



ICSSR NERC

# INDO-MYANMAR BORDER TRADE

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## **STATUS, PROBLEMS AND POTENTIALS**

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*Edited by*

**Gurudas Das  
N. Bijoy Singh  
C.J. Thomas**

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*Status, Problems and Potentials*

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**Gurudas Das**  
**N Bijoy Singh**  
**C J Thomas**



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India shares 1643 km long border with Myanmar that passes through the northeastern states of Arunachal Pradesh, Manipur, Mizoram and Nagaland. Although cross-border contact and movement of people are known throughout, but they have not led to any strong economic interdependence between the regions across the border so far.

The state-centric security perception, both in India and Myanmar, treated this border as vulnerable periphery. As a result, the "idea of shared border" and border area development through mobilizing the synergies across the border did not receive due attention from the national power centres. The geo-economic potentials of the border regions were far outweighed by the geo-political considerations.

This situation has, however, changed following the end of the cold-war paradigm, rise of South East Asian tigers, and release of forces of globalization. While the demise of the bi-polar world has freed the nations, who seek to forge new strategic partnership, the globalizing forces have brought economic interest in the forefront of nation's foreign policy. With the growth of regional trading arrangements, border areas are now viewed as economic corridors rather than far flung peripheries. It is from this perspective that the contributors in this volume have examined the status, problems and potentials of Indo-Myanmar border trade based on resource, production and demand structures across the border. The book also attempts to figure out the implications of India's Look East Policy for her north eastern region. It also pleads for treating "border trade" as a strategic tool for the economic development of the hitherto neglected regions across the border.

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# Contents

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Foreword	ix
Preface	xi
Inaugural Speech	xiii
Presidential Speech	xvii
Contributors	xix
List of Tables	xxi
List of Figures & Maps	xxv
<b>Indo-Myanmar Border Trade: Trends and Structures</b>	
1. Economy of Myanmar: Trends, Structure and Implications for Border Trade with India's North-East — <i>Gurudas Das and C J Thomas</i>	1
2. Indo-Myanmar Border Trade — <i>J S R Khathing</i>	41
3. Indo-Myanmar Border Trade in the Light of India's Look East Policy — <i>M K Mero</i>	64
<b>Indo-Myanmar Border Trade: Moreh-Tamu Sector</b>	
4. Indo-Myanmar Trade through Moreh: Status and Assessment — <i>Amar Yumnam</i>	74
5. Indo-Myanmar Border Trade: Imperatives and Present Status — <i>Konsam Ibo Singh</i>	84

**Indo-Myanmar Border Trade and India's Look East Policy**

6. India's Look East Policy: Implications for Northeast India 96  
—*Prabir De*
7. Export Potential and Promotion of Trade between India's North-East and Neighbouring Countries 129  
—*Sunil Kumar*

**Trade, Development and Political Economy**

8. Trade and Development: Interrelations and Interdependence 151  
—*Ajitava Raychaudhuri*
9. Rescuing North Eastern Region from Economic Gloom: A Case for Relying upon Non-economic Factors 175  
—*Amiya Sharma*
10. Indo-Myanmar Border Trade: Resource Base and Export Potential of North Eastern Region 190  
—*G P Prasain*
11. Good Governance for Regional Cooperation 206  
—*D K Sharma*
12. Border Trade with Myanmar: Problems and Prospects 213  
—*Pradip Phanjoubam*

**Indo-Myanmar Border Trade: Institutional Mechanism**

13. Trade Settlement Issues and Introduction of Letter of Credit for Promotion of Indo-Myanmar Border Trade 228  
—*Rahul Bhattacharyya*

**Indo-Myanmar Border Trade: Routes and Sectors**

14. India-China Trade through the Stilwell Road 246  
—*H N Das*

15. Border Trade: A Note on the Mizoram-Myanmar Sector  
—*Lallura Sailo* 256
16. Moreh-Tamu: A Tale of Two Towns  
—*Lunminthang Haokip* 260
17. Recommendations 268

