

The Importance of Myanmar-China Border Trade on Myanmar's Economic Growth (2000-2020)

Nwe Nwe Htun

International Relations Department, Mandalay University of Foreign Languages, Myanmar

Abstract

Myanmar-China relations have been described as "Pauk-Phaw" friendship valued between the two countries. Myanmar's new civil government came to power in March 2011. Myanmar's economic reforms opened the door and provided more opportunities for Myanmar and China to cooperate in the economic, trade and investment sectors. Myanmar's trade with China was heavily concentrated in cross-border trade through the Yunnan province of China. The main trading point in Myanmar's cross-border trade with China is Muse town, which is adjacent to China's border town Ruili in Yunnan province. The development of cross-border trade has had a positive impact on bilateral trade and Myanmar economic growth. This paper analyzes the role of Myanmar-China Border Trade on Myanmar Economic Growth over the period (2000-2020). This paper also explains that Myanmar and China cooperated in trade relations during Myanmar's economic reform in the transitional period (2010-2020), and providing sound and stable development of Myanmar- China relations. This research focuses the questions on why Myanmar-China border Trade played an important role on Myanmar economic growth.

Keywords: Bilateral Trade, Cross-border Trade, Pauk-Phaw, Trading Point, Economic Growth

1. Introduction

The main objective of this study is to show that the border trade with China was crucial to Myanmar's economic growth. Myanmar is bordered by the most popular and huge economy community nation in the world, China. Trade is regarded as an engine of economic growth. The government of Myanmar has signed border trade agreement with neighboring countries and opened border trade post since 1996. The Myanmar government also established the Department of Border Trade (DOBT) which was important to implement and facilitate border trade activities under the guidance of the Ministry of Commerce (MOC). Since that time, China became the main trading partner for Myanmar. Myanmar has 15 border trade points with these neighboring countries. Among them, Myanmar's trade was heavily concentrated in cross-border trade with China (Myanmar-China border trade booms, with two exceptions, 11.07.2016, p.2). This paper is divided into two parts. Firstly, the paper explains Myanmar and China trade relations since 2000. It explores the growing bilateral trade value between Myanmar and China. Secondly, the paper discusses Myanmar-China trade relations since 2011 in terms of border trade. In this regard, it explains a significant trade policies and the establishment of department of border trade under the joint committee between Myanmar and China. However, this paper did not mention in the informal trade and investment sectors between Myanmar and China during the years (2000-2020). After examining the collected data, the paper will endeavor to explain why Myanmar-China border Trade played an important role on Myanmar economic growth.

In this article, the importance of the Myanmar-China border trade on Myanmar economic growth (2000-2020) will be scrutinized, using the relevant international relations theory of "Cooperation theory" as an analytical framework. According to Ernst Haas, states (for example, EU) could not solve problems unilaterally in the field of trade and economies. Initiating several policies played a major role in a response to common problems and preparing the establishment of economic growth (Haas, 1958, p.16). Therefore, relevant and solid policies were laid down by the cooperation between Myanmar and China for the development of a trade area.

The article of Moh Moh Kyi (2016) "Three New Trade Centers to Open" analyzes how the Myanmar Trade Organization under the Ministry of Commerce has been trying to launch three trade centers in three states. The trade centers hold trade fairs to promote the export to neighboring countries as well as business matching with entrepreneurs from neighboring countries (Moh Moh Kyi, 2016, p.5). It shows that trade centers provided support for local entrepreneurs to produce quality products for export.

The book of Yaw Zar Ling (2017), *An Analysis of the Effect of Border Trade Value on Myanmar Economic Growth*, describes the annual data of GDP, Export and Import of border trade with Thailand, India and Bangladesh. The border trade value of Myanmar has been growing every year (Yaw Zar Ling, 2017, p.3). The study shows that the export value of border trade was the determinant factor of the economic growth of Myanmar.

