST EUROPE	48.26	55.92	292.92	153.18	36560.8	26788.7	57476.3	77110.012
AFERICA	665.39	1240.2	557.76	1039.68	63621.1	8763.42	5692.89	10840.92
OCEANIA	140.25	74.7	106.5	53.28	8723.85	12784.4	10360.7	13410.44
OTHERS	0	62.16	1259.82	2228.39	0	0	24.9	272.75

Source: Central Statistical Organization

In the second half period (1998-1999 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. And directions of imports from Southeast Asia region is more than from Rest of Asia region. 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 Table (3.6)

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. 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. 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 Table (3.6)

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.

Table (3.6) Directions of Imports in Different Periods since 1988 (Concluded)

(Kyats in Millions)

Country	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004 - 2005	2005-2006	2006-2007	2007-2008
SOUTH EAST ASIA	9743.6	8686.11	7064.29	8819.99	8017.82	6525.58	5579.12	5852.9	8981.93	8644.9
REST OF ASIA	6094.56	6173.28	6726.96	8013.39	5907.95	6102.16	4938.51	4538.21	6792.75	8613.55
MIDDLE EAST	2.26	69.91	95.1	79.54	119.42	109.02	72.54	114.72	142.98	160.48
AMERICA	216.41	583.91	162.79	227.59	165.16	146.13	172.9	487.02	269.36	157.09
NORTH WEST EUROPE	535.66	524.86	718.23	1010.71	537.48	413.85	321.49	248.58	358.8	490.85
SOUTH EUROPE	110.63	111.64	179.09	78.12	48.41	14.97	16.27	24.57	65.84	60.13
EAST EUROPE	0.64	20.68	14.35	2.4	0.5	18.41	10.42	25.58	21.68	56.13
AFERICA	0.22	1	0.03	12.98	0.19	1.81	3.55	6.4	12.1	16.01
OCEANIA	164.85	86.83	111.72	128.76	110.16	63.88	221.79	205.78	181.21	209.08
OTHERS	6.62	0.51	4.17	2.9	1.75	1.96	10.41	8.3	10.69	5.22

Source: Central Statistical Organization

Table (3.6) Continued Directions of Imports in Different Periods since 1988 (Concluded)

(Kyats in Millions)

Country	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014 -2015	2015-2016
SOUTH EAST ASIA	1173.41	11532.8	17043.6	24123.4	3349457	5530052	7341545	7888494
REST OF ASIA	9738.82	12007.6	18095.6	24971.6	3912573	6902700	7921842	1.1E+07
MIDDLE EAST	126.1	272.34	852.84	1104.78	122237	158235	240534	320113
AMERICA	3006.78	158.16	496.08	1766.7	120460	144672	553166	276346
NORTH WEST EUROPE	537.38	611.58	1118.22	1400.46	199320	204531	226760	306030
SOUTH EUROPE	61.53	50.16	228.78	201.54	16835	126538	116983	95671.7
EAST EUROPE	49.03	51.42	65.46	63.6	20390.2	37200.6	47961.6	55770.8
AFERICA	13.8	34.62	19.64	49.38	4167.77	13072.6	27429.4	29745.2
OCEANIA	161.73	355.14	532.26	501.6	75779.3	96934.9	80407.1	124169
OTHERS	14.64	23.88	27.24	4279.95	2228.39	149.289	4588.43	

Source: Central Statistical Organization

3.3 Foreign Direct Investment in Myanmar

After transforming the economy from a centrally-planned system to a market-oriented one, the government implemented a series of liberalization measures in order to promote and raise the level of investments in almost every sector of the economy. In particular the government encouraged the private sector to participate pro-actively in foreign direct investment activities. The government tried to attract FDI by enacting the Foreign Investment Law (FIL) in November 1988, which allows 100 % ownership for foreign companies. After the foreign investment law was enacted, the government has attracted 18 foreign enterprises with the total investment of \$ 449.487 million in 1989-1990 period, 22 foreign enterprises with \$ 280.573 million in 1990-1991, and 4 enterprises with \$ 5.893 million in 1991-1992. In brief, FDI inflows into the country gradually increased from 1989 to 1996. But the amount of inflows decreased continuously from the year 1996-1997 due to the Asian Financial Crisis in that time. However, the amount increased again in 2004-2005 and 2005-2006 periods due to major investments in the power sector made by Thailand. In 2008-2009, the total investment increased to an amount of \$ 984.446 million and rose sharply again in 2011 with the amount of \$ 1997.968 million. All the investments during this period came mainly from Asia, the UK and Russia. The approved amount of FDI inflows are shown in the following table (3.7). After the amendment of Foreign Direct Investment law in 2012 that improved in the financial, taxation, trade, investment and industrial regulations, the numbers of enterprises that invested in Myanmar notably increased.

Table (3.7) Foreign Direct Investment in Myanmar (1989-2015) US\$ million

Year	No of Enterprises	Approved Investment
1989-90	18	449.487
1990-91	22	280.573
1991- 92	4	5.893
1992- 93	23	103.785
1993- 94	27	377.184
1994-95	36	1352.295
1995-96	39	668.166
1996-97	78	2814.245
1997-98	56	1012.917
1999-00	14	58.150
2000-01	28	214.490
2001-02	7	17.500
2002-03	9	86.900
2003-04	8	91.200
2004-05	15	158.300
2005-06	5	6,065.700
2006-07	12	719.700
2007-08	7	203.200
2008-09	5	984.800
2009-10	7	329.600
2010-11	25	19,999.000
2011-12	13	4,618.160
2012-13	94	1,419.450
2013-14	122	4,088.470
2014-15	209	7,963.520
Total	893	54082.685

Source: Statistic Year Book (Various Years)

The distribution of FDI among the various economic sectors is depicted in table (3.8). Until 1994-1995, the sector receiving the highest FDI was the oil and gas sector followed by fisheries, hotel and tourism and the manufacturing sector. As shown in table (3.8), the manufacturing sector received foreign investments almost every year since 1989-1990, amounting to \$923.561 million in 1996-97, because Myanmar is a resource-rich country and labor costs per worker are low. Before the Asian Financial Crisis in 1997-1998, the picture was a slightly different one: the largest investment receiving sector then was the manufacturing sector followed by oil and gas sector. Due to the economic sanctions by US and Western countries, the amount of FDI in the manufacturing sector decreased significantly after 2002-03 period. Companies in the garment industry are the main FDI recipient in the manufacturing sector, and the FDI-inflows declined sharply after US economic sanctions were put in place. In November 2013, the manufacturing sector was ranked third in terms of FDI with 294 projects and US \$3455 million.

Since Myanmar is rich in oil and gas, the government invited foreign investors to carry out oil and gas exploration after 1989. As a result, a large amount of investment flowed into the sector. The inflow of FDI into the oil and gas sector amounted to \$ 298.045 million in 1989-90. But the inflows declined to US \$172.100 million in 1997-98. Despite the US-sanctions in 2003 the investment in the oil and gas sector still dominated the FDI-statistics in that year with a total capital of US \$ 44.00 million. Myanmar offers a good potential to exploit its rich onshore gas fields with the most advanced technology. Thus large amounts of foreign investment became vital for the development of that sector and increasing the country's foreign trade revenue. The amount of investment totaled US \$ 10179.300 million in 2010-11. In 2013-14, the total amount of investment reached up to US \$14,372 million, and thus became the sector ranked second in terms of FDI.

The power sector accounted for nearly US \$ 6030.00 million in 2005-06, and the cumulative amount of total investments in the power sector was the highest amount in the year 2013-14 with US \$ 19284 million, because the distribution of electricity was still low for domestic consumption purposes. In regard to the mining sector, the inflows of FDI were US \$54.100 million in 1988-89. But that amount decreased continuously until 1994-95. The Myanmar Mining Law was enacted in 1994, and the amount of FDI inflows then increased again in 1995-96 with the total

amount of US \$155.779 million. This sector was ranked fourth in terms of FDI in 2013-14 with US \$2834 million.

According to the Central Statistical Organization of Myanmar (CSO) in 2013, the power sector accounting for the highest FDI followed by oil and gas, manufacturing, mining, hotel and tourism and the real estate sector. The agricultural sector only received the total amount of US \$192 million in 2013-14.

In 2014, a total of 684 foreign enterprises in 12 sectors from 32 countries were permitted to invest US \$ 46.225.570 million up to the end of March 31. China is the leading investor with the total amount of US \$ 14237.589 million followed by Thailand and Hong Kong, accounting for 30.80%, 21.85 %, and 14.06 % respectively of the amount being allowed to invest. It is clear that China is still the biggest investor in Myanmar and being engaged in almost all sectors of the economy, such as livestock and fisheries, manufacturing, mining, oil and gas and the power sectors. The sector favored by China was the mining sector receiving nearly US \$ 868.388 million from 11 enterprises, and the power sector was ranked second with the amount of US \$ 281.222 million for the Shweli (1) hydropower project and a joint venture with department of hydropower implementation. The oil and gas sector received US \$ 174.509 million for exploration and production of petroleum and gas from China. The sources of FDI invested in Myanmar are coming mostly from ASEAN countries. Those sources of FDI are shown in table (3.9)

Table (3.8) Yearly Approved Investment Total by Sectors in Myanmar

Year	Agriculture		Construction		Fishing		Hotel& Tourism		Industrial Estate		Manufacturing		Mining		Oil & Gas		Power		Red Estate		Transport		Other	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
1989-90							2	81.500			6	15.842	1	54.100	9	298.045								
90-91					4	77.308	6	86.400			6	42.713	4	55.102	2	19.050								
91-92											4	5.893												
92-93	1	2.690			4	5.848	2	3.025			4	13.342	4	33.380	7	44.500					1	1.000		
93-94					2	7.604	12	311.458			9	17.752	2	20.870	2	19.500								
94-95					3	148.208	7	86.062			20	76.700	1	0.500	3	1039.56					2	1.300		
95-96					2	13.067	5	79.190	1	12.000	4	21.292	15	155.779	1	14.8000			6	251.450	4	11.922	1	1.666
96-97	1	5.991	1	17.267	2	17.502	5	114.924	2	181.113	29	923.561	15	178.299	10	659.603			8	623.500	3	47.865	2	8.623
97-98	1	5.670			1	5.819	1	274.892			31	319.215	1	3.331	12	172.100			4	122.190	3	106.30	2	3.400
98-99					1	4.755					5	43.296	4	4.885										
99-2000					1	3.261	2	15.500			8	18.139	2	16.000	1	5.250								
2000-01	1	20.00	1	20.500			1	5.250			17	77.390	2	1.112	4	47.550				28.000	1	7.885	1	10.000
2001-02											6	15.752			1	3.250								
2002-03					3	26.386					1	13.180	1	3.382	4	44.000								
2003-04					1	2.600					1	2.820	1	1.450	3	54.300					2	30.0		
2004-05							1	3.500			1	3.520	4	6.000	9	142.550				2.713				
2005-06													1	0.700	3	34.975	1	6030.0						
2006-07					1	12.00									11	471.480	1	281.22						
2007-08							1	15.000			2	18.720	1	5.000	3	137.000								
2008-09							1	15.250					1	855.996	3	114.000								
2009-10											1	6.0000	1	2.500	4	278.600								
2010-11	3	138.750									4	65.321	3	1396.077	12	10179.3	3	8218.52						
2011-12	0										5	32.254	2	19.897	5	247.697	1	4343.98				0.634		
2012-13	2	9.650			1	23.116	1	300.000			78	400.716	1	15.334	6	309.20	1	364.201					4	14.766
2013-14	3	9.210					4	432.110			52	1321.76	1	4.040			1	46.511	3	172.697			2	1.300
Total	12	192	2	38	26	347	51	1826	3	193	294	3455	68	2834	115	14372	8	19284	21	1201	16	314	12	40

