

CHAPTER 8

Myanmar's Border Trade with China: Situation, Challenge and Prospects

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This chapter should be cited as:

Toshihiro Kudo, 2010. "Myanmar's Border Trade with China : Situation, Challenge and Prospects. " In *Japan and Korea with the Mekong River Basin Countries*, edited by Mitsuhiro Kagami, BRC Research Report No.3, Bangkok Research Center, IDE-JETRO, Bangkok, Thailand.

Myanmar's Border Trade with China: Situation, Challenges, and Prospects¹

Toshihiro Kudo

Abstract

Myanmar's borders have become open to its neighbors since the State Law and Order Restoration Council (SLORC) adopted the open-door policy in 1988. Myanmar's border trade with its neighbors, China in particular, has drastically grown since then. The growth of border trade primarily depends on the restored political and security situation in the border areas, as well as the transportation infrastructure development and legal and institutional arrangements. The transportation route between Muse (China) and Mandalay (Myanmar) provides favorable conditions for border trade between the two countries. In reality, the route offers a rather narrow path sneaking away the areas under the control of ethnic ceasefire groups. The Muse (105 mile) Border Trade Zone and the new "Burma Road" showcase a successful model for border trade gates and routes in Myanmar.

INTRODUCTION

The political and economic functions of border areas in Myanmar have changed since the State Law and Order Restoration Council or later State Peace and Development Council (SLORC/SPDC) adopted the open-door policy in 1988.

¹ This paper made use of field surveys for data gathering in 2008-2009. It includes interviews to persons and organizations in Myanmar and China. Specifically, the author expresses his sincerest gratitude to U Moe Kyaw and U Aung Min of Myanmar Marketing and Research Development (MMRD) and Professor Bi Shihong of Yunnan University.

Myanmar's borders have become open to its neighbors veering away from being buffer regions that faced potential enemies during the Cold War era. They are no longer backward regions dependent on the assistance from the center, but evolved to become frontiers and conduits that absorb the economic energy of emerging neighbors.

The legalization and regularization of cross-border trade drastically increased the volume of transaction between Myanmar and its neighbors. It is estimated that about half of Myanmar's exports, including natural gas sales to Thailand by pipeline, and more than 30 percent of its imports are being transacted through cross-border gates. The newly-constructed cross-border gates including the Customs, Immigration and Quarantine (CIQ) checkpoints and truck terminals function as connecting nodes between Myanmar and its neighbors. The cross-border trade channel provides the Myanmar economy more resilience to Western sanctions which have discouraged Myanmar's maritime trade with Western countries. Similarly, it functions as an alternative trade route to maritime one via Yangon Port, Myanmar's primary port. When Yangon Port was damaged by Cyclone Nargis in 2008, the cross-border trade channel proved its effectiveness and significance to Myanmar's external trade.

Myanmar's border trade has recently drawn the attention of policymakers and business sector both inside and outside the country. Hence, it is important to understand Myanmar's present border trade situation and the factors that led to its emerging growth. The underlying analyses and best practices that may derived are anticipated to be utilized as models for replication aimed to contribute to the overall economic development of Myanmar.

The first section provides an overview of Myanmar's external trade with special reference to border trade. The second section depicts the development of new "Burma Road," which substantially enhanced Myanmar-China border trade. The third section examines relations between border trade and ethnic insurgency. The recent military clash between the Myanmar army and an ethnic insurgency group presented peace and security issues in the border areas. Border trade has become possible only after peace and security was restored in those areas after 1988. The fourth section introduces the Muse (105 mile) Border Trade Zone as a connecting node between Myanmar and China. This paper concluded with a summary of the discussions made and more importantly, identified the major challenges for further growth of border trade.

1. BORDER TRADE: AN OVERVIEW

In the earlier days, during the socialist period, developed countries such as Japan and West Germany constituted Myanmar's major trading partners. Trading activities can be attributed to Myanmar's being a recipient of the official development assistance (ODA) from developed countries. When the military government came about in 1988, ODA has been terminated. Some western countries imposed economic sanctions to their government. The restrictions and trading difficulties with western countries created a hostile international economic and commercial environment. Such moved Myanmar to develop trading activities with its neighbors. Hence, the SLORC/SPDC's open-door policy drastically changed the geographical pattern of Myanmar's trade (Table 1). Trade relations with neighboring countries like China and Thailand evolved and further

strengthened.

Table1: Myanmar's Major Trading Partners

Myanmar's Major Export Partners

	1980		1988		1990		1995		2000		2006	
1	Singapore	14.3%	Africa	19.7%	Africa	14.3%	Singapore	16.0%	USA	22.4%	Thailand	49.0%
2	Africa	10.6%	Singapore	9.7%	Thailand	12.0%	India	12.2%	Thailand	11.8%	India	12.1%
3	Japan	9.9%	Hong Kong	9.1%	Singapore	11.3%	China	11.3%	Africa	8.6%	Africa	5.8%
4	Indonesia	9.5%	Japan	8.4%	India	10.8%	Africa	9.3%	India	8.2%	China	5.3%
5	Hong Kong	7.6%	Indonesia	7.0%	China	8.1%	Indonesia	8.0%	China	5.7%	Japan	5.1%

(Source) IMF, Direction of Trade.