The previous authors analyzed the annual data of GDP, export and import of border trade with neighboring countries by applying under the framework of Vector Autoregressive (VAR) model. However, they did not explain the importance of Myanmar-China Border Trade on Myanmar Economic Growth by applying the conceptual framework of *Cooperation theory*. Therefore, in order to fill this gap, this study will explain Myanmar-China Border Trade on Myanmar Economic Growth (2000-2020) in of light the Cooperation theory.

In conducting this research, a case study design has been applied to examine why Myanmar-China border trade played an important role on Myanmar economic growth. In addition, level of analysis has been used to assess the perceptions and policies of Myanmar and China in the context of their features at domestic, regional and systemic levels.

2. Myanmar-China Trade Relations Since 2000: Transition to a Market Economy and the Formalization of Border Trade

Soon after the military took power in 1988, economically, the State Law and Order Restoration Council (SLORC) later re-constituted as the State Peace and Development Council (SPDC) allowed private sector businesses to engage in external trade and to retain export earnings, and started to legitimize and formalize border trade with neighboring countries.

2.1. Myanmar's Economic Reforms

In 1993, in Myanmar, the Ministry of Trade was transformed as the Ministry of Commerce (MOC) to implement the economic activities for the development of national economy. Moreover, Myanmar has changed its economic structure from a centrally planned economy into a market oriented system. A series of structural reforms had been introduced and new legal policy instruments were enacted for market oriented economy. The Myanmar government has recognized the private sector as a basic factor of the market-oriented economic system and paid great attention for its development. The MOC was the Myanmar government agency and played a vital role in transformation process of the implementation of market oriented economic system (*Economy of Myanmar*, n.d., p.5). The MOC has

established the Department of Border Trade in 1996 in order to strengthen the border policy and to develop the bilateral trade relations with the neighboring countries.

2.2. Border and Ethnic Conflicts

Politically, in the past, it was not easy to perform border trade in big volumes due to the weak transportation and insurgent groups in border areas before cease-fire agreements. Since 1989 the military government has reached ceasefire agreements with over 15 armed opposition groups. The ceasefires have had a deep impact on many ethnic communities, especially in the hills and mountains of northern Myanmar. Moreover, after conducting cease-fire agreements with some ethnic groups through its constructive engagement policy, trade was legalized in 1996 with the establishment of the Department of Border Trade under the MOC. In April 2009 tensions with the military government increased because of the sudden announcement that all ceasefires signed groups had to transform into separate Border Guard Forces (BGFs). This controversial scheme would have divided groups into smaller, separate units under Myanmar army control. Some of the smaller groups who had signed ceasefires agreed to transform into BGFs. Moreover, tensions further increased after Myanmar army occupied the Kokang region, thereby ending two decades of ceasefire with the Myanmar National Democratic Alliance Army (MNDAA) in August 2009. After several days of fighting, the remaining MNDAA troops were withdrawn and fled across the border into China. During the SPDC, the main ceasefire groups refused to transform into BGFs before the final deadline on 1 September 2010. The SPDC told that it would consider their status to be equivalent to that before the truces were agreed. In Myanmar, the SPDC tried to move true ethnic peace in order to end the conflict after establishing new ceasefires (Kramer, 2012, p.12). It supported the efforts to build trust and mutual understanding between the Myanmar majority and ethnic minority communities, as well as among ethnic communities.

2.3. Myanmar-China Cooperation

Although among the countries that imposed sanction on Myanmar, China continued to maintain the close relations in many sectors because of their Pauk-Phaw relations since independence time. China signed a major trade agreement for cross-border trading on August 5, 1988. After transforming, Myanmar signed a border trade agreement with China on August 13, 1994. The Muse border trade office was established and introduced one stop services (OSS) in August 1995 (Winston Set Aung, 2009, p.15). However, there was some problem in trading especially export-first policy, licensing system, high tax related to export (Ministry of Commerce, n.d., p.2). Therefore, there were some difficulties in the flow of goods and services under the military government. It resulted in significantly

increased volumes of trade (Winston Set Aung, 2009, p.10). Myanmar government changed its economic system by transforming border trade policy to increase in Myanmar economy under the MOC auspices.