**Appendix**

- I. Agreement between the Government of the Republic of India and the Government of the Union of Myanmar on Border Trade between the Two Countries 271

**Annexure**

- I. The Indo-Myanmar Joint Task Force Report by Confederation of Indian Industries (CII) and Union of Myanmar Federation of Chambers of Commerce and Industries 274
- Index 304

पी.आर. किन्डिया  
P.R. KYNDIAH



मंत्री  
जनजातीय कार्य एवं  
पूर्वोत्तर क्षेत्र विकास  
भारत सरकार  
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MINISTER FOR TRIBAL AFFAIRS &  
DEVELOPMENT OF NORTH EASTERN REGION  
GOVERNMENT OF INDIA  
SHASTRI BHAWAN, NEW DELHI-110001

## Foreword

It gives me immense pleasure to write this foreword to the book entitled Indo-Myanmar Border Trade: Status, Problems and Potentials. India shares about 1643 kms. land border with Myanmar, which passes through four North Eastern States. All these States, although bountiful, are landlocked and economically backward and require adequate access to markets. The cross border trade between the North-Eastern Region and neighbouring countries will be mutually beneficial for both the parties.

Government of India's North-East Initiative and Look East Policy are complementary to each other. We need to specialize in lines of our competitive advantage in order to reap the benefits of globalization as well as cross border trade.

I am happy that the contributors in this volume have studied the pros and cons of Indo-Myanmar border trade and I congratulate them for their contribution. Though we need more in-depth studies on matters of border trade.

I appreciate the efforts made by ICSSR-NERC in this regard. Studies on interfaces between Government and activists do enrich policy making by providing analytical inputs. I wish this volume a wide readership, here and abroad, cutting across academia, policymaking, business and research.

(P.R. Kyndiah)

Dated: 11th February, 2005

Minister for Tribal Affairs &  
Development of North Eastern Region  
Government of India  
Shastri Bhawan, New Delhi - 110 001

## Preface

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There has been a metamorphosis in India's Myanmar policy—from idealist to realist—from disengagement to engagement. This is most evident in economic field rather than in political arena. Since early 1990s, with the adoption of India's Look East Policy, India-Myanmar engagement has been growing on substantive ground and increasingly getting structured.

India has become the largest export market for Myanmar accounting for nearly one fourth of Myanmar's export. The construction of Moreh-Kalemo-Kaleya road that leads to Mandalay connecting the two countries across the international boundary is an indication that shows India's constructive engagement with Myanmar. Besides Western and South-East Asian firms, Indian oil companies also have taken keen interest in exploration and marketing of Myanmar's rich oil and gas reserves. Both, India and Myanmar, being the members of Bay of Bengal initiative for Multisectoral Techno-Economic Cooperation (BIMSTEC), originally started as Bangladesh-India-Sri Lanka-Thailand Economic Cooperation (BIMST-EC), are committed to use the synergies in their capabilities and resource endowments for their mutual interest and development.

Because of neighbourhood, the North Eastern Region of India is supposed to be directly benefited out of this growing Indo-Myanmar economic cooperation. This book, the outcome of a national seminar on *Promotion of Border Trade Between India's North-East and Myanmar: Problems and Prospects*, held on November 8-9, 2004, organized by the Indian Council of Social Science Research, North-Eastern Regional Centre (ICSSR-

NERC), Shillong, examines this hypothesis in relation to cross-border trade that flows between India's North-East and Myanmar.

We are grateful to the Ministry of Development of North-Eastern Region (DoNER), Government of India, New Delhi, and North-Eastern Council (NEC), Shillong, for their financial support towards this Seminar. We put on record our appreciation for the encouragement we received from Professor Mrinal Miri, Vice-Chancellor, North-Eastern Hill University (NEHU) and Chairman, ICSSR-NERC, Shillong; Dr. Surjit Mitra and Dr. T. Kumar, Joint Secretaries of DoNER, New Delhi; and Dr. Kamal Taori, Secretary, NEC.