Myanmar's Major Import Partners

	1980		1988		1990		1995		2000		2006	
1	Japan	43.7%	Japan	39.0%	China	20.6%	Singapore	29.9%	Thailand	18.3%	China	34.0%
2	UK	8.8%	UK	9.1%	Singapore	17.9%	China	29.0%	China	18.0%	Thailand	21.4%
3	Germany	7.4%	Germany	6.7%	Japan	16.6%	Malaysia	10.8%	Singapore	15.8%	Singapore	15.8%
4	Singapore	6.1%	USA	6.0%	Germany	4.8%	Japan	7.4%	South Korea	10.5%	Malaysia	4.6%
5	USA	5.0%	Singapore	5.8%	Malaysia	4.7%	South Korea	4.1%	Malaysia	8.4%	South Korea	4.0%

(Source) IMF, Direction of Trade.

Myanmar's shift in trading pattern from the developed countries to the neighbors is more of a natural tendency of being geographically near. Distance awakened Myanmar to trade with its immediate neighbors than with far-off western countries. Myanmar shares long borders with five neighboring countries, namely China (2,185 km), Thailand (1,800 km), India (1,463 km), Laos (235 km), and Bangladesh (193 km). Myanmar is located close to East Asia (China), Southeast Asia (ASEAN), and South Asia (India and Bangladesh). Among these various countries and regions, differences lie in natural resource endowments and industrial development stages. Various economic and industrial complementarities have contributed to the development of trade.

Neighboring countries also welcomed the emergence of an open-door policy in Myanmar toward the end of the 1980s. Just before the end of the Cold War, China departed from its traditional dual-track diplomacy that endorsed party-to-party relations between the China Communist Party (CCP) and the Burma Communist Party (BCP), in addition to state-to-state relations. The CCP's covert and overt support of the BCP, which resorted to armed struggle against the Myanmar government just after independence, had long hindered the development of official relations between the two countries. Thailand also stopped its policy of letting ethnic armed groups, notably the Karen National Army (KNA), along the border to serve as a buffer area between the two countries. Following these events, Myanmar gave up its strictly non-aligned neutralism and joined the regional cooperation schemes such as the Greater Mekong Subregion Economic Cooperation (GMS-EC) in 1992, the Association of Southeast Asian Nations (ASEAN) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) in 1997, and the Ayeyawady, Chao Phraya, Mekong Economic Cooperation Strategy (ACMECS) in 2003.

These developments led to the regionalization of trade. In 2006, the trade share of the five neighboring countries—China, Thailand, India, Malaysia, and Singapore—occupied 70.4 percent of Myanmar's exports and 79.5 percent of imports compared with the 1985 data of only 16.2 percent exports and 12.6 percent imports. China and Thailand are regarded as particularly important neighbors since 1988 when the Myanmar-China border trade was legitimized and formalized. China has enjoyed a significant position in Myanmar's external trade constantly being Myanmar's top rank

trading partner. Similarly, Thailand has its own terms of benefits in external trade. Myanmar's natural gas exports to Thailand contributed to an enhanced bilateral trade.

Border trade by the land route contributed to enhanced trade activities between Myanmar and its neighbors. Until 1988, border trade had been considered informal and was supervised on *ad hoc* terms by the Ministry of Trade (currently the Ministry of Commerce or MOC). Myanmar's border trade was initiated by China. The Myanmar Export Import Services (MEIS), under the jurisdiction of the then Ministry of Trade, entered into an agreement with the Yunnan Province Import Export Corporation on August 5, 1988. The agreement specifically included sales contracts and banking arrangement between the Myanmar Foreign Trade Bank (MFTB) and the Bank of China. Due to severe riots and demonstrations that occurred in August and September 1988 in Myanmar, the country suffered from shortage of commodities, especially consumer and household goods. The government urgently planned to import necessary items through cross-border trade. Border trade checkpoints were officially opened in Muse, Namkham, and Kyukok with China border in October 1988.

In December 1988, imported goods were allowed to retain up to 75 percent for cooperative society and 60 percent for private traders except unlawful goods. Among the imported goods, 25 percent from cooperatives and 40 percent from the private sector had to be sold to the MEIS which in turn took charge of distributing the goods to the public.

The Myanmar government formed border trade supervision committees in 1991. The Ministry of Trade assigned the said committees to control border trade activities.

Border trade was then extended to other borders with Thailand, India and Bangladesh. The Department of Border Trade (DBT) of the MOC was established in August 1996.² The Myanmar government also signed border trade agreements with other neighboring countries like India on January 21, 1994, Bangladesh on May 18, 1994, China on August 13, 1994, Thailand on March 17, 1996, and Laos on February 6, 2000. With these mechanisms of engagements, the Myanmar government was able to legalize, normalize, liberalize, and further institutionalize its border trade.

In order to enhance border trade activities, some border trade posts were upgraded into border trade zones. The DBT-MOC had opened and currently been operating 11 border posts³ in the border areas and two inspection posts within the routes of border trade. Map 1 shows the current border posts. The Myanmar government plans to open more border posts in the future.