Source: Central Statistical Organization (2013)

Table (3.9) Foreign Investment of Permitted Enterprises by Countries in Myanmar

(US\$ Million)

No	Country	1989-1990	1990-1991-	1991-1992	1992-1993	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000
1	Australia	25.20			2.000		1.000	1.806	10.055	42.019		
2	Austria	71.50							1.00			
3	Bangladesh		2.957									
4	Brunei Darussalam											
5	Canada	22.00						3.031	7.500	5.300		
6	China				0.380	0.715	4.404	0.150	23.110	0.500	2.662	
7	Cyprus											
8	Denmark											
9	France				10.00		455.00		5.370			
1	Germany								15.00			
11	Hong Kong	1.00	11.40	0.650	14.367	30.525	6.501	1.940		56.880	8.028	5.742
12	Indonesia								210.95	25.420	1.050	1.377
13	India										4.500	
14	Israel									2.400		
15	Japan	40.00	60.00	0.652	0.490			19.383	72.148	26.850	8.914	5.095
16	Korean	50.05	3.288	3.991		3.065	0.200		9.035	29.700	0.239	4.320
17	Russia											
18	Macau				2.400							
19	Malaysia				8.575	45.174	15.820	157.70	235.10	124.80		
20	Mauritisia											
21	Netherland	80.00					3.000		154.835		1.000	
22	Philippines						6.667			140.00		
23	Singapore	3.492	5.318		23.187	228.797	55.063	287.378	603.465	137.731	14.210	4.736
24	Sri Lanka						1.000					
25	Switzerland											
26	Thailand	64.10	96.87	0.600	8.261	41.308	199.767	10.212	613.490		10.785	16.50
27	U.A.E									130.36		
28	UK	12.145	7.500		4.625	8.100	599.848	158.396	512.187	24.908	4.433	15.13
29	U.S.A	80.00	93.24		29.50	19.500	4.025	14.800	341.00			
30	Panama									30.526	1.425	
31	Vietnam											
	Total	449.487	280.57	5.893	103.785	377.184	1352.295	668.166	2814.245	777.394	54.396	58.15

Source: Central Statistical Organization

Table (3.9) Continued Foreign Investment of Permitted Enterprises by Countries in Myanmar

(US\$ Million)

No	Country	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
1	Australia												
2	Austria												
3	Bangladesh												
4	Brunei Darussalam			2.0									
5	Canada	21.95			1.5								
6	China	28.98	3.3		2.8	126.6	0.7	281.2		856	2.5	8269.3	4345.72
7	Cyprus												
8	Denmark												
9	France								-1.4				
1	Germany								2.5				
11	Hong Kong	13.229	1.5	12.9	3.0						6.0	5798.3	
12	Indonesia	1.200	1.5										
13	India							47.5	137				73.0
14	Israel												
15	Japan		4.7			2.7			1.4	3.8	-12.0	7.1	4.31
16	Korean	47.220	5.0	0.3	34.9			37.0	12	-4.0		2676.4	25.57
17	Russia									94.0			
18	Macau	2.000											
19	Malaysia	9.832	1.5	62.2							237.6	76.8	51.86
20	Mauritisia												
21	Netherland							30.6					
22	Philippines												
23	Singapore	36.915		6.1				81.0	38.0		39.2	226.2	
24	Sri Lanka												
25	Switzerland			3.4									
26	Thailand	25.750			22.0	29	6034.4		16.2	15.0	15.3	2146.0	
27	U.A.E										41.0		
28	UK	30.612	1.5		27.0			273.0				799.0	99.83
29	U.S.A												
30	Panama												26.00
31	Vietnam												18.14
	Total	217.688	19.00	86.9	91.2	158.3	6065.7	719.7	205.7	984.8	329.6	19999	4644.46

Source: Central Statistical Organization

3.4 Official Developmental Assistance in Myanmar

Myanmar is one of the world's largest recipients of international development assistance, often referred to simply as "aid". A history of underinvestment has left the country with the highest poverty rate in the region and critical deficits in infrastructure and social services. Myanmar was the seventh-largest recipient of international aid in 2015, and it is now the third-largest recipient per capita in the region-behind only Cambodia and Laos, which have far smaller populations

Myanmar has a distinct history of development cooperation, due to its relative international isolation for the past several decades. In the aftermath of World War II, the newly independent Myanmar received support from several foreign governments. The most significant was Japan, which in November 1954 signed a peace treaty with Myanmar that both normalized diplomatic relations and committed Japan to providing US\$250 million in war reparations to Myanmar, paid out between 1955 and 1965.(Seeking, 1991) Other donors maintained small programs at this time, including technical assistance from Australia and the United States.

With the advent of the military regime in 1962, several foreign aid providers ceased working with the Myanmar government, though Japan remained. While the United States and Australia both closed their aid programs in 1962, (Steinberg,2015) and relations with China became increasingly strained over the presence of the Kuomintang in northeastern Myanmar. (Oxford, 2016)

Japan expanded its support with a further US\$140 million, paid out between 1965 and 1972, on the grounds that reparations to Myanmar were insufficient compared to those given to other Southeast Asian countries. (Seekins,1997) This period saw the launch of several significant projects, including the Baluchaung hydroelectric project in Kayah State, which provided around 40 percent of the total electricity supply in the country at the time, and the "four industrial projects," which funded assembly plants for the manufacture of light vehicles, heavy vehicles, agricultural machinery, and electrical items. Aid from Japan continued to grow significantly in the 1980s. In 1987 Japanese aid made up 71.5 percent of all foreign aid received and constituted 20 percent of the country's national budget. (Oishi, 2003)

In 1988 prompted a dramatic realignment of Myanmar's foreign economic relations, including a temporary suspension of all foreign assistance to Myanmar. During this period, the regime pursued greater collaboration with China and greater

regional trade integration. China was the first country to recognize the new State Law and Order Restoration Council government, and grew to become an important aid actor under this regime, making its first major grant to Myanmar, of US\$8.9 million, in 1991, and committing an additional US\$8.6 million as an interest-free loan in 1993.²² Between 1997 and 2006, China provided US\$24.2 million in grants to Myanmar, US\$482.7 million in subsidized loans, and US\$1.2 million in debt relief. In parallel, SLORC changed Myanmar's economic policy by opening the country to foreign investment in 1989.²⁴ This coincided with a period of broader strategic economic integration within Southeast Asia, in which Thailand, Singapore, and Malaysia made large investments in Myanmar. (Kudo, Mieno, 2007)

The OECD aid community's consensus on restricting assistance to Myanmar began to change in the early 2000s, when governments like the United Kingdom, Australia, and the European Union began to advocate reengagement.

The international community's engagement with Myanmar came with the humanitarian crisis caused by Cyclone Nargis, which struck Myanmar in May 2008. and visible in the volume of international assistance provided at the time. Although there was a humanitarian response and recovery activities in 2008 itself, this dropped in 2009 to levels consistent with the rate of growth before Nargis struck.

The political and economic transition initiated by the government of President Thein Sein brought significant change to Myanmar's aid landscape. As confidence in the scope and sincerity of the government's reform agenda increased, the international community took several steps to normalize aid relations, including significant debt forgiveness, the reentry of large, multilateral funding organizations, and the proliferation and expansion of bilateral aid programs.

Since 2011, Myanmar has increasingly moved toward development cooperation that is similar to its neighbors and to standard global practice. Myanmar the 13th-largest recipient of aid commitments globally for this period. In terms of annual figures, the 2013 peak made Myanmar the third-largest aid recipient globally that year, but even with lower levels in 2014 and 2015, Myanmar remained at fifth and seventh position in the world, respectively.

In development cooperation in Myanmar, there are many areas in government and donors provided the four areas; determining priority sectors for development, negotiating peace and humanitarian assistance, applying and localizing international aid effectiveness standards, and engaging with neighboring cooperation partners.

In the high-priority development sectors: energy, transportation, and rural development. Energy The case for investment in Myanmar's energy sector is clear: approximately 70 percent of the population, and 84 percent of rural households, have no access to electricity from the grid. (ADB,2016)

Though the country has high potential for electricity generation, with abundant natural gas and hydropower resources, underinvestment in basic infrastructure has left both the generation of power and the means for its distribution well below the country's needs. This situation is exacerbated by the fact that Myanmar exports a lot of the energy it produces to China and Thailand. (Doberman,2016) Addressing these constraints would not only elevate living standards across the country but help drive economic growth more broadly. (Doberman,2016)

Today, the aid system in Myanmar resembles that of many countries in the region-with many of the same challenges. There is a large and diverse body of aid providers, not all of them major contributors, that government must work with to define a strategic direction. Aid volumes also remain small compared to the national economy and to government expenditure, and need to be thoughtfully targeted for maximum impact. Donors also have a tendency to focus aid on easily accessible areas in and around Yangon, and care must be taken to promote development for Myanmar's remote and rural populations. While Myanmar's external public debt remains within safe limits for now, parliament will need to continue its oversight of government lending decisions and push back on options that do not offer the best returns for Myanmar's people.

CHAPTER IV

ANALYSIS OF CHINA AND MYANMAR

ECONOMIC RELATION

4.1 Historical background of economic relations with China

China-Burma/Myanmar's political and economic interaction has a long history dating back to the beginning of the last millennium and the invasion by the Mongol Yuan dynasty in the thirteenth century, which at that time ruled China. Since 1948, Myanmar has established her own path in order to protect her national interest and development. Burma (the official name was changed to Myanmar in 1989) was the first non-communist country to recognize the Chinese communist regime in 1949 and thus the People's Republic of China (PRC). Yet, Myanmar always takes into account the China factor in formulating her foreign policy. Myanmar policy toward China is regarded as a combination of domestic needs and responses to external threat (Shee ,2002).

Myanmar was the first non-Communist Asian country that officially recognized the establishment of the People's Republic of China in 1949. The bilateral relationship becomes closer in early 1950s has been based on the five principles of peaceful co-existence agreed upon by Myanmar, China and India. China-Burma relations rely on three kinds of relations: people to people relations, party to party relations and state to state relations. Through state to state relations, their ties based on personal diplomacy exercised by the heads of both countries. This started with Premier Zhou Enlai's visit to Myanmar in June 1954 and premier U Nu's return visit to China in November of the same year. U Nu's visit to China was the milestone of Burma-China relations (Myoe, 2011) .Both countries established the friendly and cordial relationship known as paukphaw relationship based on the strength of personal rapport between the top leaders (Than, 2010).

In 1960, China and Burma signed both a treaty of friendship and mutual non--aggression and a boundary agreement, which were the first treaties signed by China with a non-aligned Asian country. A year later, in 1961, the two countries signed an agreement on economic and technical cooperation. With this agreement, China pledged to provide Burma with concessional interest-free loan amounting to £300 million. This was an epochal event at the time, as the amount was larger than what had been given by the Soviet Union and Eastern European countries. It was the third-largest grant ever given to Burma, after those of Japan and West Germany, the largest and second-largest donors, respectively. The grant conditions were favorable: as much as, or more than, those imposed by Western countries (Matsumoto 1975).

In 1962, 'the Burmese Way to Socialism' was adopted by General Ne Win as an effort to create self-reliance based on strong nationalism as well as closed-door and non-aligned policies. It was radically different from the socialism of the three socialist countries in Indochina allied to China or the Soviet Union. The Burmese non-alignment policy kept its relations with China neither too tight nor too tense. As the Sino-Soviet polemic gradually escalated with respect to the socialist countries of Indochina, it was crucial for China to maintain its friendship with Burma, even though Ne Win's strict nationalization damaged the Chinese community in the country. The administration of Chinese aid was slack, while the government of Burma restricted its acceptance of foreign aid in an effort to eliminate foreign influence.