We are thankful for the helps which we received during the seminar from the officials of Manipur University and the staff of NERC-ICSSR. Ms. Christine Blah and Ms. Narisha Kharbuli, deserves special appreciation for all their meticulous and ungrudging secretarial assistance. Lastly we appreciate Mr. M.P. Misra of the M/S Akansha Publishing House for the keen interest to bring out this volume on time.

—Editors



GOVERNOR OF MANIPUR

RAJ BHAVAN  
IMPHAL-795001

## Inaugural Speech —S S Sidhu

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It gives me great pleasure to be with you all for the inauguration of the National Seminar on "Promotion of Border Trade Between India's North East and Myanmar—Problems and Prospects". Institutionalized interactions among business leaders, academicians and policy makers are a crucial part of our strategy to speedily bring about peace, prosperity and all-round progress in the North-Eastern States.

As you know, the First India-ASEAN Motor Car Rally is going to be organized by the Ministry of External Affairs and the Confederation of Indian Industry (CII) from 22nd November to 6th December 2004 to demonstrate the proximity of India with the ASEAN countries. This is an outcome of the signing of India-ASEAN Agreement on 8th October 2003 at Bali of Indonesia.

We are particularly determined to attend to the developmental needs of our States in the north-eastern region. This region is blessed with tremendous diversity and richness, both in its natural resources and human capital. However, it is a matter of deep concern to us that slower economic growth has implied lesser opportunities of employment and progress for its people. The resultant discontent is exploited by certain extremist organizations to foment violence and divisiveness.

With the opening up of Indo-Myanmar border trade in 1995, Manipur has entered into the global market. The volume of trade, as per record of Land Customs Station, Moreh (border town of Manipur) upto the end of March 2004 was Rs. 204.26 crore in cumulative. The main items of exports were wheat-flour, fenugreek seed, ani

seed, cumin seed, soyabari, dry chilly, suman rose powder, agarbatti, pea, garlic, dried buffalo offals, etc., and that of imports were betel nut, turmeric, red kidney bean (Rajma), kuth root, gram, resin, reed-broom, dry ginger, etc. These items were falling with the 22 items listed in the agreement.

In the meantime, Mizoram has also started the border trade with Myanmar in January this year.

Considering the large volume of unofficial trading activities, the State Government has been consistently pressing to increase the potential exchangeable items within the parameters of EXIM Policy, now Foreign Trade Policy, announced on 31st August 2004.

The State Government has initiated various steps to improve the infrastructure at the border town of Moreh by providing trade centre, warehouse, convention hall and stay facility centre, upgradation of Land Customs Station, interconnectivity roads and street lighting.

In order to sort out the various problems of the exporters and importers of Myanmar and India through border trade, operationalization of I/C documents is one of the prime needs. The hindrances faced by the traders along the route between Pallel and Moreh are to be looked into by the respective organizations in the larger interest of the border trade as have been practiced at Mizoram sector.

Above all, the proposed Trans-Asian Highway will certainly boost the export to Myanmar, in particular and other South-East Asian countries in general. Till now, Myanmar is the transit route of exporting to other neighbouring countries like Thailand, Laos, Korea, Singapore, Malaysia, Indonesia and even China.

Friends, when we look at the North-East, we also naturally look at India's extended neighbourhood in South-East Asia. This is a region where truly historic socio-economic transformation is taking place. Because of its proximity to South-East Asian markets, India's North-Eastern region enjoys a locational advantage of great importance. Our North-Eastern States can become the economic

bridgehead to South-East Asia. Equally, vibrant exchanges with South-East Asia can galvanize growth and development in the North-East. I would urge all the eight States in the region together to prepare the ground to participate vigorously in the emerging opportunities with our South-East Asian neighbourhood. This also includes tourism, where we see a major synergy between the North-East and ASEAN countries.