[Border Trade Posts in Myanmar]

1) Myanmar-China border

- a) Muse 105 mile (This post controls Muse, Namkham, Kyukok gates)
- b) Lweje
- c) Kwanlong (Chin Shwe Haw)

² See the website of Myanmar Ministry of Commerce at <http://www.commerce.gov.mm/eng/dobt/index.html> (accessed on December 14, 2009).

³ According to the Myanmar government, two border posts with China, i.e., Liza and Kampiketi were closed in 2006. However, the author visited those border gates on the China side, i.e., Nabang for Laiza and Houqiao for Kampiketi, in 2008, and confirmed cross-border trade activities there. In addition to these border posts, there exist more border posts on the China's side such as Nansan for Laukkai and Menga for Pan Kang (former Pan Sang). Most of these posts are located in special zones, where the ethnic ceasefire groups virtually dominated. See Section 3 of this paper.

d) Liza (This border post was closed in 2006.)

e) Kampiketi (This border post was closed in 2006.)

2) Myanmar-Thailand border

a) Tachileik

b) Myawaddy

c) Myeik (FOB)

d) Kawthaung

3) Myanmar-India border

a) Tamu

b) Reed

4) Myanmar-Bangladesh border

a) Maungdaw

b) Sittwe

5) Inspection posts

a) Yebu Gate on the Lashio-Muse route in Lashio Township

b) Mayanchaung Gate on the Yangon-Myawaddy route in Kyaikhto Township

Map 1: Border Trade Gates in Myanmar



According to statistics, border trade contributed 13 percent of the total Myanmar trade for the last couple of years (Table 2). Since the existence of informal and/or illegal border trade was inevitable, it was believed that border trade would have advanced more than the official figures shown. The author estimated that about half of Myanmar's exports, including natural gas to Thailand by pipeline, and more than 30 percent of its imports are transacted through border trade. This will be discussed in the following sections.

Table2: Myanmar's Border Trade

Fiscal Year	Export		Import		Total	
	Value	Share	Value	Share	Value	Share
2003	300	12.6%	211	9.7%	511	11.2%
2004	385	13.0%	252	13.0%	637	13.0%
2005	429	12.1%	282	14.2%	711	12.9%
2006	647	12.4%	445	15.2%	1,092	13.4%
2007	747	11.7%	583	17.4%	1,330	13.6%

(Note) The column of "Share" shows the ratio border trade occupied in total Myanmar trade.

(Source) CSO and DBT-MOC.

The border trade with China recently accounted for about 70 percent of Myanmar's total border trade. It was followed by Thailand with about 20 percent (Table 3). The share of border trade with Bangladesh and India comprised a few percent. Indeed, China assumed the greatest importance to Myanmar's border trade. In the following sections, Myanmar's border trade with China shall be examined in detail.

Table3: Myanmar's Border Trade by Country

(US\$ Millions)

Fiscal Year	China			Thailand			Bangladesh		
	Export	Import	Total	Export	Import	Total	Export	Import	Total
2002	178.26	153.54	331.80	45.61	28.42	74.04	25.66	1.05	26.72
2003	214.11	173.09	387.20	37.29	41.28	78.57	22.65	2.53	25.19
2004	285.10	211.61	496.71	60.85	61.08	121.94	21.06	1.70	22.76
2005	305.47	195.48	500.95	54.51	58.04	112.55	20.28	1.99	22.26
2006	423.61	298.19	721.80	125.51	88.55	214.06	24.14	1.42	25.56
2007	555.48	422.01	977.49	148.96	156.00	304.96	31.33	1.10	32.43

Fiscal Year	India			Others			Total		
	Export	Import	Total	Export	Import	Total	Export	Import	Total
2002	7.32	4.47	11.80	15.78	0.45	16.22	272.64	187.94	460.57
2003	7.54	2.74	10.28	25.72	4.93	30.65	307.31	224.57	531.88
2004	12.00	3.19	15.20	30.97	0.32	31.28	409.99	277.90	687.88
2005	12.38	4.13	16.51	36.84	27.61	64.45	429.48	287.25	716.73
2006	11.09	6.07	17.16	34.56	0.06	34.63	618.92	394.29	1013.20
2007	10.91	4.20	15.11	0.00	0.00	0.00	746.68	583.31	1329.99

(Source) CSO and DBT-MOC.

2. NEW “BURMA ROAD”

Bilateral trade between Myanmar and China is heavily dependent on their border trade. According to the districtwise export and import figures from the China Customs,⁴ coastal areas such as Shanghai, Shenzhen, Huangpu, and Nanjing naturally occupy the major seat of the entire Chinese external trade. In contrast, Kunming, capital of Yunnan Province, accounts for less than 1 percent of China’s external trade.

Since Yunnan is a landlocked province, commodities exported to or imported from Myanmar through the Kunming Customs Office were mostly transported by land through border gates such as Muse, Lwejel, and Laiza. These commodities were cleared and recorded at the Kunming Customs. Thus, they were regarded as “border trade”

⁴ The district-wise figures are available since 1999.

transaction. It implies that border trade between the two countries is less than 1 percent of China's external trade.