At that time, China provided foreign aid as a component part of its foreign policy to consolidate friendly relations with other developing countries regardless of profit. China granted aid without imposing burdens on the recipient countries based on the Eight Principles of China's Foreign Economic and Technical Aid. Among the main contents of these principles are equality and mutual benefit, respect for sovereignty, reducing the economic obligations of the recipient countries, self-reliance and independent development. Having experienced the disadvantages of depending on foreign aid after such aid was withdrawn by the Soviet Union in 1960, China deliberately chose the self-reliance of developing countries and the equality and mutual benefit of both the donor and the recipient as the key principles of its foreign aid (Jin 2004). During the Cultural Revolution (1966--1977), China provided economic assistance to neighboring socialist countries in Asia as well as to countries in Africa as a means to expand its friendly relations (Tamachi 2005).

The Cultural Revolution hampered China's ability to provide foreign aid to developing countries in the mid-1970s. China radically altered its policies on foreign aid without regard for cost and efficiency, thus, reducing the total amount of Chinese aid, had reached its highest-ever level (US \$1.1 billion) in 1970, was gradually reduced between 1976 and 1983 to a per annum average of only US \$150 million (Lin 1996). Meanwhile, Burma revised its restricted attitude to official development assistance (ODA) and began to accept more starting in the mid-1970s in order to rebuild its ailing economy. In the same period, the developed world provided more ODA to developing countries. The major donors to Burma were Japan and other developed countries, as well as multinational organizations.

In the 1980s, economic ties between Burma and China were insignificant. Burma restricted foreign trade and did not permit border trade which involved cross-border smuggling. During the last years of socialism (fiscal years 1983-1987), trade with China amounted to an average of only 98.9 million kyats in exports and 136.6 million kyats in imports. China's share of overall Burmese trade was only 3.4% of imports and 3.0 % of exports (MNPF,1990). On the other hand, China was anxious about the decline in its relations with Burma and other previous recipients of its aid packages, to which many developed countries provided more ODA. Also, Chinese economic 'reform and opening-up' attracted Burmese attention and interest. Economic issues drew more and more attention when the two summit leaders held talks in the 1980s (Steinberg and Fan 2012: 147).

Bilateral relations between China and Myanmar steadily improved with China resuming official development assistance during the second half of the 1980s. After the 1988 democracy movement, the State Law and Order Restoration Council (SLORC) was formed and the SLORC government came to power in Myanmar. The SLORC government enhanced closer bilateral relations between Myanmar and China. Since the SLORC took power in 1988, the relations between China and Myanmar have obviously improved significantly. Myanmar's political, socio-economic transformation which took place in 1988 had later coincided accidentally with the end of the so-called cold war period. And Myanmar has transformed itself from the central controlled economy to the market-oriented one. The western democratic countries severely condemned Myanmar with regard to her political behavior. At the time, Myanmar was in need of China's support for her economic reforms. Due to its

internal and external situation, Myanmar has automatically become closer with China in her bilateral relations.

The economic liberalization in Myanmar after 1988 brought new economic cooperation opportunities. However, the year 1988 was also marked by the first set of international sanction, which would then be regularly re-imposed by the Western world on Myanmar for its leadership's human rights violations. Thus, the mixture of political and economic factors led Myanmar to tighten its economic relations with China. It is believed that it was predominantly China who looked for closer bilateral engagement, due to three main reasons:

Firstly, Myanmar is a neighboring country. It is always beneficial to have a friendly neighbor, and preferably a dependent one enticed by a web of economic interconnectedness;

Secondly, Myanmar has significant deposits of energy and other natural resources and China needs them to fuel its growth;

Thirdly and most importantly, Myanmar is a key country as far as transit to China of energy and natural resources from Africa and the Middle East is concerned, and also, in the long term, in relation to China's consumer goods' export to Europe, the Middle East and Africa. Transit through Myanmar makes the journey shorter and allows for the avoidance of the potentially politically unstable and heavily contested waters of the Malacca Strait and South China Sea. China, thus, gladly filled the economic and political space created by Myanmar's growing economy and international political ostracism.

Chinese policy makers noticed that the end of the Cold War and withdraws of the Soviets from Vietnam and the U.S from Philippines bases have dramatically altered the nature of defense system in Southeast Asia. Thus, Chinese main focus has been on the U.S and Japan as the other major power in the region since Russia declined its significance in Asia Pacific. This proves that China seems to be a major economic power in the region as her foreign relations shift. So, China's primary foreign policy goal for the twenty first century is to cement political friendships and a stable international environment, Chinese policy follows dual lines, one in which China simultaneously pursues military build-up and threats while promising bilateral cooperation with its neighbors. However, China's embrace of multilateralism has been more forcefully reflected in its regional foreign policy. To break the post-Tiananmen diplomatic isolation, China has launched a regional offense of diplomacy

towards Southeast Asia since the late 1990s. Southeast Asia sits astride sea lanes that are rapidly becoming China's energy lifeline. In addition, Chinese security analysts see Southeast Asia as the weak link in any U.S effort to contain China. The region also provides an attractive market for China since ASEAN countries have substantial size of population and ascending economy. Thus, China's developing relationship with Southeast Asia is undergoing a significant shift.

Among ASEAN countries, China's relations with Myanmar are very significant one. After the Cold War, Chinese decision-makers perceived that the preserving of its economic sea lanes in the Indian Ocean and the Straits of Malacca was not only for its military security but also for its economic development ambitions as the priority in the region. Myanmar's geo-strategic location on a tri-junction between South Asia, Southeast Asia and China is nevertheless economically and strategically significant. Economically, Myanmar is important for China as a trading outlet to the Indian Ocean for its land locked inland provinces of Yunnan and Schiuan. Strategically, Myanmar is potentially important for China to achieve its strategic presence in the Indian Ocean and its long-term two ocean objective. In addition, a Sino-Myanmar friendship is strategically useful for China to contain India's influence in Southeast Asia. Myanmar's geo-strategic position is very important for China to achieve its national goal to become a super power in the coming year 2050.

4.2 Myanmar's China Policies

Since independence, Myanmar has pursued an 'independent' and 'non-aligned' foreign policy (MOFA 2009). Over the past 22 years, Myanmar has undergone significant changes in governing ideology and bilateral relations with Chin.

China-Myanmar relations have improved since 1988, the government of Myanmar continues to operate 'equal-distance diplomacy' between ASEAN, China and India as it is reluctant to become overly dependent on the Chinese in general and on their interactions with ethnic nationalities in particular (Li 2010: 129)

In 2006, 'Myanmar's foreign policy towards China has been effective overall'. This relationship has allowed the military government to counter-balance Western and Japanese sanctions which itself has been kept in check by developing relationships with other states (Haacke 2006:). Myanmar's relations with the US and EU, China has

provided a communication channel, and sees Myanmar as an equal partner in dialogue and opposes a system where other big powers are in charge (Li 2010: 121).

In 2011, two countries agreeing to upgrade bilateral ties to a ‘comprehensive strategic cooperative partnership’ and can develop in four areas. These include strategic cooperative partnership at all levels in all areas to promote mutual understanding to ensure good neighborliness. The second area is mutual respect for internal affairs, with Myanmar holding true to the ‘One China’ policy and China acknowledging the development and political system trajectory in Myanmar. The third area mentioned is to further pragmatic cooperation, most notably around economic growth. The final area is to maintain border stability between the two countries through border management cooperation (Myanmar Beijing Embassy 2011). The China-Myanmar relationship is best viewed through an economic lens with informal political dynamics. China’s inward investment into Myanmar is notable in several key areas, economic assistance, gas, hydropower, mining and oil.

Myanmar reached turning point in 2011, many amazing political changes affected Myanmar-China relations in political, economic and strategic terms. Following domestic political reforms , Myanmar’s policy toward China favored soft balancing underpinned by the rapid improvement of external relations with the United States, the EU countries, and Japan. However, Myanmar will not alienate China because Myanmar will seek to meet its economic interests and political interest by recalibrating its relations with China, the United States and the other powers in the region. Consequently, Myanmar will hedge with not only with China but also with any other power in order to enhance its economic and political gains.

4.3 China’s Myanmar policies

China’s objectives in Myanmar can be succinctly summarized as follows:

First, since 1979, China’s Myanmar policy has been in line with its general policy of ensuring a stable external environment with the neighboring states so that Beijing can continue to implement its domestic modernization and development policy.

Second, China’s Myanmar policy can be seen in the context of the continuation of maintaining the spirit of Bandung’s policy of peaceful coexistence with its neighbours since 1955.

Third, in the geo-economic dimension, Myanmar is important for China in the context of being a 'landridge'² for China to revive its 'southwest silk road' from Yunnan province to Myanmar and westward to Bangladesh, India and the West. The link up with Myanmar could help to develop the poor economies in the southwestern part of inland China to trade with the growing economies of Southeast Asia and India.³ Furthermore, with the realization of the ASEAN Free Trade Area (AFTA) with a population of 500 million, China could promote trade southward using Myanmar as a 'landridge', linking China's inland provinces with the rest of Southeast Asia.

Fourth, with Myanmar, Laos and Thailand, China can form a sub-regional grouping for economic cooperation. Thus China can export an abundance of cheaper goods to these countries. Myanmar is important to China to implement its western development strategy.⁴ Kunming, in particular, will benefit economically by linking up with Myanmar for trade and investments. Together with the formation of a sub-regional grouping including the five mainland Southeast Asian economies (Thailand, Laos, Cambodia, Vietnam and Myanmar), which have a potential market of 200 million people, they can be the goods and products outlets for Kunming and other southwestern provinces. The link up between China's southwestern provinces and the mainland Southeast Asian states can mitigate the gap of economic disparities between China's affluent coastal and its poverty stricken southwestern inland provinces.

4.4 Trade between China and Myanmar

China-Myanmar bilateral trade has been growing since 1988. The official trade relations between Myanmar and China before 1988 were small in both volume and value. Towards the end of 1988, the Myanmar government has liberalized its trade policy and lifted the restrictions on trading by the private sector. Thus, the volume of trade has greatly increased. In addition, with the introduction of the market economy which encouraged private sector participation in the national economy, Chinese-made machinery and parts have made an inroad into the Myanmar markets. Since then, China has become a major supplier of consumer and capital goods for Myanmar.

Table (4.1) Export and Import of Myanmar to Asian country 1990-2016

Sr.	Country	Export(US\$ million)		Import(US\$ million)	
		Total	Percent	Total	Percent
1	China	19103.14	25.38%	26295.02	33.39%
2	Singapore	5842.7	7.76%	20445	25.96%
3	Malaysia	2049.69	2.72%	3966.64	5.04%
4	Indonesia	805.77	1.07%	2968.6	3.77%
5	Philippines	190.1	0.25%	171.55	0.22%
6	Thailand	32223.98	42.81%	8946.49	11.36%
7	Vietnam	688.86	0.92%	928.46	1.18%
8	Cambodia	0.94	0.00%	4.54	0.01%
9	India	9322.99	12.39%	3381.47	4.29%
10	Japan	3249.66	4.32%	7720.18	9.80%
11	Korea,Republic of	1798.04	2.39%	3927.71	4.99%
	Total	75275.87	100%	78755.66	100%

Source ; Statistical Year book in Myanmar (various years)

China is the Myanmar's second most export and top import country. China occupied 25.38 percent of total export to Asian country and 33.39 percent of the total import from Asian countries. Thailand stand as Myanmar's first export country with 42.8 percent of total Asian countries. Its import percent is 11.38 and at third place of import country. Singapore stranded as second Myanmar import country with 25.96 percent of total Myanmar import from Asian countries. However, in terms of export, it is at fourth placed with 7.76 percent

Myanmar trades to a very large extent with other Asian countries. Myanmar's own data shows a very similar picture, with 95% of exports going to Asia, and over 70% to Thailand and China alone. More detail exports in garments, agricultural products and tourism in all three, Asian markets remain dominant, European and North American markets are growing fast since the relaxation of sanctions.