Another important factor of Myanmar-China border trade was the trading point on the Yangon–Mandalay–Muse/Ruili (Shweli)–Kunming corridor. The portion between Mandalay and Kunming was labeled as Asian Highway No. 14. There was a sharp contrast between Asian Highway No. 14 (AH14) connecting Myanmar with China. The Myanmar section of AH14 has been developed and maintained by a build–operate–transfer scheme of the Myanmar government with a Myanmar local contractor (*Myanmar-China dilemma*, n.d., p.3). As the result of the No. 14 (AH14), Myanmar developed with good communication and transportation in trading with China.

However, economic sanctions were first imposed by the West in 1997, and further stiffened in 2003 and 2007. Therefore, the direct imports from and direct exports to the West have become much more difficult. Whenever taking the sanctions from the west, China never changed its policy towards Myanmar. China permitted the preferential treatment for border trade with Myanmar on issues concerning border trade issued in 1986. As a result, Myanmar has relied more on its neighboring country, China and cross-border trade has become more significant for Myanmar's economic sector (Winston Set Aung, 2009, p.15). The cross-border trade has also become one of the major sources of income for Myanmar.

Under the pattern of trade between Myanmar and China, Myanmar exported its primary products and China exported the industrial products. Myanmar's exports were concentrated in a commodities such as precious stones (jade), natural gas, minerals, marine products, agriculture products, wood product, and clothing. Crude oil, petroleum products, machinery and equipment, transport equipment, construction materials, fertilizer, cement, edible oil, food products, fabric and plastics resin were the major import commodities from China. Myanmar under the Department of Border Trade has opened 15 border trade points with the neighboring China, Thailand, India and Bangladesh. They were Muse, Lweje, Kanpikete, Chinshwehaw, Tamu, Reed, Myawady, Tachilek, Kengtung, Kawthaung, Myeik, Hteekhee, Mawtaung, Sittwe and Maungtau. The four border gates, which linked China, were Muse in northern Shan state, Lwejel in Kachin state, Chin Shwehaw in northeastern Shan state and Kanpikete in Kachin state (*Myanmar-China border trade booms, with two exceptions*, 11.07.2016, p.2). Among them, Muse border gate stood the largest trade zone with maximum trade value transacting between the two neighbors.

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Myanmar's documented cross-border exports accounted for 10 per cent out of the total value of documented exports between 2003 and 2005 and 7 per cent in 2005–06, while Myanmar's total documented cross-border imports accounted for 9 per cent in 2003–04, 10 per cent in 2004–05, and 11 per cent in 2005–06 (*Department of Trade*, n.d., p.6). (See Table 1) Since the value of documented cross-border exports and imports account for around 10 per cent of total trade, cross-border trade was important for Myanmar trade.

Table 1: Documented Cross-border Trade balance with China (US\$ million)

Year	2002/03	2003/04	2004/05	2005/06	2006/07
Trade balance with China	25,597	13,412	43,892	-4,179	34,018

Source: Department of Border Trade, Ministry of Commerce, p.6.

Since the Muse gate was opened in 2006, bilateral trade volume of Myanmar-China has grown year by year. In border trade between Myanmar and China, the trade value has increased from 267.63 million in 2000 to 1800.30 million in 2010 (*Department of Border Trade*, n.d., p.6). (See Table 2) Muse gate was the main point for Myanmar China border trade.