Even though the volume of border trade, defined as trade via Kunming, between the two countries is insignificant compared to China's total external trade, it represents the lion's share of China's trade with Myanmar. Border trade occupied around 50-60 percent of China's exports to Myanmar and 60-80 percent of its imports from Myanmar for recent years (Table 4). Moreover, as for the Yunnan Province of China, Myanmar has been the largest trading partner. In 2008, 40 percent of Yunnan Province's exports went to Myanmar, and 32 percent of its imports came from Myanmar in 2008, followed by Vietnam with 19 percent export and 10 percent import. Border trade is important for both Myanmar and the Yunnan Province of China.

Table4: China's Border Trade with Myanmar

(US\$ Millions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Export via Border	263.3	293.5	261.2	358.3	446.3	500.6	540.6	656.0	800.4	915.4
(% as of Total Export)	64.8%	59.1%	52.5%	49.4%	49.1%	53.3%	57.8%	54.3%	47.3%	46.3%
Import via Border	55.1	66.9	93.7	105.4	134.5	164.5	223.5	166.8	231.6	461.4
(% as of Total Import)	54.3%	53.6%	69.8%	77.0%	79.3%	79.5%	81.5%	66.0%	62.5%	71.6%

(Source) China Customs.

(Note) "China's Border Trade" is defined as commodities cleared and recorded by the Kunming Customs Office.

The main route of border trade on the Myanmar soil is a long 460-kilometer road. This path connects Muse on the Chinese border, opposite to Shweli (Ruili) in Yunnan Province, and Mandalay, the second largest town in central Myanmar (Map 2). A part of

this road is the old “Burma Road” which became operational since 1936 to supply Kuomintang (KMT) in Chongqing. In 1998, on the build, operate and transfer (BOT) arrangement, this road was paved and expanded to accommodate bigger types of transportation. The project was financed and implemented by Asia World, one of the biggest private business conglomerates headed by the son of Lo Hsing-han, a former drug lord.⁵ Before road improvement travel time from Mandalay to Muse took a couple of days, and sometimes a week during the rainy season. Now it takes only 10-12 hours.

The Myanmar and Chinese governments signed the border trade agreement in August 1994. The Border Trade Office was established in Muse in August 1995 where “one-stop” kind of services were introduced and operated on a trial run. By August 1996, the said office became a full-fledged DBT-MOC. In July 1997, the “Export First Policy” was applied to border trade as well as seaborne trade. With this policy, imports were allowed only against export earnings. In November 1997, all border trade had to use US dollars, not in their local currencies of Myanmar Kyat and Chinese Yuan. In January 1998, the Muse (105 mile) Office expanded and started to fully function as a “one-stop” border gate service.

Toward the end of 2000, policies began to change. Foremost of which is allowing to finally use their local currencies for transactions. In January 2001, the Border Control Force (Na Sa Kha) started to supervise and implement border trade activities. This force was led by a military intelligence officer enjoined by related organizations like

⁵ A small part of the road in between was constructed and owned by another private company, Diamond Palace. The company is said to have been owned by the Military Intelligence headed by Khin Nyunt, then Secretary One of the SPDC. The Myanmar military saw the strategic importance of the road, and intended to avoid full ownership and operation by one private company.

immigration, customs, internal revenue department, police offices, drug control offices, the Myanmar Economic Bank and so forth. The ostensible purpose of the force was to promote border trade in a systematic manner. In reality, however, military intelligence monopolized the most lucrative route of border trade, which eventually led to a major clash within the military resulting in then Prime Minister Khin Nyunt's ouster in October 2004.⁶

Both regularization and institutionalization of cross-border transactions and road development contributed to boosting border trade between the two countries since 1999. China's exports to Myanmar through border posts increased by 3.5 times— from US\$263.3 million in 1999 to US\$915.4 million in 2008. Similarly, China's imports from Myanmar via border trade expanded by 8.4 times—from US\$55.1 million in 1999 to US\$461.4 million in 2008.⁷ The Myanmar government also promoted all border trade not only with China but also with Thailand, India, and Bangladesh to compensate for the economic sanctions imposed by the West. Interestingly, the Chinese border trade recorded the most meaningful success. For Myanmar, the border trade with China has become the lifeline of its economy.

The border gate between Muse (105 mile) in Myanmar and Shweli (Ruili) of China is by far the largest border gate with a trade volume of 65 percent in the 2006 border trade statistics of Myanmar (Table 5). It was followed by Myawaddy (Myanmar)-Mae Sot (Thailand) border gate with 14 percent in the same year.

⁶ See Kyaw Yin Hlaing [2005] for details.

⁷ The Myanmar government's statistics, however, show a very different picture on their border trade. See Table 3 of this paper.

Table5: Border Trade by Border Posts in Fiscal Year 2006

(US\$ Millions)

Rank	Border Posts	Counterpart Country	Export	Import	Total	Share
1	Muse (105 mile)	China	433.0	281.1	714.1	65.4%
2	Myawaddy	Thailand	61.0	95.1	156.1	14.3%
3	Kawthaung	Thailand	35.7	42.5	78.1	7.2%
4	Myeik (FOB)	Thailand	44.9	0.1	45.0	4.1%
5	Lweje	China	17.6	15.2	32.8	3.0%
6	Sittwe	Bangladesh	21.3	1.0	22.3	2.0%
7	Tachileik	Thailand	16.0	5.0	21.0	1.9%
8	Tamu	India	6.8	2.8	9.6	0.9%
9	Reed	India	4.2	2.0	6.2	0.6%
10	Maungtaw	Bangladesh	4.2	0.4	4.6	0.4%
11	Chin Shwe Haw	China	2.5	0.4	2.9	0.3%
Total			647.2	445.4	1092.6	100.0%

(Source) CSO and DBT-MOC.