I hope, the organizing of such Seminar with the experts in the field will help in resolving the problems for promotion of export and import through border trade in the State. I trust that this Seminar will be a good foundation for the development of border trade, investment, tourism and people-to-people links between North-East of India and ASEAN countries. The deliberation of the Seminar will hopefully provide the framework and identify the issues for discussion in the forthcoming Seminar on Indo-Myanmar Trade & Economic Co-operation being scheduled on 25th November 2004 at Mandalay.

Thank you.



(S.S. Sidhu)

Governor of Manipur  
Raj Bhavan, Imphal-795 001

# Presidential Speech

N Bijoy Singh

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The northeastern region of our country shares ninety-eight per cent of its border with the neighbouring countries of Bangladesh, Bhutan, China and Myanmar, and only two per cent with the mainland India. Though the main stream administrative and political structures were introduced in the region, the development of the region has been far from satisfactory. This has led to the perpetuation of backwardness and weak structural links in the regional economy.

The region is rich with bio-diversity, hydro-potential, oil and gas, coal, limestone and forest wealth. The forest resources are bountiful, offering valuable wood, medicinal plants and roots, orchids, cut flowers, etc. The region is also well known for its traditional art and crafts, especially in the field of handloom textiles and handicraft products. These products are currently exported outside the region through the custom check posts located on the international borders in the region. The commodities are exported to Bangladesh, Myanmar, Bhutan and China either through formal or informal trade.

The geographical location and proximity to the neighbouring countries is an added trade advantage to the region. In fact, these countries had been the traditional markets for a variety of goods and services produced by the people of this region before its traditional links were disrupted following the partition of the country.

The Government of India, to renew the long tradition of trade between Manipur and Myanmar, signed Indo-Myanmar Border Trade Agreement in January 1994. The cross-border trade, through Moreh of Manipur, became operational in April 1995.

The volume of official trade between 1995 and 2000 is reported to be one hundred and thirty-five crores of rupees. However, the estimates for unofficial trade range between one thousand and six hundred and two thousand five hundred crores of rupees annually. The local business people claim that the clandestine trade, including drugs and precious stones, would amount to not less than rupees two thousand and five hundred crores per annum. As the clandestine trade exceeds the official ones, the government loses much of its revenue.

We need to focus on border trade in view of the need to forge closer commercial and economic links with the larger markets in the fast developing South-East Asian economies. The northeastern States have already established a large volume of informal trade with Myanmar and also with Bangladesh. With appropriate policies and programmes, the region can become an important gateway to affluent Asian markets. We have to identify the potentials, taking into account the historically developed patterns of exchanges across the border and the present volume of cross-border informal trade.

The border trade between India and Myanmar has been operational for nearly a decade now. It is high time now to assess the benefits accrued from the trade and also to study the lacunae that might hinder the trade. I am glad that this seminar would focus on the assessment of trade relations, trade flow, regional development, etc., and suggest a framework to facilitate and strengthen the cross border economic integration between the northeastern region and Myanmar.

I wish the seminar all success.

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## List of Tables

---

1.1	Myanmar: Growth Rate of GDP	10
1.2	Myanmar: Gross Domestic Product by Form of Ownership, 1999-2000	11
1.3	Myanmar: Economy and Agriculture	14
1.4	Myanmar: Foreign Direct Investment, 1994/95-1999/2000	16
1.5	Myanmar: FDI Inflow by Industry, 1994-2000	17
1.6	Myanmar: FDI by Country, 1994/95-1999/2000	18
1.7	Myanmar: FDI Inflow by Types of Ventures, 1994/95-1999/2000	19
1.8	Myanmar: Domestic Export of Principal Commodities	23
1.9	Myanmar: Composition of Imports	24
1.10	Myanmar: Share of Export and Import in GDP, 1995/96-1999/2000	26
1.11	Myanmar: Volume of Border Trade	27
1.12	NER's Border Trade with Neighbouring Countries, 1998/99-2002/03	28
1.13	NER's Border Trade with Myanmar Through Moreh	29