China occupies an important position in Myanmar's external trade. Table (4.2) and Table (4.3) show the major trading partners of Myanmar. Among the export partners, China has constantly occupied a high ranking since 1990. This trade constituted 25.4 % of total exports and ranked 2nd following Thailand. The trend of export china can be seen in Table (4.2) increasing (63,76) from 1990 to (4596.96) in 2016. The export to China significantly raise starting from 2009-2010 when the civilian government take over from military rule.

Table (4.2) Direction of Export by Country

NO	Country	1990-91	1995-96	2000-01	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2012-13	2013-14	2014-15	2015-16	Total	percent
1	China	63.76	34.70	175.98	290.90	366.95	615.13	697.68	617.67	617.16	1203.56	2238.07	2910.75	4673.87	4596.96	19103.14	25.38%
2	Singapore	136.08	175.49	113.51	141.83	262.85	182.59	400.56	832.75	670.41	456.99	291.35	694.03	758.83	725.43	5842.7	7.76%
3	Malaysia	6.58	26.22	72.54	108.57	92.90	88.47	119.03	311.69	152.61	437.80	97.92	108.87	265.17	161.32	2049.69	2.72%
4	Indonesia	-	53.27	34.11	53.72	65.36	88.23	86.58	28.45	37.43	41.11	31.54	60.04	86.09	139.84	805.77	1.07%
5	Philippines	0.03	23.67	5.82	12.13	12.58	10.28	7.66	8.99	27.21	22.30	26.02	12.25	12.93	8.23	190.1	0.25%
6	Thailand	62.42	95.14	281.95	1270.62	1360.95	2362.44	2809.65	2631.23	3215.68	2905.18	4000.57	4306.28	4028.69	2893.18	32223.98	42.81%
7	Vietnam	-	0.17	4.54	16.63	38.46	58.23	80.19	39.58	54.75	67.03	81.24	111.16	80.21	56.67	688.86	0.92%
8	Cambodia	-	0.20	-	-	-	-	-	-	-	0.04	-	0.23	0.46	0.01	0.94	0.00%
9	India	84.34	184.37	261.99	341.43	488.97	733.91	727.25	803.83	1013.14	871.59	1018.62	1143.59	745.80	904.16	9322.99	12.39%
10	Japan	35.88	45.58	83.51	128.92	135.71	166.00	185.86	183.50	177.35	237.43	406.49	513.25	556.43	393.75	3249.66	4.32%
11	Korea, Republic of	2.55	12.77	21.40	36.60	38.54	61.54	73.82	63.22	75.58	148.39	280.77	352.92	370.00	259.94	1798.04	2.39%

Source- Statistical Year book in Myanmar (various years)

Total import of 33.39% , 25.96% , 11.36%, 9.80% , 4.99% respectively according to Table (4.3).China has constantly occupied in high ranking since 1990, This trade of total imports This trade constituted 33% of total import and ranked 1st in 1990 to (193.94) , although the whole external trade of Myanmar was small at that time . Since then, Myanmar's trade with China has grown rapidly and a high ranking in (6395.55) in 2015.

Table (4.3) Direction of import by Country

Sr	Country	1990-91	1995-96	2000-01	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2012-13	2013-14	2014-15	2015-16	Total	Percent
1	China	193.94	254.98	285.11	489.65	468.24	730.28	994.99	1208.16	1258.10	2168.52	2719.47	4105.49	5022.54	6395.55	26295.02	33.39%
2	Singapore	85.67	323.60	561.25	603.58	560.91	1034.65	821.52	1050.28	1202.19	1645.32	2535.42	2910.22	4139.49	2970.90	20445	25.96%
3	Malaysia	61.70	109.53	122.25	115.85	138.41	110.39	115.51	350.48	159.52	145.32	360.90	839.69	748.37	588.72	3966.64	5.04%
4	Indonesia	2.76	62.29	82.45	50.29	57.47	94.08	206.68	210.35	140.07	275.49	195.23	438.82	550.66	601.96	2968.6	3.77%
5	Philippines	0.17	0.86	11.58	8.51	5.55	9.78	12.25	16.44	14.16	16.97	17.99	21.10	15.42	20.77	171.55	0.22%
6	Thailand	89.26	234.53	303.75	184.71	237.37	304.86	383.44	394.84	378.68	709.09	696.81	1376.99	1679.35	1972.81	8946.49	11.36%
7	Vietnam	-	1.88	6.56	8.59	9.87	12.88	17.47	19.65	27.31	47.05	74.72	169.86	242.43	290.19	928.46	1.18%
8	Cambodia	-	-	-	0.12	0.02	0.06	0.03	0.06	0.18	1.36	0.37	0.71	0.75	0.88	4.54	0.01%
9	India	5.99	61.33	83.30	83.65	80.18	159.95	173.51	146.37	193.52	195.46	301.70	493.51	595.65	807.35	3381.47	4.29%
10	Japan	145.27	445.60	202.89	159.76	106.16	156.56	243.30	166.05	259.11	256.35	1091.73	1296.24	1738.94	1452.22	7720.18	9.80%
11	Korea	32.05	71.59	286.86	89.53	86.15	84.90	107.54	189.40	224.06	304.23	343.21	1217.98	493.61	396.60	3927.71	4.99%

Source- Statistical Year book in Myanmar (various years)

Since late 1988, the Myanmar government has liberalized its trade policy and lifted the restrictions on trading by the private sector. Thus, the volume of trade has greatly increased. In addition, with the introduction of the market economy which encouraged private sector participation in the national economy, Chinese-made machinery and parts have made an inroad into the Myanmar markets. Since then, China has become a major supplier of consumer and capital goods for Myanmar.

According to Table (4.3), the total value of bilateral trade in 1990 -91 FY was just valued K1318.82 million, and China enjoyed a trade surplus of K 809.1 million. By 1995, trade had reached a total value of US\$ 767.40 million and China had a surplus of US\$ 468.30 million. In 2001-02 FY, the total value of trade was K 3613.31million with China's surplus being K 522.97 million. Between FY1990 and 2001, China enjoyed a total accumulated trade surplus with Myanmar of K 794 .29 million. In only FY 2002-2003, total value of trade was K5420.47 million china deficit being K720.49 million. The others FY years' china's surplus continuously growth and data show smaller deficits or even a surplus. Some observers have speculated that much of the trade surplus could have flowed back into Myanmar in the form of investment in property and other assets or through the illegal drug trade.

Table (4.4) Trade between China and Myanmar (1988-89 to 2014-2015)**(Kyat in Million)**

Year	Export	Import	Value	Balance
1988- 89	942.56	929.18	1771.74	+13.38
1989-90	800.85	517.97	1318.82	+282.88
1990-91	396.29	1205.39	1601.68	-809.10
1991-92	438.34	894.97	1333.31	-456.63
1992-93	338.60	945.96	1284.56	-607.36
1993-94	209.82	1261.43	1471.25	-1051.61
1994-95	277.48	1019.38	1296.86	-741.90
1995-96	195.14	1433.82	1628.96	-1238.68
1996-97	336.14	1116.29	1452.43	-780.15
1997-98	836.98	1524.42	2061.40	-687.44
1998-99	570.62	1744.34	2314.96	-1173.72
1999-00	846.99	1568.17	2415.16	-721.18
2000-01	1143.00	1855.20	2998.20	-712.2
2001-02	1545.17	2068.14	3613.31	-522.97
2002-03	3070.48	2349.99	5420.47	+720.49
2003-04	1343.24	2816.74	4159.98	-1473.50
2004-05	1658.80	2818.95	4477.75	-1160.15
2005-06	2125.19	2716.01	4841.20	-590.15
2006-07	3530.37	4185.75	7716.12	-655.38
2007-08	3832.52	5472.54	9305.06	-1640.02
2008-09	3352.27	6578.14	9930.41	-3225.87
2010-11	7221.36	13011.12	20232.48	-5789.76
2011-12	13285.8	16721.04	30006.84	-3435.24
2012-13	13428.42	16316.82	29745.24	-2888.4
2013-14	17464.5	24632.94	42097.44	-7168.44
2014-15	28043.22	30135.24	58178.46	-2092.02

Source- Statistical Year book in Myanmar (various years)

In terms of the composition of Myanmar export to China, the commodities that Myanmar export to China includes agricultural products, marine products, animal product, metal and minerals, forest products, manufactured goods and other commodities . Most of the export income earns from manufacture goods as about 99% of manufacture goods is natural gas and jewellery. Among agricultural products export, the most exported commodity is peas and beans. Rice, corns and other fruits and farm products are also included. The most exported commodity of forest products is teak log , hard log ,wood and other forest products and then fish and prawns are marine product that are mostly exported.

The value of export to china increased throughout the years. According to table (4. 4). Agricultural products such as vegetable are largest export item and the manufacture product include fuel are second largest item but fuel item appear and sharply increased behind 2014. Metal and mineral product such as metal, stone and glass and mineral are the third export. It was found that the Agriculture product are primary export item and Gas, metal& mineral of manufacture product are second largest export item.

Table (4.5) Export of Myanmar to China by product 2010 to 2017

(US\$ Thousand)

Product	2010	2011	2012	2013	2014	2015	2016	2017	Total	Percent
Animal	82588.44	168596.6	260178.4	320014.5	132750.3	139104.7	152965.6	165296.6	1421495	5.58%
Chemicals	-	1450.6	710.21	1120.7	496.44	57.49	2719.49	15058.57	21613.5	0.08%
Food Products	13.24	7370.83	10390.05	47792.14	14073.31	275779.8	1069141	839172.4	2263732	8.89%
Footwear	1445.87	4108.86	6947.09	13479.01	1902.77	3445.96	5165.88	4553.16	41048.6	0.16%
Fuels	-	-	-	-	1034419	1975584	1435880	1620759	6066642	23.83%
Hides and Skins	2039.97	5335.2	3385	119.96	26.55	519.55	464.56	7058.33	18949.12	0.07%
Mach and Elec	92.18	815.79	9129.73	15631.33	2742.5	2434.71	11729.16	32731.52	75306.92	0.30%
Metals	24205.03	10067.66	26538.54	52723.18	214077.2	238742	253529.7	558346	1378229	5.41%
Minerals	7921.66	9238.72	18812.19	23076.73	47069.66	13654.51	16634.27	18105.36	154513.1	0.61%
Miscellaneous	5420.27	12121.02	19980.8	49036.37	232466.1	122562.5	82805.89	32322.16	556715.1	2.19%
Plastic or Rubber	80765.68	194347.2	91181.85	177079.9	87632.26	89439.92	107029.9	183152.9	1010630	3.97%
Stone and Glass	177010.6	664020.7	242065.6	457924.4	746893	401486	263920.8	367202.8	3320524	13.04%
Textiles and Clothing	5445.93	8539.84	24808.17	37613.78	73001.56	80274.7	107015.4	53903.1	390602.5	1.53%
Transportation	-		3160.57	2728.36	832.35	1603.19	3038.9	864.66	12228.03	0.05%
Vegetable	48381.98	381585.6	539142.8	1728081	1405124	1467438	1233924	1480821	8284497	32.54%
Wood	40941.23	47678.86	126468.7	126640.7	41867.14	18718.4	20715.78	18718.47	441749.3	1.74%
Total	476272.1	1515277	1382900	3053062	4035374	4830845	4766681	5398065	25458476	100%

Source: World Integrated Trade Solution (wist.worldbank.org)

Looking at the composition of Myanmar Import from China, Myanmar import to china mainly include Chemicals, Machine and Electronics, Metals, Textiles and clothing, Transportation, Plastic or rubber, vegetable and foot products. Myanmar primary import from china is Mach and Electric (25.63%) which is include Electronic machinery , the second import is Metals (21.65%) include iron and iron materials and steel and the third import from china is transportation product .