3. BORDER TRADE AND ETHNIC INSURGENCY

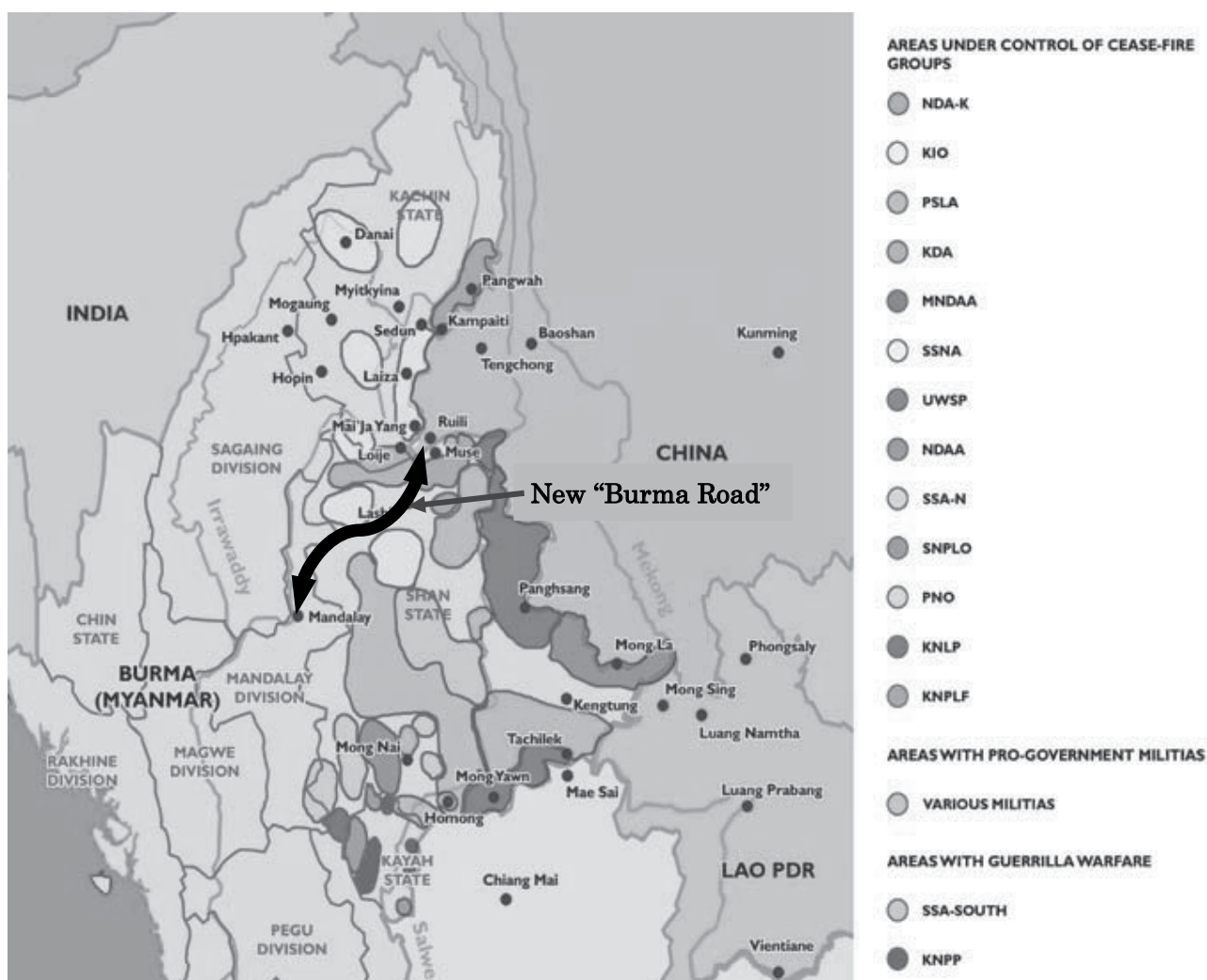
However, border trade through Muse (105 mile) Border Gate has become possible by not only legalization, institutionalization and infrastructure development, but also restored peace and security and the resultant Myanmar government's control in the border areas. Map 2 illustrates that most part of Myanmar-China border areas have been occupied by the so-called special regions. These special regions have been under various ethnic ceasefire groups for the last two decades. The Myanmar-China borderline is almost sealed by these groups.

The ceasefires were actually initiated by the present military government, which came into power in 1988.⁸ The 17 ceasefire agreements between the Myanmar army

⁸ For the history and background of ceasefires at this period, see Lintner [1990],[1994] and [1998]. For

and major ethnic insurgencies were reached by 1997. The Myanmar military government accordingly designated 17 special regions, where ethnic ceasefire groups have been allowed to hold soldiers and arms, maintain autonomous territories, and engage in economic activities including border trade. Special regions have become quasi-states.