Table 2: Border Trade of Myanmar with China (US \$ Million)

No.	Year	Total trade	China	Variation(%)	
				Year-on-year	Since 2000
1	2000	411,74	267,63		64,99
2	2001	497,44	276,35		55,55
3	2002	463,7	331,8		71,55
4	2003	501,16	387,12		77,24
5	2004	656,61	496,71		75,64
6	2005	716,66	481,36		87,16
7	2006	1092,62	749,76		68,62
8	2007	1329,5	977,43		73,51
9	2008	1348,48	986,6		73,16
10	2009	1383,67	1076,81		77,82
11	2010	2130,19	1800,3		84,81

Source: Department of Border Trade, Ministry of Commerce, p.6

Border trade played an important role for Myanmar economic growth because the border trade of Myanmar was the main source government revenue. China has more favorable conditions for Myanmar because of the better highways and road transportation and familiar of the imported goods from China with Myanmar. Trade facilitation has improved and job opportunities have opened up for more locals in border areas.

3. Myanmar-China Trade Relations Since 2010:

Democratization and the Strengthening of Economic Ties with China

The historic general election was held in 2010. It was the beginning of a new chapter in Myanmar foreign relations. After taking office, the new civilian government, led by the Union Solidarity Development Party (USDP) under U Thein Sein began implementing the political and economic reforms.

3.1. Myanmar's Economic Reforms under USDP Administration

After the 2010 elections in Myanmar, the civilian government has brought the developments in both economic and political liberalization. Myanmar government opened border trade, private business sectors were allowed to participate in all sectors of the economy. In 2011, the new government attempted a major policy of reforms including currency exchange rate, foreign investment laws and taxation. The Export and Import Law was lunched on 7 September 2012. It was repealed the control of Exports and Imports Act 1947. This law aimed to lay down the policies relating to export and import that support the development of the State. Import restrictions were relaxed and export taxes were abolished. Moreover, the MOC introduced Individual Trading Cards (ITC) in 2012 to make easy for small individual exporters and importers to do business. The main aim of the department of border trade was to increase trade volume and to achieve government revenues. It had authority to issue export, import licenses and permits through border area (*Myanmar-China border trade rises in FY 2016-17*, 20.04.2017). The border trade provided to the increase of employment opportunities for many workers and creates income.

3.2. Border and Ethnic Conflicts

In the political transition, the new government has made impressive reforms in the ethnic nationality problem. However, the government and the ethnic armed groups remained fragile in the ceasefires. The government announced all ceasefires as invalid in September 2010. The military pressured on ethnic armed groups by blocking Chinese border trade. It was through the Kachin Independence Organization (KIO)'s Laiza headquarters and refused to renew the operating license of Yangon Airways run. The ongoing armed conflict between the Myanmar army and the KIO with its allies (AA, ABSDF, TNLA) has created a severe humanitarian crisis in Kachin and northern Shan states on December 30, 2012. It threatened peace and security for Myanmar and its neighbors. The conflict in Kachin state has caused great concern for China. China has sent troops to its border with Myanmar to boost security (Burma News International, 2015, p.20). China has been gradually drawn into the Myanmar peace process. At the Yunnan Regional Government's initiative, a fruitful meeting between the KIO and the

Myanmar Government was held in Ruili, Yunnan Province. China continued to maintain close ties with powerful EAOs on its border. The important one was to be ensured stability along its border and the protection of Chinese business interests (Ibid., p.82). Therefore, Chinese desire was to foster good relations with all sides for stability in the border area because the border conflict has threatened the positive economic development between the two countries.