Table (4. 6) Import of Myanmar to China by product 2010 to 2017**(US\$ Thousand)**

Product	2010	2011	2012	2013	2014	2015	2016	2017	Total	Percent
Animal	1087.02	4575.25	46958.62	15784.61	6381.4	6097.36	6483.39	14418.38	101786	0.31%
Chemicals	38611.89	170280.8	177621.7	300260.4	359227.7	373026.8	429755	384002.73	2232787	6.86%
Food Products	9389.8	9484.2	14147.48	15193.55	19635.05	36981.48	37473.04	51130.49	193435.1	0.59%
Footwear	4822.85	11416.55	19324.47	32406	35036.53	30365.23	34778.68	46671.2	214821.5	0.66%
Fuels	14391.15	21767.5	24233.1	102942.1	60493.78	54335.49	31004.16	28300.11	337467.4	1.04%
Hides and Skins	2510.67	4705.73	7795.29	14557.57	19620.37	21474.87	25770.88	24098.95	120534.3	0.37%
Mach and Elec	359495.47	677850.7	486550.3	923163.2	1309575	1512673	1512171	1565801.81	8347280	25.63%
Metals	314520.89	491750.9	586496.5	813519.9	1195021	1362151	1164365	1123228.49	7051054	21.65%
Minerals	3653.19	7394.02	21095.62	20330.76	29595.11	37116.32	37498.55	25429.02	182112.6	0.56%
Miscellaneous	25470.73	134787.8	102645.5	181041.1	511718.1	223630.9	137885.7	265065.29	1582245	4.86%
Plastic or Rubber	59081.56	76909.93	132954.1	212759.4	196264.4	217616.7	292620.2	296257.63	1484464	4.56%
Stone and Glass	16326.93	55592.43	57545.64	89121.34	101440.1	131979.7	182304.8	174012.09	808323	2.48%
Textiles and Clothing	183972.19	243996.2	238712	306908.4	404472	286396.5	542874.6	1112811.72	3320144	10.19%
Transportation	79957.12	347248.5	267138.6	509652.3	660903.8	1996114	787698.4	826117.94	5474830	16.81%
Vegetable	2473.56	20902.36	282981.6	75630.3	54521.65	75043.69	69650.65	61506.56	642710.3	1.97%
Wood	12712.96	24995.2	30400.97	49253.5	62901.16	67326.87	110770	116911.32	475271.9	1.46%
Total	1128477.98	2303658	2496601	3662524	5026807	6432330	5403104	6115763.73	32569266	100%

Source: World Integrated Trade Solution (wits.worldbank.)

Border Trade between Myanmar and China

Trade between Myanmar and China is heavily dependent on their border trade. Myanmar's authorities classify trade along two dimensions: by sector (government or private) and type of administration (normal or border). Border trade refers to overland trade with the four countries adjacent to Myanmar, namely Bangladesh, China, India, and Thailand.

The border trading agreement was started in line with the Myanmar-China Trade Agreement signed in Beijing on 19 November 1970. Myanmar's border have become open to its neighbours since the State Law and Order REstriction Council (SLORC) adopted the open-door policy in 1988. Border trading offices were to be opened in Lashio and Muse in August 1988 and were to begin trading on 1 October 1988. . In August 1989, the Myanmar government stopped the border trading of private firms and cooperative societies and only the continued to border trading on a government-to-government basis.

The growth of border trade primarily depend on the restored political and security situation in the border are areas as well as the transportation infrastructure development and legal and institutional arrangements .Myanmar shares long borders with five neighboring countries, namely (2185 km), Thailand (1800 km) , India (1463km) , Laos (235km) , Bangladesh (193 km) . Among these various countries and regions, differences lies in natural resource endowments and industrial development stages. Various economic and industrial complementarities have contributed to the development of trade.

The important objectives of Border Trade agreements are - to enhance bilateral relationship with the neighboring countries; - to encourage and promote trade; and to keep it on the right track of conventional trade; - to make sure of the full realization of revenues gained through border trade to be leived by the state; - to provide favorable conditions for the private companies and businessmen through which to earn reasonable benefit; and - to help facilitate the flow of goods (Naing, 2014).

Border trade by the land route contributed to enhanced trade activities between Myanmar and neighbors. The Department of Border Trade (DBT) of MOU was established in 1996 and signed border trade agreements with other neighboring countries. In order to enhance border trade activites,some border trade posts were upgrade in border trade zone. The DBT-MOU had opened and currently been

operating 11 border trade posts. Border Trading posrs were opened in Muse 105 mile, Lweje, Kwanlong(Chin Shwe Haw), Lazi (Closed in 2006) , Kampiketi (Closed 2006).

According to Table (4.7), border trade with China constitutes over 60% of Myanmar's total border trade and approximately 50% of overall Sino-Myanmar trade.

Table (4. 7) Myanmar's Border Trade with China

(US \$ Million)

Year	Exports	Imports	Value	Balance	TBT	Percentagee
1991-92	52.52	54.47	106.99	-1.95	139.27	76.82
1992-93	58.50	131.24	189.74	-72.74	257.93	73.56
1993-94	27.04	90.23	117.27	-63.19	248.04	47.28
1994-95	29.96	65.08	95.04	-35.12	231.87	40.99
1995-96	22.03	229.31	251.34	-207.28	335.95	74.81
1996-97	29.82	158.68	188.50	-128.86	357.13	52.78
1997-98	86.44	59.37	145.81	-27.07	257.06	56.72
1998-99	94.88	99.41	194.29	-4.53	300.27	64.71
1999-00	96.39	94.90	191.29	+1.49	344.39	55.54
2000-01	124.38	100.11	224.48	+24.28	411.74	54.52
2001-02	133.12	115.85	248.96	+17.27	505.83	49.22
2002-03	158.17	132.57	290.74	+25.60	460.57	63.13
2003-04	177.26	163.84	341.10	+83.42	531.80	64.14
2004-05	246.46	176.37	422.83	+70.09	687.88	61.47
2005-06	315.02	203.63	515.66	+111.39	716.73	72.36
2006-07	453.12	296.64	749.76	+156.48	1092.61	68.62
2007-08	555.48	421.95	977.43	+133.53	1329.53	73.52
2008-09	490.85	495.75	986.60	-4.9	1348.48	73.16
2009-10	500.16	576.65	1076.81	-76.49	1383.68	70.82
2010-2011	-	-	1800.30	-	-	-
2011-2012	1,821.90	1,162.60	2,984.50	659.30	3,351.00	89.06
2012-2013	1,920.40	1,188.40	3,108.80	732.00	3713.6	83.71
2013-2014	2,442.40	1,313.20	3,755.60	1,129.20	4457.2	84.26
2014-2015	4,003.80	1,736.30	5,740.10	2,267.50	6635.2	86.51
2015-2016	4,185.60	1,659.70	5,845.30	2,525.90	7037.8	83.06

Source: Ministry of Commerce (Myanmar)

TBT(Total border trade)

Table (4. 8) Comparison of Total Myanmar trade and Total Myanmar-China Trade

Year	Myanmar Total Trade	Trade with China	Percent of China Trade
1988-1989	5611.9	1771.74	31.57
1989-1990	6229.1	1318.82	21.17
1990-1991	8475.4	1601.68	18.90
1991-1992	8262.6	1333.31	16.14
1992-1993	9855.3	1284.56	13.03
1993-1994	12151.1	1471.25	12.11
1994-1995	13737.5	1296.86	9.44
1995-1996	15345.4	1628.96	10.62
1996-1997	17266.5	1452.43	8.41
1997-1998	20812.9	2061.4	9.90
1998-1999	23627.5	2314.96	9.80
1999-2000	25212.1	2415.16	9.58
2000-2001	27809.1	2998.2	10.78
2001-2002	35508.4	3613.31	10.18
2002-2003	34865.1	5420.47	15.55
2003-2004	27516.8	4159.98	15.12
2004-2005	28035.3	4477.75	15.97
2005-2006	32160.8	4841.2	15.05
2006-2007	46861.1	7716.12	16.47
2007-2008	53715.7	9305.06	17.32
2008-2009	61901.6	9930.41	16.04
2009-2010	70609.8	1875.26	2.66
2010-2011	91642.2	20232.48	22.08
2011-2012	109024.2	30006.84	27.52
2012-2013	15571681.5	29745.24	0.19
2013-2014	23977741.3	42097.44	0.18
2014-2015	29018099.1	58178.46	0.20

Source ; Statistical Yearbook of Myanmar

Trade Reform in 1990- 2010 , the changes economic system from socialist to market –oriented economic system in 1991. So that Table (4.8) shows in contribution of Trade with China in 1988-89 FY was above 31% in china in trade of Myanmar total Trade. Within the study years, average percent of China trade to Myanmar total trade minimum in above 9% to maximum 27.08%. But except in 2009-2010 FY China trade was decreased in 2.66 percent because Political Transitional Changed in historic of this years.

After the 2010 election, the military government was replaced with the new government, and the Government of the Republic of Myanmar had been reorganized in the context of the market oriented economic system. The private sector became a primemover of the market mechanism and was paid a great attention for its development. Under the new government, both of the foreign trade sectors of export and import can be said to have grown gradually and sharply increase in China – Myanmar Trade percentage of 22.08 and 27.52 percentage in FY 2011-2012 and 2012-2013 .Although, in 2012 Myanmar was released from Western sanctions , China-Myanmar trade percent reduced deeply from all Myanmar Trade Percentages of 0.19 , 0.18 and 0.20 respectively in FY 2012 to 2015 .

4.5 China investment in Myanmar

The Myanmar government liberalized its trade policy to induce foreign investments in 1988. Since then, China-Myanmar bilateral trade has been growing steadily until the beginning of the 21st century

In 2001, Chinese government encourages outward investment of domestic enterprises. Then from 2005-2010, the Chinese Foreign Direct Investment (FDI) in Myanmar increased dramatically. The reason behind the unusual surge of investment is multi-folds. One primary issue is that, China has rapidly become the world's largest consumer of imported resources. Myanmar, rich in its natural resources, thus suddenly becomes more attractive to China. The lack of competitors due to international sanctions over Myanmar also provides China an ease of access. Besides the above, Myanmar's strategic location for China is also noted as an important reason. By 2011, China had become Myanmar's biggest trading partner, while it only held the third place after Thailand and Singapore three years before then.

Since mid-2014, Directorate of Investment and Company Administration (DICA) has provided cumulative data for sector and home country distributions for both permitted and existing investment. This data should be used with Table (4.9) provides the sector breakdown for approved and realized investments since 1989, showing that about two thirds of projects by value were in oil/gas and power, a share which rose to over 75% for 2005-2015. The manufacturing sector's share is only 10.3% of total approved investment by value since 1989, and only 8.3% since 2005. But perhaps more significant for this report is the number of projects approved: manufacturing has provided two thirds of projects realized over the period since 1988/89, and 73% since 2012. The average size of manufacturing projects approved between 2005 and 2015 was just over \$10 million, compared with an average size of \$92.5 million for all sectors.