Map 2: Areas under Control of Ceasefire Groups and New “Burma Road”



(Source) “Neither War Nor Peace: The Future of the Cease-Fire Agreements in Burma,” Transnational

the assessment of ceasefire accords, see Zaw Oo and Win Min [2007].

Institute, Amsterdam, July 2009. (<http://www.tni.org/reports/drugs/ceasefire.pdf?>, accessed on 28 August, 2009) with the author's addition of New "Burma Road".

The New "Burma Road" from Mandalay to Muse via Lashio is quite a narrow path running through the so-called "white areas" under the Myanmar army's control. Any other routes usually have to go through areas and border gates under the control of ceasefire groups. For example, among the 11 major border gates established on the Chinese side, only two—Ruili and Wanding—are under the direct control of the Myanmar government (Table 6). The others are all controlled by ethnic ceasefire groups in the special regions.

The existence of special regions in border areas between Myanmar and China poses hindrance to border trade activities. For instance, Pang Kham (formerly Pang Hsang), capital of Special Region No. 2 under the control of United Wa State Army (UWSA), opposite to Menglian in Yunnan Province, is only 200 km away from Mandalay. Nevertheless, the UWSA discourages border trade by levying arbitrary duties and tolls, and the construction of a bridge over the Thanlwin (Salween) River is not materialized yet, probably due to political and strategic reasons. A Chinese customs officer stated that as long as special regions exist in the Myanmar border, it would be difficult to promote border trade between China and Myanmar.⁹

⁹ The author's interview with an officer of the Menglian Customs on July 29, 2009.

Table6: Yunnan Province' Trade by Border Gate, 2006

(US\$ Millions)

	Controlling Authority	Export	Import	Total		Cargo Volume Share
				Value	Share	
Ruili	Myanmar GVMT	373.2	26.8	399.9	14.7%	10.1%
Yinjian (Nabang)	Kachin SR2	51.1	57.0	108.1	4.0%	11.1%
Menglian	Wa SR2	23.1	61.5	84.7	3.1%	5.6%
Daluo	ESSA SR4	29.7	7.7	37.5	1.4%	2.6%
Zhangfeng	Kachin SR2	32.9	3.0	35.8	1.3%	0.8%
Houqiao	Kachin SR2	10.1	21.2	31.3	1.1%	11.5%
Wanding	Myanmar GVMT	27.1	3.5	30.6	1.1%	1.2%
Qingshuihe	Kokan SR1	9.4	5.4	14.8	0.5%	0.9%
Cangyuan	Wa SR2	3.3	9.1	12.5	0.5%	1.5%
Nansan	Kokan SR1	8.2	2.3	10.5	0.4%	2.9%
Pianma	Kachin SR1	0.4	3.8	4.2	0.2%	2.3%
Myanmar Total	-	568.6	201.3	769.9	28.2%	50.4%
Hekou	Vietnam GVMT	459.2	191.9	651.1	23.9%	40.0%
Other Vietnam	Vietnam GVMT	44.0	21.2	65.1	2.4%	2.6%
Vietnam Total	-	503.2	213.0	716.2	26.3%	42.5%
Laos (Mohan)	Laos GVMT	117.9	45.3	163.2	6.0%	5.0%
Kunming (Air)	China GVMT	682.9	301.2	984.1	36.1%	0.3%
Jinghong (Sea)	China GVMT	52.0	42.7	94.8	3.5%	1.8%
Grand Total	-	1924.6	803.6	2728.2	100.0%	100.0%

(Source) Yunnan Provincial Government.

Still, the demand for Chinese products and commodities are high in the Myanmar economy and society. As a result, the Muse-Shweli (Ruili) Border Gate is like a small hole of a big balloon full of water (i.e., Chinese goods), and water goes out of this small hole to outside (i.e., Myanmar markets) with strength, making this small hole the largest border gate for the Myanmar-China border trade.

4. MUSE (105 MILES) BORDER TRADE ZONE

As the trade volume of Muse border gate has been growing since 1989, the MOC upgraded its facilities. The DBT of the MOC set up the border post at the 105 mile where Mang Yu village is located, and it is 105 miles away from Lashio, a commercial town for transshipment of border trade cargoes for Mandalay, and 7 miles away from Muse, a border town. The Muse (105 mile) border post was steadily being upgraded in order to deal with the increasing trade volume. Then the Myanmar government decided to upgrade the border gate to the “border trade zone” and has constructed Muse (105 mile) Border Trade Zone since 1996.

Muse (105 mile) Border Trade Zone covers an area of 370 acres. This is considered to be the first largest trade zone in Myanmar. In the border trade zone, buildings and facilities are provided as export and import inspection centers equipped with X-ray machines provided by the Chinese government (see the photo). Within the premises are show rooms, wholesale centers, warehouses, truck terminals, weight bridges, cold storages, trade fair pavilions, company offices, restaurants and shops, guest houses and so forth.¹⁰ Moreover, infrastructure, roads, drainage system, electricity supply, and water and sanitation facilities are installed. Fiber optic cable lines, landline and mobile phone lines are also available. This border trade zone has better access to e-mail and internet.