Under USDP Administration, President U Thein Sein pledged to make the ethnic issue a national priority and offered a national conference to seek political solutions to solve the ethnic divisions. The Union-level peace team was made up of a central committee (UPCC) for making policies and a working committee (UPWC) for implementing the ceasefire negotiations. The UPCC was chaired by President U Thein Sein and the UPWC was chaired by the Vice President Sai Mauk Kham. Prior to the Union-level peace team. There were two government peace teams created by the Union-level Peace Discussion Group in December 2012. The teams were led by U Aung Thaung and U Aung Min respectively and divided their tasks geographically. The group was renamed and reformed into the Union-level peace team by Presidential Decree No.12/2012 issued on May 3, 2012. The UPWC carried out the negotiation with and the ethnic armed groups to reach peace agreements. Both sides agreed to ceasefire and cooperate in economic and development tasks. Therefore, the government offered economic and business incentives to convince armed groups for both inside and outside of ceasefires. For example, in logging, mining on gold and jade, agribusiness on rubber, teak, sugar cane plantation, banana plantation, rare earth reserves Hydro-electric dams such as Myitsone, Tarpain, Chibwe, Pashe, Lakin, Phizaw in Kachin state and also in mining gold, silver, lead, zinc, ruby, and coal, logging teak, agribusiness on Rubber, rice, tea plantation Mong Hta industrial zone proposed by RCSS/SSA, Namoum industrial zone proposed by the government, Muse Trade Zone Dams: Kengtawng, Moby, Nawngpha, Paunglong, Shweli, Tasang, Yeywa, Zawgyi in Shan state (Burma News International, 2015, p.44). The government under U Thein Sein finalized all the ceasefires by the end of 2013 by holding political dialogue and endorsed agreements with all of the ethnic armed groups.

3.3. Myanmar-China Cooperation

In 2011, the domestic political situation of Myanmar led to the emergence of democratically elected government and the international community welcomed the process of democratization. However, the democratic reform in Myanmar displayed a series of unpleasant conditions for China and the bilateral relationship was faced with challenges. Therefore, China tried to accomplish by clearing up any misunderstanding that might have existed between the two countries (*China–Myanmar relations*, n.d.). Moreover, during the year 2011, Myanmar and China signed five memorandums of

understanding (MoUs) including one between the MOC from both countries, on the establishment of Myanmar- China Border Economic Cooperation Zone (Koji Kubo, 2016). A Joint Committee of MOC from both countries established Myanmar- China Border Economic Cooperation Zone to boost border trade between the two countries. Under Myanmar- China Border Economic Cooperation Zone, the trade value has increased from 2985.45million in 2011 to 4653.59 million in 2015 in border trade between Myanmar and China. The proportion of border trade out of the country's total exports jumped from 22.2 percent in 2011 to 40.8 percent in 2015 (*Myanmar-China border trade rises in FY 2016-17*, 20.04.2017). (See Table 3) As a result of the cooperation between them, the trade value has increased year to year during the political reform in Myanmar.

Table 3: Border Trade of Myanmar with China (US \$ Million)

No.	Year	Total trade	China	Variation(%)	
				Year-on-year	Since 2011
1	2011	3368,73	3985,45		88,62
2	2012	3453	3110,9		90,09
3	2013	4011,61	3662,2		91,29
4	2014	4852,98	4322,69		89,07
5	2015	6206,37	4653,59		74,98

Source: Department of Border Trade, Ministry of Commerce, p.6

4. Myanmar-China Trade Relations Since 2015:

Liberalization under the Belt and Road Initiative (BRI), and the Challenge of Ethnic Armed Conflicts

The general election was held on 8 November 2015. The NLD achieved the sweeping victory in the 2015 elections. The NLD government came to power at the end of March 2016. There was an eventful two years in Myanmar's ongoing democratic transition and national reconciliation in 2015-2016.

4.1. Economic Reforms under NLD Administration

The NLD government promoted trade liberalization outward looking policy and encouraged the market-oriented economic system. The Myanmar government has planned to open more border trade points under the second short- five-year National Comprehensive Development Plan which spans from 2016-2017 to 2020-2021. Myanmar implemented the National Export Strategy for export sector promotion. The government is working to lower the trade deficit although the efforts to reduce

the trade deficit face some difficulties (*Trade deficit*, n.d.). It can be seen that the new NLD government reformed economic policy to increase in its economic relations with China.