Table (4.9) Foreign investment by sector, cumulative 1988/89–2014/15, DICA data

No	Sector	Permitted (approved)				Existing (realised)				Existing as % of permitted	
		Number projects	%	Value (\$m)	%	Number projects	%	Value (\$m)	%	Number projects	Value (\$m)
1	Agriculture	17	1.6	243	0.4	14	1.8	214	0.4	82.4	88.1
2	Livestock / Fish	34	3.3	453	0.8	16	2.1	193	0.4	47.1	42.6
3	Mining	70	6.8	2871	4.9	10	1.3	2341	4.8	14.3	81.5
4	Manufacturing	585	56.6	6245	10.6	493	65.0	5012	10.3	84.3	80.3
5	Power	9	0.9	19372	32.7	8	1.1	13341	27.3	88.9	68.9
6	Oil & Gas	151	14.6	19642	33.2	93	12.3	18718	38.3	61.6	95.3
7	Construction	2	0.2	38	0.1	n.a	-	n.a	-	-	-
8	Transport/ Comms	29	2.8	4753	8.0	20	2.6	4577	9.4	69.0	96.3
9	Hotel & Tourism	58	5.6	2271	3.8	42	5.5	2010	4.1	72.4	88.5
10	Real Estate	32	3.1	2517	4.3	20	2.6	1736	3.6	62.5	69.0
11	Industrial Estate	4	0.4	203	0.3	3	0.4	189	0.4	75.0	93.1
12	Other services	42	4.1	545	0.9	40	5.3	529	1.1	95.2	97.1
13	TOTAL	1033	100	59153	100	759	100	48863	100	73.5	82.6

Source : DICA data and statistics (2015)

Table (4.10) provides the source of country for approved and realized investment since 1989, countries ranked by value of realized investment. Though providing only about 12% of the number of realised projects, China provides the largest share of the value of investment with 31.3%, and together with Hong Kong SAR, accounts for 46% of the total value. Hong Kong is known to be the source of finance for some of the large Chinese investments in Myanmar. The approved:realised gap is not significant for China or most other source countries, though it is large for Thailand and Malaysia. The UK is the fifth-largest home country for approved investment since 1989, and the only non-Asian country. In the top seven on the list. Hong Kong, are significant destinations for Chinese outward FDI. Chinese investment is thought to move on to third countries.

In 1989 to 2015, China is the largest country amongst realized (existing) investments, as shown in Table (4.8) and together with Hong Kong accounts for almost half of realized investment. Approved investment from China rose from just above zero in 2003 to nearly \$15.5 billion by 2015, of which 93% was in power, oil and gas, and mining, and none in manufacturing (DICA, 2016, Bissinger 2016).

Table (4.10) Top foreign investment by countries, cumulative 1988/89–2014/15, DICA data

No	Country	Permitted (approved)				Existing (realised)				Existing as % of permitted	
		Number projects	%	Value (\$m)	%	Number projects	%	Value (\$m)	%	Number projects	Value (\$m)
1	China	115	11.1	15418	26.1	90	11.9	15274	31.3	78.3	99.1
2	Singapore	189	18.3	11818	20.0	153	20.2	11480	23.5	81.0	97.1
3	Hong Kong	117	11.3	7272	12.3	99	13.0	7176	14.7	84.6	98.7
4	UK	82	7.9	4059	6.9	48	6.3	3407	7.0	58.5	83.9
5	South Korean	122	11.8	3396	5.7	108	14.2	3324	6.8	88.5	97.9
6	Thailand	90	8.7	10352	17.5	51	6.7	3217	6.6	56.7	31.1
7	Malaysia	52	5.0	1663	2.8	25	3.3	1065	2.2	48.1	64.0
8	Netherland	13	1.3	982	1.7	10	1.3	747	1.5	76.9	76.1
9	India	22	2.1	731	1.2	21	2.8	726	1.5	95.5	99.3
10	Viet Nam	10	1.0	691	1.2	10	1.3	692	1.4	100	100
11	Japan	83	8.0	609	1.0	72	9.5	506	1.0	86.7	83.1
12	France	4	0.4	542	0.9	3	0.4	538	1.1	75.0	99.3
13	TOTAL Top 12	899	87.0	57533	97.3	690	90.9	48152	98.5	76.8	83.7
14	TOTAL overall	1033	100	59153	100	759	100	48863	100	73.5	82.6

Source: DICA data and statistics (2015). * UK includes British Virgin Islands and Cayman Isla

Focusing on the approved Chinese investment presented in the DICA database (Table 4.11), the largest number of approved projects is in garments and related and in other manufacturing, though the projects are small (average \$2.2 million and ranging from \$0.36 million to \$10 million). Oil and gas and energy projects reflect the opposite, of course, with a few very large projects the DICA firm-level dataset of approved investments offers an indication of the importance of Chinese investments in each sector. In terms of approved investments for the period 1989-2005, China was the third largest investor in garments with over \$80 million approved investments (preceded by Hong Kong and South Korea) and the largest investor in the manufacturing sector with \$1,284 million invested, with nearly double the value of investments of the second largest investor (Japan with \$727 million) (authors' calculations on the DICA dataset). China also had the largest number of approved investments .

Table (4.11) Chinese investment approved by Myanmar DICA, 1989–2015

Sector	Value of approved investment, \$ million	Value of approved investment as % of all approved Chinese investments	Approved investment, \$ million Value of approved investment as % of all approved Chinese investments Average size of project, \$ million	Number of approved projects	Number of projects as % of all Chinese projects
Agroprocessing	6.67	0.0%	2.22	3	3.6%
Garment and associated industries	80.78	0.4%	1.92	42	50.6%
Other manufacturing	1,283.96	6.5%	91.71	14	16.9%
Mining	910.84	4.6%	113.85	8	9.6%
Oil and gas	4,554.05	22.9%	506.01	9	10.8%
Power	12,843.72	64.6%	3,210.93	4	4.8%
Tourism	12.14	0.1%	6.07	2	2.4%
Transport	199.50	1.0%	199.5	1	1.2%
Total all sectors	19,891.64	-	239.66	83	-

Note: These data are drawn from a dataset covering the period 1989-2015; the first recorded Chinese investment in the dataset is in 1994.

Source: Authors' estimates based on dataset of existing investment provided to ODI by DICA, for period 1989 to February 2015, supplemented by ODI research to identify some missing source countries from other public information

4.6 Official Development Assistance from China

China has an extensive history of aid engagement in Myanmar, though economic relations between the two countries have alternated between periods of cooperation and periods of tension since independence. China was the first country to recognize the new regime following the events in 1988, and the two countries entered a relationship in which China gained access to Myanmar's natural and energy resources and strategic access to the Indian Ocean, while Myanmar relied heavily on China for political and economic support in the form of investment, trade, and aid.

Between 1966 and 2000, Myanmar received loans equivalent to US\$ 138.7 million from China for the implementation of projects that comprised Yangon-Thanyin Rail-cum-Road Bridge, Agricultural Machinery Production, Installation of Satellite Communication Earth Station and Satellite TV Ground Station, Mawlamyaing Steam Power Station, Renovation and Procurement of Turbine Generator for Sittaung Paper Mill, Construction of Hmawbi Rubber Ball Factory, Tyre Factory, Belin Sugar Mill, Shwedaung Textile Mill, Meikhtila Textile Mill, and Thuwana National Indoor Stadium. (Aung Myoe , 2011)

In 1985, the Chinese government signed a grant agreement to build a national cultural theatre in Yangon for Sino-Myanmar friendship . According to the available data, Myanmar received Chinese development assistance loans of US\$ 64 million in 1979, US\$ 15 million in 1984 and Yuan 80 million in 1987. According to the Myanmar government, between 1989 and 2006, the PRC government provided over Yuan 2.15 billion and US\$ 400 million in various forms of loans. There were also debt relief of Yuan 10 million and Yuan 200 million grant aid. Moreover, the Chinese government also helped the Myanmar government secure private financial loans from Chinese banks and business firms. (Aung Myoe , 2011)

Like any other country, China uses development assistance as an instrument to win friends and influence people in the recipient countries. Chinese development assistance usually comes in the forms of grants, interest free loans, or concessional loans and debt relief. Since 1988, international donors have stopped all developmental assistance to Myanmar. The West led by the United States has also imposed economic sanctions on Myanmar. Thus, China has subsequently become a major source of development assistance.

Myanmar and China signed an agreement for economic and technical cooperation on 26 December 1989. Chinese economic cooperation with Myanmar increased after the mid-1990s (Fig 4.10).

Myanmar became a significant recipient of Chinese assistance it was in the top rank for the distribution of Chinese foreign economic cooperation during the 2000s. In contrast, the provision of ODA to Myanmar has been at quite a low level since it drastically declined at the end of the 1980s, because the developed world halted the flow of ODA to Myanmar except for emergency and humanitarian aid due to concerns regarding the suppression of human rights under the military rule (Mizuno 2008). China's economic cooperation soared dramatically after 2007. However, it has been difficult to gain a clear grasp of China's economic cooperation with Myanmar because little information on the details has been publicly released. Instead, the main economic cooperation projects will be surveyed here using agreements signed during a series of high-level bilateral visits. In many cases, Chinese economic cooperation projects were composed after an agreement was signed during a high-level official visit. Although the amount of Chinese development assistance is not really big, it is significant for Myanmar government.

Table 4.11 show the Chinese development Assistance to Myanmar in 1980 to 2010. In 1989 to 1995, the Myanmar government received a low-interest loan only and since 1996 Chinese government was provided the start Grant Yan 10 million. In 2008, international assistance provided visible in the volume at the time for Cyclone Nargis's struck but this table to show the Chinese government do not assist in this year.

Table (4.12) Chinese Development Assistance to Myanmar (US\$ / RMB in million)

No	Year	Grant	Loan	Debt Relief
1	1989	-	RMB 50	
2	1990	-	-	
3	1991	-	RMB 50	
4	1992	-	-	
5	1993	-	RMB 50	
6	1994	-	-	
7	1995	-	-	
8	1996	RMB 10	RMB 150	
9	1997	-	RMB 100	RMB 5*
10	1998	-	-	
11	1999	-	RMB 50	
12	2000	-	RMB 50	
13	2001	RMB 80	RMB 150	
14	2002	RMB 30		
15	2003	RMB 50	RMB 300; US\$200	RMB 5**
16	2004	RMB 50	RMB 200	RMB 5***
17	2005	RMB 130	RMB 1000; US\$74.08	
18	2006	RMB 70	RMB 170, US\$ 200	
19	2007	RMB 85	RMB 350	
20	2008	-	-	
21	2009	-	RMB 14000	
22	2010	-	RMB 30000	

(*) for the renovation of the National Theater in Yangon

(**) for the purchase of sports materials

(***) for crop substitutions in dug eradication program

Source; The author's compilation from various government sources (Aung Myoe, 2011)

Economic cooperation between Myanmar and China has also improved dramatically during the post-1988 period. China and Chinese enterprises have been involved in Myanmar's industrial, infrastructure and energy development through economic cooperation. China's economic and development cooperation were focused on three main fields including infrastructure development, providing to State-Owned Economic Enterprises (SEEs) and energy exploitation.

Economic Relations with China in Selected Sectors

Since the socialist period, Chinese economic cooperation was disbursed mainly for infrastructure projects such as roads, railways, airports, telecommunications, dams, water transport, hydropower plants and import substitution industry facilities for state-owned enterprises. Notably after the mid-2000s, hydropower plants and the natural resources and energy sector were mainly promoted, paralleling the intentions of the government of Myanmar.

Assistance for State-Owned Enterprises: A number of plants and factories of state-owned enterprises (SOEs) were improved, with both technical and financial support from China. SOEs increased even after the start of the transition to a market economy. Although the number of SOEs was far smaller than that of private enterprises, their ratio in capital-intensive and technical-intensive industries were relatively high. In addition, SOEs were operated at a loss, which accounted for two-thirds of the national deficit. China's economic cooperation contributed to the production capacity of these SOEs, especially in import substitution industries that targeted the domestic market. It can be said that this Chinese support resulted in a delay in government reforms regarding SOEs. However, since the mid-2000s, the main projects supported by Chinese economic cooperation gradually shifted from SOEs in old-fashioned import substitution industries to hydropower and energy development. In addition, some cases appeared in Chinese enterprises and SOEs establishing joint enterprises, not under official assistance rules but operating under commercial terms as the state embarked on a campaign to privatize state-owned enterprises and properties in late 2009.