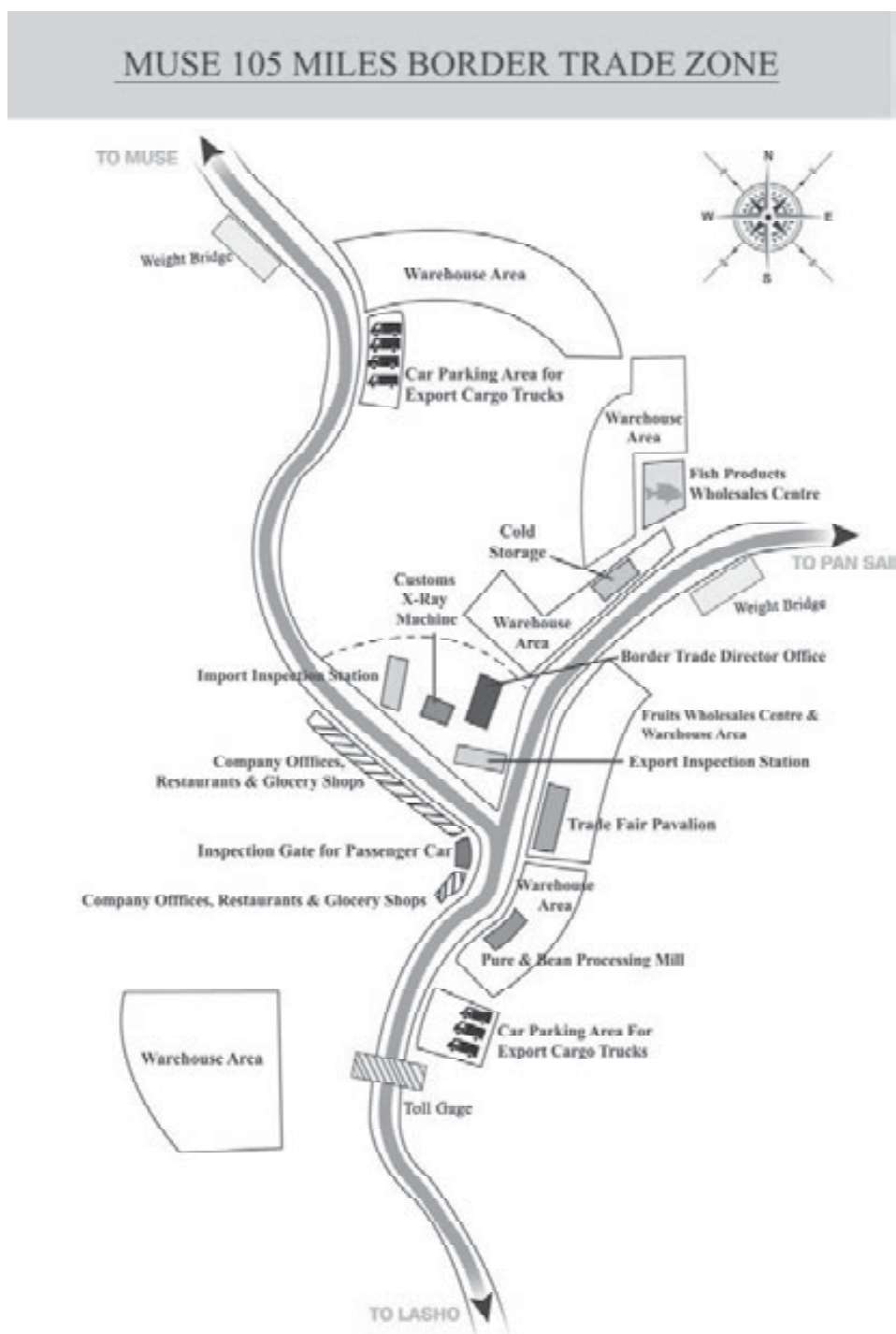
¹⁰ The author’s observation in Muse (105 mile) Border Gate on December 18, 2008.



X-Ray Inspection Machines Provided by the Chinese Government at Muse (105 mile) Border Gate (Photo taken by U Aung Min in October, 2008).

Trade activities in Muse (105 mile) Border Trade Zone are managed by one-stop-services (OSS). Export and import cargo trucks are grouped at respective inspection centers and separate car parking areas (Map 3). The numbers of inflow and outflow cargo trucks vary depending on seasonality. Some 80-100 cargo trucks, both for import and export operations, go in and out daily.

Map 3: Muse (105 mile) Border Trade Zone



(Source) DBT-MOC.

Every export cargo truck has to be inspected at the Export Inspection Center by the car changing system. Cargo is transshipped from the present truck to a new truck waiting at the center. The emptied truck has to line up for its turn to load another cargo. The inspected and loaded export trucks with full documentation can leave the Muse (105 mile) Border Trade Zone to proceed to three border crossing points such as Man Wein Gate in Muse, Namkhan, and Kyukok. Export trucks crossing the border through Man Wein Gate go to Jiegao Special Zone of Ruili City in Yunnan Province, China.

Jiegao Special Zone is demarcated by the Ruili River and some fences. Myanmar's export trucks unload their cargoes there. Afterwhich, the said unloaded cargoes are being reloaded as import cargoes to a Chinese truck (see the photo). The truck with imported cargoes pass through the border by the Man Wein Gate again and enters the Muse (105 mile) Border Trade Zone for inspection. The imported cargoes are to be transshipped to another truck waiting at the Import Inspection Center. Such system aims to ensure inspection of all cargoes. This created jobs for 700 coolies in the zone. However, some serious inefficiency in terms of logistics for border trade has been experienced. Yet, the Myanmar government has called such a transaction as OSS.