4.2. Border and Ethnic Conflicts under NLD Administration

The NLD government has been successful in negotiating ceasefires with ethnic armed groups by granting them some limited economic rights and the NCA's establishment of new structures for political dialogue and conflict resolution. However, the four groups launched a major military counter-offensive on 20 November 2016 against Myanmar Army outposts in Kokang region, northern Shan state along the Chinese border (Muse's 105 Mile free trade zone, Mong Koe, Pang-Sai, Namhkan and Kutkai) as the "Northern Alliance- Burma" (Burma News International, 2017, p. 25). The border trade through Muse was temporarily suspended. Therefore, Myanmar-China border trade dropped. All the economic zones were in the area of ethnic controlled region and very close with the conflicted area among the Ethnic Armed Organizations (EAOs) and Myanmar's Military Forces. Therefore, the government negotiated with the EAOs (The Global New Light of Myanmar, 11. 07. 2018, p.1&2). Myanmar expected to boost economy by constructing the trade centers, processing plants, small & medium industrial facilities, trade logistics center, and quality packing center in that three border economic zones. The Chinese government urged the Myanmar government to promote stability in the border area. Chinese forces deployed along the border in Kokang region after the Myanmar air force mistakenly dropped bombs a second time. Later, the Myanmar Foreign Minister visited China and agreed to compensate the families of the victims. The Chinese army warned Myanmar army to control its forces and not to cross the border (Burma News International, 2015, p.82). It found that China has been gradually drawn into the Myanmar peace process.

4.3. Myanmar-China Cooperation under NLD Administration

In 2016, bilateral trade decreased by 18.65 and trade volume from Muse border dropped more than US\$46 million in 2017. US\$ 292.57 million to US\$ 5.085 billion dropped in trade value through Muse gate in 2016-17. However, Myanmar's export to China through border trade reached US\$ 4.212 billion due to other border gates made up the overall increased value (Bi, 2010, p.22). Therefore, Chinese markets provided broad opportunities and convenient monetary settlement for the export trade of Myanmar.

Myanmar has also attempted to consolidate its friendship with China. During the One Belt One Road (OBOR) Summit, also known as the Belt and Road Initiative (BRI) Summit, Daw Aung San Suu Kyi signed two economic agreements; a border economic zone along the Yunnan Province- Kachin State border, and the cooperation on the BRI in 16 May 2017 (The Global New Light of Myanmar, 16.05.2017, p.1).

It was the signs of their relations increased and bilateral economic ties seemed to strengthen after attending Daw Aung San Suu Kyi OBOR Summit. China stands the biggest trade partner of Myanmar. The total trade between Myanmar and China increased by over 30 million U.S\$ in 2016-2017 fiscal year. The bilateral trade between Myanmar and China reached US\$ 5.967 billion in the 2016-2017 fiscal years, while the fiscal year 2015-2016 amounted to US\$ 5.936 billion. In 2017, the bilateral trade volume between Myanmar and China reached US\$ 13.536 billion, with a year-on-year growth of 10.2%, of which China's exports to Myanmar amounted to US\$ 9.09 billion, with a year-on-year growth of 10%, and China's imports from Myanmar amounted to US\$ 4.527 billion, with a year-on-year growth of 10.5%. However, Myanmar's export side, there was a continuous negative trade balance because export values are greater than imports values from 2015-2016 to 2017-2018 (Koji Kubo, 2018, p.7). Although there were any challenges in export side, the trade between Myanmar and China has grown rapidly year by year.

On June 2018, the Myanmar Trade Promotion Organization, the Yunnan Provincial government and the Kunming People's Government signed a MoU for the legal export of rice, sugar, corn and other agricultural products to China, but have not yet reached a government-to-government agreement. Myanmar has agreed the sites for the three economic zones in the Kachin State and Shan State along the Myanmar-China border areas on 10 July 2018. The "Kanpiketi Border Economic Zone" was situated in the Kachin State's Special Region 1 that was under the control of the New Democratic Army-Kachin Militia. Another two are "Chin Shwe Haw border economic zone" in the area of Shan State's Lauk Kai Township that was under the control of Kokang Self-Administered Zone and "Muse border economic zone" in Shan State's Muse Township (Koji Kubo, 2018, p.5). The NLD government has generated a new hope and beginning for Myanmar by signing the MoUs with China concerning on economic zone.