Assistance from construction Infrastructure: Infrastructure development in Myanmar provided a geopolitically important transportation line from the border area of China to the Bay of Bengal and promoted the development of this part of China's border region. The long border shared by Yunnan and Myanmar was open to economic growth and mutual economic interdependence. Massive infrastructure development projects were carried out with Chinese assistance or as build-operate-transfer (BOT) projects by Chinese companies, specifically including: trunk roads from the border area of Yunnan to central Myanmar and water transportation on the Ayeyarwady River, such as the ports of Myitkyina and Bhamo and dredging downstream of these ports. The Chinese inclination was to provide assistance in the context of economic benefits for China itself, infrastructure development assistance from China tended to favor geopolitically important areas and massive infrastructure. Thus, infrastructure development in cooperation with China tended to lack consideration for balancing national land development, and it was not expected that such infrastructure development would satisfy the needs of local community lives (Shimada 2008)

Assistance from Hydropower Plants: A number of power plants, mainly hydropower, were built to deal with a severe shortage of electricity under the military regime. China was involved in almost all these projects, although the extent of China's involvements in some projects was unclear. Many huge hydropower projects (over 500 MW) with significant impacts on the electricity situation in Myanmar involved China (Table 4.13).

Table (4.13) Growth in hydroelectric power plants (From 1988 to 31 December 2010)

Capacity	1988	As of the end of 2010		
		In Operation	Under construction	Total
Under 1 MW	70	3,225	n.a.	3,295
1-10 MW	2	16	3	19
10-100 MW	2	15	44	59
Over 100 MW	0	2	15	17
Total	47	3,258	62	3,320

Sources; Ministry of information , Myanmar (2011)

Table (4.14) Massive hydroelectric power plants (over 500 MW) with Chinese involvement

Region/state	Hydroelectric power plants/ capacity	Particulars
Mandalay Region	Yeywa/790 MW	CITC,Sinohydro, CNEEC, CHMC, China provided a US\$200 million concessional loan. Completed in February 2010
Shan State	Shweli(1)/ 600 MW	Yunnan United Power Development Co.,Ltd. Through the JV/BOT project. Completed in May 2009: 85% of the generated power is estimated to be allocated for export to China
	Shweli(2)/ 640 MW	Huaneng Lancang River Hydropower Co.,Ltd and Asia World Company Ltd. Through the JV/ BOT system; MOA was signed in November 2010
	Tasaung(Upper Thanlwin[Mongton] /7,100MW	China Three Gorges Corporation : the MOU was signed in November 2010
	(Upper Thanlwin Kunglon /1,400MW	Farsighted Investment Group Co.,Ltd(Hanergy Group) and Gold Water Resources Ltd; the MOU was signed in April 2007
	Naung Pha /1,200MW	China Hydropower Engineering Consulting Group(HydroChina) . The agreement was signed in December 2010
Kachin State	Myitsone/6,000MW	China Power Investment Construction began in 2007 and was suspended in 2011
	Chibwe/2,800MW	China Power Investment Construction Began in 2007
	Khaunglanpu /2,700MW	
	Laiza /1,900MW	
	Lakin /1,400MW	
	Pashe/1,600MW	
	Phizaw/2,000MW	
Karen State	Hatgyi/1,360MW	Sinohydro, MOU was signed in August 2008.Almost all generated power is allocated for exported to Thailand.
Kayar State	Ywathit/600MW	China Dating Corporation , MOU signed in January 2010
Yakhaine State	Laymyo/600MW	China dating Corporation , MOA signed January 2011

Source; Ministry of Information , Myamnat (2011) , New Light of Myanmar, Myanmar Times, Xinhua and other materials

One reason for China's involvement in power plant construction in Myanmar was to ensure its own energy security by drawing off the bulk of the generated power. For example, Shelli I dam, completed in 2009, was China's first BOT hydropower plant project in a neighboring country, and 85 % of its electricity was estimated to be allocated for export to China. Similarly, most of the electricity from the series of hydropower plants in the upper stream of the Ayeyarwady River in Kachin State to be built by China Power Investment Corporation (CPI) at a total estimated cost of US\$20 billion, including the Myitsone hydropower plant, was also to be allocated for export to China. (China Huaneng Group, 2010)

However, such electricity allocation for export to China stirred anti-Chinese sentiment. The Myitsone project drew not only local but also national criticism. In compliance with widespread public protest against the construction, President Thein Sein announced in a statement dated 29 September 2011 that the government of Myanmar would suspend its work at least until 2015.

Mining Sector: China's permitted FDI for the mining sector on a product sharing basis, such as copper, nickel, lead and zinc, amounted to US\$1.8 billion, which accounted for 75 % of the overall total allowed FDI for this sector. Table (4.12) shows the major mining projects by Chinese companies. The largest mining project China cooperated in Myanmar was the Tagaung Taung nickel mine located in Thabeikkyin township in the Mandalay Region, having an estimated 700,000 tons of nickel resources. In July 2004, the China Nonferrous Metal Mining (Group) Co., Ltd. (CNMC), which is managed by the state-owned Assets Supervision and Administration Commission, signed an exploration agreement and a feasibility agreement with No. 3 Mining Enterprise of Myanmar. The production sharing contract (PSC) of the project was signed in July 2008. According to the CNMC, total investment in the project exceeds US\$800 million, with an estimated annual output of 85,000 tons of ferronickel after completion. This is also the largest project China has invested in with a neighboring country. Taiyuan Iron and Steel (Group) Co., Ltd. (TISCO), the largest stainless steel manufacturer China, joined the project in 2010, and operation commenced in March 2011 (*The New Light of Myanmar (NIM)* 30 March, 2011).

The large copper The largest copper project was the Monywa copper mine comprising the Sabeitaung, Kyayzintaung and Latpadaungtaung projects in the northwestern Sagaing Region. These projects were undertaken through a joint

venture between the Military-owned Myanmar Economic Holding Ltd. (MEH) and two Chinese firms, Wanbao Mining Ltd. and Yangtze Copper Ltd., subsidiaries of NORINCO (China North Industries Corporation). It was scheduled to enter into operation in June 2013. However, in mid-2012, protests against the planned expansion of the Latpadaungtaung project occurred and the project was suspended. As a result, riot police using tear bombs and water cannons moved into the protest camps on November 29, 2012.

Tables (4.15) Major mining projects by Chinese companies

Date	Particulars
July 2004	The China Nonferrous Metal Mining Co.(CNMC) signed an agreement to conduct exploration of the Tagaung nickel deposit. China EXIM Bank and the China Development Bank provided funding for this US\$80 million project
May 2005	Yunnan Machinery and Equipment Import and Export Company Limit (YMEC) was awarded the mining and operation rights to reclaim lead and zinc from the tailings at Namtu. YMEC invested US\$5 million.
August 2005	Kingbao (Jinbao) Mining Co, signed agreements to conduct exploration and feasibility studies to explore the Mwetaung nickel deposit.
July 2008	The production-sharing contract was signed between the CNMC and the No.3 Myanmar Mining Enterprise for production at the Tagung nickel mine.
June 2008	The Monywa Copper Mine Project Cooperation Contract was signed between China North Industries(NORINCO) and the Union of Myanmar Economic Holding Limited (MEH), during Premier Wen Jiabao's visit to Myanmar
April 2011	A production -sharing contract for Sabetaung, Sabetaung South and Kyisintaung copper mine was signed between Wan Bao (a subsidiary of NORINCO) and the Union of Myanmar Economic Holdings.

Source: The New Light of Myanmar, Xinhua and other materials

Development of oil and Gas

Myanmar and China agreed to encourage cooperation for the exploration and development of geological and mineral resources in 2001, the China National Petroleum Corporation (CNPC) acquired a stake in Myanmar oil and gas onshore blocks in November 2001. The involvement of Chinese companies such as the CNPC, the China Petroleum and Chemical Corporation (Sinopec), the China National Offshore Oil Co. (CNOOC) and the North Petrochemical Corporation Limited (NPCC) in onshore and offshore oil and natural gas projects occurred notably after 2004 (Table 4.13).

In 2008, the CNPC signed a 30-year hydrocarbon purchase and sale agreement for the Shwe gas fields, which are operated by a Shwe consortium, including Daewoo and Myanmar Oil and Gas Enterprise (MOGE). In 2009, an agreement was signed to build the Myanmar-China oil and gas pipeline from the coastal township of Kyaukphyu to the Yunnan province through the border town of Ruili, which planned to deliver gas from Shwe fields and oil from the Middle East and Africa to China.

Table 4.15 Development of oil and gas by Chinese companies

Date	Particulars
November 2001	The CNPC signed an agreement to acquire 70% interest in three production-sharing contracts for onshore blocks (IOR-3, RFS-2 and 3)
December 2001	The CNPC entered into a 20-year contract of improving oil recovery on block IOE-4
September 2004	Sinopee signed an exploration contract for onshore block PSC-D
October 2004 - January 2005	The CNOOC , Golden Aaron Pte.,Ltd.(the present China focus Development) and the China Huanqiu Contracting and Engineering Co.(HQCEC) signed a series of exploration and production -sharing contracts for three onshore blocks(PSC-CI, PSC0C2, PSC-M) and two offshore blocks(A-4, M-10)
January 2007	The CNPC signed exploration and production -sharing contracts for three promising offshore blocks(AD-1, AD-6, AD-8)
December 2008	The CMPC signed an agreement for the Shwe gas fields(A-1,3), which are operated by a Shwe consortium including Daewoo and MOGE, amounting to 6.5tcf to China over 30 years.
July 2010	The NPCC signed a contract for the shared exploration and production of inland oil and gas on onshore block PSC-F(Ngahaingdwin area) on a joint-venture basis
April 2013	The CNPC signed a transfer contract , which divides co-equity with Sinopes, to jointly develop onshore block PSC-D

Source: The New Light of Myanmar, Xinhua and other materials

Special Economic Zones: In 2004, Special economic zone (SEZ) projects involving collaboration between China and Myanmar can be traced on the Master Plan for Thanlyin-Kyauktan Industrial Zone, which was signed between the two countries during Prime Minister Khin Nyunt's visit to China. (*NIM*, 26 July, 2004). At the time, this project was planned to be the largest industrial zone in Myanmar, aiming to attract investment mainly from China, and was to be completed in 2006 (*Myanmar Times*, 9-15 August 2004)

China's involvement is mainly centered in Kyaukphyu, where a deep seaport and an oil port import terminal were constructed and operated by China; the Myanmar-China oil and gas pipelines is starting; and the railway will link with China's Yunnan. Kyaukphyu is a strategically important area for logistics, energy and security for China.