1.14A	Myanmar: Harvested Acreage under Major Crops, 1994/95-1998/99	35
1.15A	Myanmar: Output and Yield of Major Crops, 1994-95	36
1.16A	Myanmar: Investment and Savings, 1995/96-1999/2000	37
1.17A	Myanmar: Banking System Loans by Sector, 1996-2000	38
1.18A	Myanmar: Direction of Foreign Trade	39
1.19A	Myanmar: Value of Foreign Trade	40
2.1	Total Value of Export and Import Trade	44
2.2	Export-Import through Moreh	51
4.1A	Volume of Moreh Trade	83
4.2A	Volume of Indo-Myanmar Trade	83
5.1	Value of Cross Border Trade through Moreh	90
6.1	Demographic Profile of NEI	105
6.2	Economic Profile of NEI	107
6.3	Advantages of NEI	117
6.4	Complementarities between NEI and Southeast China and Myanmar	119
7.1	North-East at a Glance	131
7.2	Exports/Imports from India to South-East Asia	134
7.3	India's share in ASEAN's top 10 Commodities of Import, 2002-03	135
7.4	North-Eastern Region's Trade with Neighbouring Countries	136
7.5	Major Export items from North-Eastern Region	137

7.6	Status of Land Custom Stations in North-Eastern Region	142
8.1	Some Relevant Indicators of Development	154
8.2	The Global Economic Scenario	168
10.1A	Socio-Economic Indicators of North-Eastern Region	202
10.2A	Year-wise volume of Trade between India and Myanmar	203
10.3A	North East- Myanmar border	203
10.4A	Agreed Exchangeable items between India and Myanmar	204
10.5A	Resource base of North-Eastern States	204

## **List of Figures & Maps**

---

6.1	India's Economic Engagement with East as on December	100
	Map 1. The Ledo Road	254
	Map 2. Pipelines	255

# 1

## **Economy of Myanmar: Trends, Structure and Implications for Border Trade with India's North-East**

—Gurudas Das and C J Thomas

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India shares about 1643 km border with her north-eastern neighbour Myanmar (formerly Burma). This border touches four out of seven north-eastern states of India, viz., Arunachal Pradesh (520 km), Manipur (398 km), Mizoram (510 km) and Nagaland (215 km)(Egreteau:2003-49). Although cross-border contact and movement of people are known throughout, but they have not led to any strong economic interdependence between the two regions, viz., north-eastern region (NER) of India and Myanmar. In pre-colonial era, cross-border contacts used to take place mainly through distance trade (Das:1995-42/3), war and invasion, and common racial affinities.

However, the land-based agriculture oriented feudal and tribal economies provided little scope for intensive trading and cross-border economic cooperation. During the colonial era, the British security perception, her policy of frontier management, and above all her imperial interest did not allow local economic potential to grow across the border. The state-centric security perception of the post-colonial states including India and Myanmar treated the borders as peripheries and considered them vulnerable. As a result, the idea of "shared border" and border area development through mobilizing the synergies across the borders did not receive due attention from the

national power centres. The geo-economic potentials of the border regions were overlooked for geo-political considerations. The situation has, however, changed following the end of the cold-war paradigm, rise of East Asian tigers, and release of forces of globalisation. While the demise of the bi-polar world has freed the nations, who seek to forge new strategic partnership, the globalising forces have brought economic interest in the forefront of nation's foreign policy. With the growth of regional trading arrangements, border areas are now visualized as economic corridors. It is in this perspective, which has dawned in both India and Myanmar in the early 1990s that this chapter seeks to analyse the economy of Myanmar to find whether there exists any complementarity across the border for mobilizing the synergies for the development of the north-eastern region (NER) of India. Needless to mention that for Arunachal Pradesh, Manipur, Mizoram and Nagaland, cross-border markets in Myanmar are nearer than the far away main market centres in the country. Thus, cross-border markets may act as "vent" for the surplus produced in NER as well as source of cheaper imports.