Regarding the private sector, nearly two-fifths of Myanmar's exports in 2014 has come from border trade. The private sector's border trade totaled 16.4 percent of the entire country's aggregated exports and 14.8 percent of its imports. The export value of the Muse border post has included natural gas since October 2013. Nonetheless, exports from Muse, with the exception of natural gas, amounted to around US\$ 2 billion. It was 10 times more than exports from the second largest border post. Muse was the largest border post of Myanmar, accounting for the highest share of the private sector cross-border trade exports. The total exports of the private sector were US\$ 8,124 million in 2016/2017, of which US\$ 3,270 million was by cross-border trade. The major export items to China through Muse include sugar, rice and fresh fruits in 2016/2017 (The Global New Light of Myanmar, 16.05.2017, p.3). As a result of cooperation between Myanmar and China in their trade, cross border trade was a major trade channel for the economy, especially the private sector.

However, border trade with the export rice, and maize and livestock which have been legalized by the Myanmar government, but not by the Chinese side through Muse was slow on October 2018. Since that time, the rice and livestock were dumped in the border trade zones in Muse due to the security was tight and confiscation was high in China. On 31 December 2018, the registered that trade volume in Muse faced a drastic fall by US\$387.58 million in the 2018 fiscal year compared with last year's. Only a business-to-business contract for the purchase of 15,000 tons of rice and 10,000 tons of corn was signed in December (Vakulchuk, April 2017,p. 32.). Though China has allowed for a certain legal quota of rice export, taxes were excessively high upon exceeding this quota, leading to illegal export of some agricultural and livestock products to China.

According to MOC export and import trade situation of Myanmar with China (1-10-2018 to 22-3-2019) compared to the same period of 2017-2018 Fiscal Year, it found trade deficit for Myanmar especially in trade value through Muse gate. Because of high production cost and not enough raw materials to produce some products and commodities in its own country, Myanmar purchased these commodities from China and other countries (see Table 4) (Ministry of Commerce, n.d., p.2). However, in 2019-2020, the country's export through border gates earned over US\$ 5.8 billion while its import shared over US\$ 2.7 billion. This fiscal year's border trade increased by over US\$ 281 million compared to the fiscal year 2018-2019 (Khreizo, 2019, p. 21). Therefore, the trade between Myanmar and China has grown rapidly year by year.

Table 4: Ministry of Commerce Export/Import Trade Situation of Myanmar in (1-10-2018 TO 22-3-2019) compared to the same period of 2017-2018 Fiscal Year

No.	Sector		(1-10-2018 to 22-3-2019)	(1-10-2017 to 22-3-2018)	Increase/Decrease
1	MUSE	Export	1540.39	2325.8	-785.4
		Import	812.99	783.79	29.2
		Trade Value	2353.38	3109.58	-756.21
2	Border	Export	3292.26	3071.11	221.15
		Import	1354.71	1425.65	-70.94
		Trade Value	4646.97	4496.76	150.21
3	Over Sea	Export	4420.89	4013.56	407.3
		Import	7086.76	7696.89	-610.13
		Trade Value	11507.65	11710.48	-202.83
4	Total	Export	7713.15	7084.7	628.45
		Import	8441.47	9122.54	-681.07
		Trade Value	16154.62	16207.24	-52.62

Source: Ministry of Commerce, <https://www.commerce.gov.mm/en/dobt/border-trade-data>, page.30