The Kyaukphyu SEZ Bid Evaluation and Awarding Committee (BEAC) which was formed on August 17, 2013, with a membership consisting of deputy union ministers, high-ranking ministry officials and other experts, invited expressions of interest from domestic and international firms for the services to develop a comprehensive strategy for promoting the Kyaukphyu SEZ in September 2013 (*NLM*, September 8, 2013)

Although China seemed to have gradually lost its initial enthusiasm for the SEZ, especially with target for promoting manufacturing industry since the late 2000s, Chinese involvement with the SEZ projects in Myanmar was worthy of note because it could be regarded as assistance for reform and opening-up in Myanmar, of which SEZ projects are symbolic

4.7 Strength, Weakness, Opportunity and Threat analysis of Myanmar

<p>Strengths</p> <ul style="list-style-type: none"> - Strategic geo-political & commercial location - Opening up for business & investment - Democratic Government (compared to Military rule about last fifty years) - Peaceful foreign policy - Large and young population - Rich in natural resources 	<p>Weaknesses</p> <ul style="list-style-type: none"> - Complex bureaucratic regulations & legal issues - Rudimentary financial market - Inadequate infrastructures - Limited industrial diversification - Lack of international exposure - Insufficiency of skilled labour - Armed conflict
<p>Opportunities</p> <ul style="list-style-type: none"> - On the Maritime Road - Last frontier in ASEAN - Connectivity with end-markets - Strategic interest to China & USA - Investment in infrastructure, Tourism, trade & commerce, education & ecology (the “green” vision) 	<p>Threats</p> <ul style="list-style-type: none"> - Risks associated with reforms – economic, social, and political - Negative impact on environment resulting from massive industrialization - Inflationary pressure resulting from rapid economic expansion - Conflict with ethnic minorities - External political forces impacting internal political, social and economic stability

Strength

Myanmar’s geographic location is at very strategic position. It is bordered on the east, the north, and the west by five neighboring countries, including the two most populous countries (China and India) in the world and on the south and south-west by the Bay of Bengal that provides easy access to the world’s major shipping lanes. Blessed with such situations, Myanmar could become the axis of the hub for trades and transportations in the region. It could also serve as a gateway to the Far East, South East Asia, and South Asia. Myanmar is also exist on on the Northern Corridor, North-South Economic Corridor and East-West Economic Corridor and, Southern and Western Corridors.

In the democratization period that started from 2010, Myanmar warmly welcomes responsible investors to seek and seize business opportunities in Myanmar, to support sustainable economic growth. The forecast for Myanmar's economy is positive as the country's markets open up to foreign investment, with the infrastructure, manufacturing and wholesale and retail services sectors. According to the Myanmar Investment Commission, foreign direct investment inflows rose sharply with the bulk of investments channeled into transportation, communication, and manufacturing. The latest update to Myanmar's company law came into effect on August 2018, making it much easier for foreign investors to do business there. A National Comprehensive Development Plan has been formulated to identify policy directions for country-wide sustainable economic development based on international best practices to alleviate poverty in the country. As a least developed country, Myanmar is also has preferential tariff arrangements in place to facilitate access of the country to major international markets.

Myanmar practice Peaceful Co-existence foreign policy that include five principles. Mutual respect on each other's territorial integrity and sovereignty. To abide by mutual non-aggression. Non-interference on other's internal affairs. Respect for mutual equity and to work for mutual benefit. And peaceful co-existence.

Myanmar has plenty of natural resources include natural gas, petroleum, timber and valuable minerals such as gold, tin, rubies and jade. Although Myanmar has abundance of natural resources, its need to be managed effectively and efficiently.

Weakness

Myanmar government announce 2015 policy on economic policy and again with the release of its 12-point economic policy in 2016, the government has reiterated its commitment to providing a more attractive and stable business environment. These documents called for new economic growth built upon a competitive and vibrant private sector. However still are still the issue in the real ground delaying in implementation of the changes. Still many effect of complex bureaucratic regulations & legal issues are occurring in the business and investment sector.

The financial sector in Myanmar is the least developed of all in Southeast Asia and cannot adequately fulfil its role as a financial intermediary. In Myanmar, the financial sector can fulfill its role as a financial intermediary only to a limited extent. For almost five decades, Myanmar's population and economy faced harsh restrictions under the rule of a military junta which set up a strict socialist regime (ADB 2012). The international sanctions under the military rule led to international isolation of the nation. In Southeast Asia, the former Asian granary Myanmar has become the poorest country with the lowest level of financial intermediation

The World Economic Forum Global Competitiveness Report (2013) ranked the overall quality of infrastructure in Myanmar 146th out of 148. The lack of (soft and hard) infrastructure is significantly impeding Myanmar's development, and reducing Myanmar's attractiveness for foreign investment. In Myanmar, citizens do not have adequate access to basic infrastructures and services, such as electricity, transportation. The national transport network (road and railway) of Myanmar is outdated. Maritime transport is well-regulated and competitive and is growing rapidly and boosting the international cargo business. But The electricity is still a big gap for the business development of Myanmar.

Myanmar have many labor available with low wages but unskilled. young people faced difficulties in getting the necessary skills and training to be job ready due to the poor education infrastructure. Government is encouraging to product the skill labor through vocational training schools but the country is still weak to welcome and occupied the employment opportunities that will coming in by FDI and business.

Any investors and business required the peace and stable situation to do the business successfully. Myanmar is one of the most complicated country with over 60 years internal armed conflicts. Over 50 armed groups and hundreds militia across Myanmar show it is big challenge for peaceful situation. The conflict in Kayin, Kachin and Shan are since long time ago. In addition to aged conflict, there is a new conflict in Rakhine covering 5 townships in northern rakhine and one township in Chin.

Opportunities

Myanmar became Key Part of China's 21st Century Maritime Silk Road. China has built pipelines from Kyaukpyu to Southwest China and been building a port at Kyaukpyu. As China signed a memorandum of understanding on China-Myanmar economic corridor as a major project of China's Belt and Road initiative, a railway will be built from the port to Southwest China through Mandalay for China to bypass the Malacca Strait. That will be the major part of China's 21st Century Maritime Silk Road linking China with the Middle East, Europe and Africa. For Europe, there will be the Arctic Route but it seems so far it will only provide trade route in warm seasons.

Myanmar shares delicate relationships with both China and the United States and has been benefitting from this position. Myanmar's relations with China have primarily been based on asymmetric power equations, which are proving to be beneficial for Myanmar. Meanwhile, the improvements in U.S.-Myanmar relations in the 2010s were outcome of the changing geopolitics in the Asia-Pacific, which enabled Myanmar to opt for a balance in its external relations with China.

As Myanmar is new opened country with rich natural resources and potential human resources. It persuading the investors to come and do business in Myanmar. There is plenty of area to be invited such as in infrastructure, Tourism, trade & commerce, education

Challenges

The government was forced by UN and west countries to recognised the rohingya as the myanmar ethnic. That issues was very serious and strong against by people in Myanmar. Government is facing the sandwich pressure bro its people and international community. The ongoing humanitarian crisis in the Rakhine State is included a key risk to the economy, with tourism and trade with the European Union potentially experiencing slowdowns.

Currently, Myanmar is rich with natural resource even though, over production of wood in last decade. Myanmar is facing issues about damaging environment due to some mining for example , Lapadaung taung brownce mining, Phakant jade mine and so on. It need to be managed carefully for the long term development and conservation of natural resources.

Inflation is normal for the rapid economic growth countries. But it should be a acceptable rate. Inflation Rate in Myanmar averaged 13.68 percent from 1998 until 2019. The Federal Reserve has not established a formal inflation target, but policymakers generally believe that an acceptable inflation rate is around 2 percent

Armed conflict with ethic minority is the key threat preventing business development and investment for production, trade, investment and education development of the Nation. Currently Northern Shan and Northern Rakhine are effecting worse by armed conflict.

CHAPTER V

CONCLUSIONS

5.1 Findings

After 1988, Myanmar introduced market economic system. China is one of Myanmar's neighboring countries and major import partner as well as second major export partner of Myanmar. According to analysis, China purchase 25.3.8% of Myanmar's export and sold 33.39% of import of Myanmar during FY 1989- 2015 years. Myanmar eventually came to depend on vertical trade with China as its trade deficit increased.

Myanmar opened its door, followed Market-oriented economic policy, and started inviting foreign direct investment since 1988 in spite of long –isolated policy during the socialist period. In 1989, SLORD government has come to powers, liberalize the restrictions on trade sector of the economy so that increase in the of trade sector. The volume of trade increased gradually and China became Myanmar's largest trading partner in 2011; foreign direct investment (FDI) from China improved notably after 2004 and made it the largest investor in Myanmar in 2010.

China is now a major supplier of consumer goods, machinery's and equipment and intermediate products of Myanmar. China also offers markets for Myanmar's exports such as, agricultural products, forest products, fishery products, metals and mineral and recently oil and gas. The major Myanmar export to china are Agriculture product is primary and major import items from china since 2000have been machine and Electrical equipment.

FDI inflows into the country gradually increased from 1989 to 1996 in Myanmar. Since Myanmar is rich in oil and gas, the government invited foreign investors to carry out oil and gas exploration after 1989. As a result, a large amount of investment flowed into the sector. Since 1989, showing that about two thirds of

projects by value were in oil/gas and power, a share which rose to over 75% for 2005-2015. In the area of investment, China has made strategic investments in strategic sectors such as oil and gas.

Chinese Foreign Direct Investment (FDI) in Myanmar increased dramatically. One primary issue is that, China has rapidly become the world's largest consumer of imported resources. Myanmar, rich in its natural resources, thus suddenly becomes more attractive to China. The lack of competitors due to international sanctions over Myanmar also provides China an ease of access. In 1989 to 2015, China is the largest country amongst realized investments. Approved investment from China rose from just above zero in 2003 to nearly \$15.5 billion by 2015, of which 93% was in power, oil and gas, and mining, and none in manufacturing.

China development assistance has been closely related to Chinese business interests in Myanmar. Commercial- based loans were also made available to the Myanmar government so that Chinese firms could also benefit from the Chinese development programme. Since 1988, Chinese development assistance had constituted the largest source of foreign assistance for Myanmar government because of sanctions imposed by Western government. Myanmar-China economic cooperation also resulted in infrastructure development, industrial development and energy development. It clearly seen in Myanmar's economy is now heavily dependent on economic ties with china.

To conclude, the two economies are comparatively unbalanced and Myanmar is facing long-term trade deficits with China. However, there are vast benefits, especially for Myanmar's economy, due to the economic relations between Myanmar and China. The economic relations resulted in more trade, more investment inflow, and more infrastructure development .Overall, Myanmar-China economic relationship results in positive impact of Myanmar's economy.

5.2 Suggestions

Myanmar has seen long trade deficit against in most of FY1989 – 2015 years, meaning imports surplus over exports. Therefore, Myanmar should adjust its trade balance for long term. To balance the current trade deficit against China, Myanmar should not heavily rely only on agriculture products. Exports to China should be diversified and should export more manufactured products. On the other hand, Myanmar should reduce its imports from China. Myanmar has been importing various goods from China and should limit its imports. Imports should be directed to capital goods, reducing import of enormous consumer goods. The development of bilateral trade has been assigned an important role in striving for the development of the state and improvement of the national economy plays an important role in maintaining friendly relations with neighboring countries and helps border areas improve the all-round development. Moreover, the bilateral trade development is the one of the main pillar in increasing the foreign exchange earnings of the nation. Bilateral trade development will contribute not only towards the economic development of Myanmar but also towards poverty alleviation, at least around the areas close to the borders.

Chinese investment was made are mainly hydropower, oil and gas, manufacturing and mining. Myanmar's initiative in the economic relations of Myanmar-China has increased. In addition, Myanmar's government now hopes to rely on Western countries' investment and aid to balance China's influence. Myanmar hesitates towards full cooperation with China because it lacks a long-term strategy during the transition period. The Myanmar people's idealism of foreign investment, little knowledge about the cross-border economic cooperation zone and the overseas economic cooperation zone, and Myanmar's diversified of foreign relations cannot have any negative impact on China.

After all, strengthened and economic ties with China would be instrumental in regime survival in the midst of economic sanctions by western nations. However, it will not be a powerful force promoting the process of broad-based economic development in Myanmar. However, there are vast benefits, especially for Myanmar economy, due to the trade relations between Myanmar and China. The trade relations resulted in more trade, more investment inflow Myanmar, and more infrastructure development. China should envisage the deficiencies of its relations with Myanmar, make efforts to solve the problems to economic cooperation of Myanmar-China, and

endeavor to improve China's image in Myanmar, by which the economic relations of Myanmar-China can develop sustainably.

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