## I

### **Economy of Myanmar: The Trajectory of Development**

Myanmar, having 678,500 sq km area for about 50 million people, is rich in natural resources. Fertile cultivable land, valuable forest (343,767 sq km), large water bodies (20,760 sq km), huge deposits of strategic and critical minerals like coal (15 million tonnes), oil (7 million tonnes), natural gas (283 billion cubic metre), hydro potential (108,000 MW) (RIS:2004-51), limestone, copper, lead, zinc, iron, granite, tin, nickel, marble, tungsten, antimony, gold and precious stones — all these have made Myanmar a great economic power house. But all these potentials have not been realised. In fact, it is a country of huge potential with very weak resource-industry linkages.

Post-independent (Myanmar attained her independence on January 4, 1948) economic development in Myanmar may

be analysed into three distinct phases, viz., the phase of integration and consolidation (1948-62), seclusion and socialism (1962-87), and liberalisation (1988 onwards).

### *The Phase of Integration and Consolidation (1948-62)*

During this phase Myanmar was ruled by civilian governments under the leadership of U Nu, the first Prime Minister, except a brief spell of General Ne Win's care taker government (September 1958-March 1960). The national government sought to change the colonial economic and resource-ownership structures. Independent Burma inherited an economy where strengths were rooted in agriculture, forestry, and extraction of minerals. Except rice milling, timber processing, industrial activities were conspicuously absent all along the colonial era. British economic policy was focussed on production and export of rice and extraction of minerals like oil, tungsten, tin, nickel, zinc, copper and lead. By 1939-40, Myanmar's average annual output of rice reached 4.94 million metric tons (Ghosh:1989-4). From 1870 to 1940, rice export increased from 3,99,000 tons to 3,141,000 tons from Lower Burma alone (Ghosh:1989-4). By 1940-41, about two-thirds of Burma's total acreage was planted with rice, i.e., 12,518,000 acres out of a country wide total of 18,814,798 acres (Ghosh:1989-5). In fact, it was the colonial government who realised the rice producing potential, projected Burma as a granary, encouraged immigration and the process led to large scale land alienation. The number of landless labourers increased from 27 per cent to 40 per cent of the total peasant population between 1921 and 1931 (Ghosh:1989-5). By 1930, Chettyars (a distinct group of Indian money lenders from Chettinad in Madras) owned about 25 per cent of the holdings (Ghosh:1989-5).

At the end of British rule, two-thirds of all the rice lands were held by non-resident landlords (Ghosh:1989-8). Apart from land alienation, non-Burmese actors were dominating the trade, mining and service sectors — particularly British nationals in trade, both Indians and Chinese in trade, retail business, mining and other services. Thus, on independence, Burmese occupied

the political space but the economic space was held by the non-Burmese (Donnison:1970-197). Moreover, Japanese occupation during the World War II had severely affected the economy of Burma. The acreage of rice came down to nearly 7,200,000 acres in 1943-44 from a pre-war level of 12,400,000 acres (Ghosh: 1989-7).

On Independence, the national government, therefore, adopted a policy of "nationalisation", "Burmanisation" and "industrialisation". In order to translate these goals, a Two-Year plan was devised in April, 1948, but could not be implemented due to political instability. Later on, a Five-Year plan for Agricultural and Rural Development and another Eight Year Programme for Industrialisation had been adopted in 1952. All these plans and programmes aimed (i) to increase agricultural output to the pre-war level by the end of 5 years, (ii) to restore pre-war export surplus of rice, (iii) to supply agricultural inputs through state enterprises, (iv) to modernise rice-milling, (v) to nationalise land, and (vi) to industrialise using the surplus earned from rice-export. For the 8 years, from 1952-53 to 1959-60, the average public capital expenditure made in agriculture was 9.2 per cent, in industry 8.4 per cent, in transport 18.6 per cent, in power 10.3 per cent, in construction 9 per cent and in defence 19.8 per cent (Ghosh:1989-36).