It concluded that cross-border trade or border trade played an important role in Myanmar's economic growth. When China faced with the problems of the political reform and the conflict of frontier area in Myanmar, the two countries addressed the problems by the cooperation activities according to cooperation theory. However, there was any weakness in their border trade activities. Because of Myanmar civil war ongoing in most of frontier area especially Muse border point, there were negative signs in some of political, social and economic obstacles. When the process in trade licensing and restrictions on imports and exports applied, the market and economic situation of Myanmar have also led to increased informal cross-border trade activities. Informal cross-border trade refers to the registered or unregistered business activities undertaken across the borders based mainly on the popular economy. China's stringent measure, on the other hand, for the fresh fruits and vegetables of Chinese exports are loosely applied at Myanmar border. China's import controls have been influential for Myanmar's exports, especially agricultural exports (Winston Set Aung, 2009, p.14). Informal activities tended to produce undesirable outcomes such as increased corruption, smuggling, and human trafficking from informal trade. Therefore, it found that the cooperation between the two countries in border trade needs to formulate the exact, fair and strict policies to get the complete benefits for them.

5. Conclusion

Myanmar and China is historically and ethnically related and mixed border regions, they are Pauk-Phaw relations. However, Myanmar transformed towards democratic and federal country. This political system was a determinant factor for either minimize or maximize the volume of trade and economic exchanges between Myanmar and China. It also depended on the political stability in the frontier area. Therefore, after a democratic election in Myanmar, the two countries employed a suitable foreign policy to preserve their economic cooperation. As a result, China becomes the largest trade partner of Myanmar, and the value of bilateral trade with China expands year after year. Under the *Cooperation Theory*, the two countries initiated relevant policies played a major role in a response to common problems and preparing the establishment of economic growth. This showed that the economic relations between Myanmar and China continued to be mutual important partners and border trade played an important role in Myanmar's economic growth.

6. Findings

It found that border trade played an important role for Myanmar economic growth. In 1988, the SLORC/SPDC formalized the border trade with neighboring countries. After reforming the economic

structure, the government enacted the policy for market oriented economy. China signed a major trade agreement for border trade with Myanmar at that time. However, in politics, the ethnic problems were an important in Myanmar-China border trade relations. After signing the ceasefire agreements with over 15 armed opposition groups, the government established the Department of Border Trade under the MOC. In 2009, the Tatmadaw occupied the Kokang region and the ethnic troops flee across the border into China. Therefore, the SPDC tried to end the conflict. China never changed its trade policy towards Myanmar. Although there were some problems of export-first policy and licensing system between Myanmar and China, China was more significant for cross-border trade with Myanmar. Because the bilateral trade volume of Myanmar-China has grown year by year since 2000. Since 2010, Myanmar transformed to political democratization and the strengthening of economic ties with China. In 2011, the new government tried to formulate a reform policy on currency exchange rate, foreign investment laws and export-import laws. In Myanmar, the government from 1988 to 2010 relied on the diplomatic and economic support of China to withstand economic sanctions and diplomatic pressure by the west and the UN. Myanmar under the USDP government seemed to depend less on China. However, in politics, new fighting was broken out in Kachin and northern Shan state, Myanmar needed to support from China for ceasefire negotiations with ethnic groups along the Myanmar-China border. After negotiating to ceasefire within the both sides under China's support, Myanmar signed five MoUs with China and established Myanmar-China Border Economic Cooperation Zone. After the 2015 elections, the NLD took the power and encouraged the market- oriented economic system. In politics, the NLD government has been successful in negotiating ceasefires with ethnic armed groups. However, four major combatant groups under the banner of the Northern Alliance remained persistent in their armed struggle. China, as a close and powerful neighbor, continued to play a pivotal role in Myanmar's peace process. After attending Daw Aung San Suu Kyi at the OBOR Summit, it was the signs of their relations increased and bilateral economic ties seemed to strengthen. China is the important border trade partner of Myanmar. Trade relations between Myanmar and China have smoothly maintained with the favor of political and security situation of border areas especially around Muse route. The Muse trade zone is successful of border trade in Myanmar economic growth. Both countries are increasing in trade volume and also achieving mutual benefits year by year through the border trade points especially Muse gate. Moreover, whenever Myanmar army and ethnic groups fought or had the conflict, China maintained the role of negotiator in their conflicts. Therefore, the successive Myanmar government encouraged on trade relations with China to promote in Myanmar economic growth.

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