Myanmar workers are unloading goods from a Chinese truck (right) and loading them onto a Myanmar truck (left) at the truck yard in the Jiegao Special Zone. [Photo taken by the author on March 8, 2006].

5. CONCLUSION

The growth of border trade was enhanced by not only the construction of roads, bridges and tunnels, and regularization and institutionalization of transactions, but also the restored peace and security in the border areas. Without the Myanmar military government's ceasefires with ethnic insurgencies along the Myanmar-China borders, border trade would have never grown since 1988.

China is the primary border trade neighbor of Myanmar. Trade relations have been smoothly facilitated by the favorable political and security conditions of the border

areas around Muse and the transport route between Muse and Mandalay. This route is a rather narrow path sneaking out of areas under the control of ethnic ceasefire groups. The new “Burma Road” and Muse (105 mile) Border Trade Zone offer a successful model of border trade for other routes and checkpoints in Myanmar.

However, sustainable growth of border trade between Myanmar and China is faced with challenges. First, possible armed conflicts between the Myanmar army and ethnic ceasefire groups in the border areas overshadow the prospects of border trade between the two countries. The military clash between the Myanmar armed forces and the Kokang ceasefire group in the Special Region No.1, Myanmar National Democratic Alliance Army (MNDAA), in August 2009 clearly showed that peace and security in border areas are fragile. Toward the 2010 elections that the Myanmar government plans to hold, its army will put more pressure on the ethnic ceasefire groups to transform themselves into the Border Guard Forces (BGF) under the command of the Myanmar army. Some more military conflicts between them are not surprising in the future. This poses the first threat to a growth of Myanmar’s border trade with China.

Second, the Myanmar government still distorts the manners of transactions by interventions. For example, the so-called exchange of trucks system is a practice in Muse (105 mile) Border Trade Zone, and it inevitably requires additional transshipments causing longer time and larger costs for trucks to cross the border. The purpose of this system is to ensure the thorough inspection of cargoes. However, there should be other ways of effective and efficient inspections that do not put too much burden on transporters. Moreover, there are 16 checkpoints on the route between

Mandalay and Muse, which takes about 10 hours for all inspections (see Appendix). The DBT is still boastful of its implementation of one-stop services (OSS). However, some transporters sarcastically say that one-stop services literally stop us for a good span of time.

Third, the one country's trucks cannot go beyond the other country's trade zone. Myanmar trucks can enter the Jiegao Special Zone, but cannot go beyond it. Chinese trucks can enter the Muse (105 mile) Border Trade Zone, but cannot go beyond it too. As a result, cross-border truck cargoes have to be transshipped in either Muse (105 mile) or Jiegao checkpoints. This is because of lack of exchange of traffic rights between the two countries.

In reality, most of Myanmar cargo trucks for export go into the Jiegao Special Zone across the border, and unload export cargoes there. On the contrary, most of Chinese cargo trucks for export do not enter the Myanmar side. They unload their export cargoes and load them onto Myanmar trucks in the Jiegao Special Zone. The DBT of the Myanmar government encourages Chinese cargo trucks to enter to the Muse (105 mile) checkpoint. However, they are reluctant to enter the Myanmar side, because the road conditions are poor compared to the Chinese side; accident car insurances are not covered in the Myanmar soil. There are no reliable insurance companies in Myanmar. Under such conditions, Chinese trucks would not come into the Myanmar soil.

The "New Burma" Road now serves as an artery for border trade between Myanmar and China. The development of this road was a great success for promotion of border trade. However, the Myanmar government still needs to tackle the abovementioned

issues in order to achieve the sustainable growth of border trade with China. The prospects of Myanmar's border trade depend mainly on how the Myanmar government deals with these challenges.

APPENDIX: New “Burma Road” for Mandalay-Muse: Distance, Time and Cost

New “Burma Road” for Mandalay-Muse is a mountainous area in Shan State. The road is practically heading towards the mountain from Pyinoolwin (68 km from Mandalay) to Naungcho (132 km). The beautiful but dangerous Goktwin is in between Naungcho and Kyaukme (164 km) (see the photo). Such becomes a main bottleneck along Mandalay-Muse road, where cargo trucks have to drive slowly and carefully along the deep slope of Goktwin, and climb up to a steep hill on the other side. Kyaukme-Lashio (270 km) section is nearly plain. The Lashio-Thenni (330 km) section is almost the same condition. Thenni-Muse (451 km) road is again mountainous.

Every vehicle is inspected at 16 mile Gate (26 km) in Pyinoolwin and Yebu Inspection Gate (314 km) in Lashio. Driving hour for a cargo truck for the whole trip takes about 30 hours, and inspection time in total 16 gates including the two mentioned earlier and Muse (105 mile) Border Trade Gate (438 km) is about 10 hours. It costs 500,000 kyats (equivalent to US\$500 at the prevailing exchange rate) in total.



Goktwin Section along Mandalay – Muse Road

(Photo taken by the author on December 19, 2008)

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