The national government prepared a road map for speedy industrialisation. While the basic industries were reserved for the public sector, small mining and consumer goods industries were kept open for the private sector. A joint sector had been conceived with the large operators in the mining and processing sector. Nationalisation of basic industries was one of the prime goals.

The strategy of industrialisation focussed on the establishment of resource-based industries like pulp and paper, demand based industries like chemical fertiliser for the use of agricultural sector, processing units like rice bran oil and forest-based industry. The state manufacturing programme included a pharmaceutical plant, a steel mill, a jute mill, two sugar mills,

a brick and a tile factory, a cotton spinning and weaving mill, a central factory and a tea packing plant (Ghosh:1989-33).

Resources for industrialisation were supposed to come from rice export. Foreign aid was not favoured due to strings usually tied to them. But because of fall in the price of rice in the international market, in spite of increase in the production much could not be gained from rice export. Moreover, many countries attained self-sufficiency in food and hence it was not possible even to gain by increasing the volume of export. As the demand for rice is income inelastic, it neither helped Burma to export more to high-income countries. In fact, Burma's rice economy was in crisis as other countries ensured their food security.

The alternative source of revenue like forestry and mining could not be realised due to ethnic insurgency. Forests and mines were located in the fringe areas where minority tribal groups like Karens, Shans, Mons, Kachins, Arakanese and Chins had strong holds who were contesting against Burmanization of national identities and advocating for their accommodation preferably within a federal framework which would ensure their local autonomy. Besides ethnic insurgency, political insurgent groups like Burmese Communist Party and Kuomintang were also having their strong holds. The operation and sabotage activities of these insurgent groups had severe adverse impact on the efforts towards economic development.

Not only sabotage activities of the insurgent groups raised the maintenance cost of the oil pipelines, they also led to sub-optimal resource extraction as well as high defence expenditure. Levy imposed by the insurgent groups on productive and profitable activities worked as disincentives.

Besides the menace of insurgency, lack of indigenous technical and managerial manpower had led to a high degree of dependence on foreign technicians and thereby high remittance abroad.

Moreover, over emphasis on industrialisation at the cost of agriculture had led to stunted growth of both the sectors. As financing the industrialisation programme was modelled on the return from rice export, the fall in export price of rice coupled with slow growth of the agricultural sector had dried the pipeline. Due to scarcity of resources, many industrial projects had to be completed in a truncated way while some other could not be operationalised. All these had led to the failure of the early efforts towards industrialisation.

In fact, the failure of the U Nu government in both economic as well as political fronts and the rising insurgent activities had created the ground for army take over in 1962.

### *The Phase of Seclusion and Socialism (1962-1988)*

On March 2, 1962 General Ne Win overthrew U Nu government through a lightening *coup d'etat* and assumed power in Burma. He ruled the country for twenty-six-and-a-half years (till he resigned on July 23, 1988) by instituting an autocratic military regime. He floated Burma Socialist Program Party (BSPP) to carry his programmes to the people. Except BSPP, all types of political activities were banned. He renamed the country as the Socialist Republic of the Union of Burma on January 4, 1974, with a new constitution.

The "Burmese Way to Socialism", the politico-economic agenda, drawn up by Ne Win and BSPP also adopted the policy of nationalisation and Burmanisation as strategies for the economic development and national integration. The space for public sector had largely been widened at the cost of private sector. State controlled enterprises and cooperatives were formed to undertake production, trade and distribution. The programme of nationalisation was pursued vehemently. Most of the businesses run by the non-Burmese were nationalised immediately leading to large-scale outmigration of non-Burmese entrepreneurs, traders, businessmen, professionals, technicians and managerial personnel.

Non-Burmese labour, entrepreneurs, traders and bankers,

particularly Indian, used to play a prominent role in the colonial and post-colonial economy of Burma. In fact, Indians were the largest non-Burmese group in Burma. Throughout the 100 years (1852-1948) of colonial rule, Indian labour, professionals, entrepreneurs and bankers kept on penetrating Burma under British patronage. As per 1931 census, Indians constituted 53 per cent of Rangoon's population. Only 30.46 per cent were Burmese, and 7.65 per cent were Chinese (Mahajani:1960-4). In 1941 the Burmese labour force in industries numbered 28,033 while the Indians were 74,516 or about 69 per cent of the total. While 36 per cent of skilled labour came from the indigenous population, 55 per cent came from the Indians. Similarly, while 23 per cent of unskilled labour was indigenous, 73 per cent were Indians (Mahajani:1960-8). While the majority of the immigrant Bengalis, Tamils and Oriyas were working in government establishments, conducting retail trade and acting as professionals; Telagus were chiefly employed in mills, factories, shipping companies and also working as rickshaw pullers and handcart men. People from Bihar and Uttar Pradesh, Nepalese and Bhutias were manning the fourth grade jobs and also running petty businesses. Marwaris, Gujratis and Parsis were in business. Chettiars were working as financiers and bankers. In 1930, 1655 Chettiar firms were reported functioning in Burma (Mahajani:1960-17), with a working capital of Rs.750 million, (Mahajani:1960-19) and advanced about Rs.400 millions loans (Mahajani:1960-19) to non-Chettiars, largely to the Burmese agriculturists. In fact, it was the Chettiar capital that led to the phenomenal development of Burman agriculture. This large presence of Indian labour force and the firm grip of the Indian business and banking communities in the economy had led Burmese nationalism to become anti-Indian.

Ne Win's government confiscated all private banks, domestic as well as foreign. It nationalised private press, banned private imports and exports, confiscated all trading companies and cooperatives, oil companies, mining companies, consumer goods factories like soap, cigarette, private schools, mission hospitals, cinemas, shipping companies. The confiscations led to the departure of around 3 lakh Indians and Pakistanis, who

abandoned some 11,000 shops (Tucker:2001-190). The shops were handed over to military personnel, who rented or sold them. Between 1962 and 1965, more than 2 lakh Indians escaped Burma (Egreteau:2003-49). The private manufacturing and commercial sector of the economy diminished from 493 firms employing 17,947 people in 1963 to 267 firms employing 6887 people in 1972 while the state sector rose from 31.6 per cent in 1962-63 to 46.4 per cent in 1977-78. Twenty-four state stores distributed merchandise formerly handled by 12,212 private stores. The number of government employees almost doubled from 3,68,301 in 1962 to 6,23,529 in 1973, while less than 1 per cent of Burma's workforce was employed in the state sector in 1931, it had gone up to 10 per cent in 1985 (Tucker:2001-191).

Having established state monopoly over the resources, productive capacity, and trade, government aimed at diversifying the export trade. It followed an industrial policy of import substitution. It controlled the private sector through its monopoly on raw materials and foreign exchange. Unlike U Nu government, Ne Win realised that Burma's industrialisation would not meet with success without foreign aid. Many believe that Ne Win's adoption of a new constitution in 1974 was a cosmetic gesture to attract foreign aid (Tucker:2001-192). In fact, the average amount of annual foreign donor loans and grants to Burma had significantly increased from \$65.5 million for the period 1974-77 to \$348.5 million for the period 1978-86. But state control of productive resources, trade and distribution had led to the growth of large-scale corruption and black market in the economy. Goods were smuggled into Burma from Thailand and smuggled goods constituted as much as four-fifths of domestic consumption and had a turnover equal to, or even higher than official trade (Graves: 1999-63). Besides cross-border smuggling, the restrictions on economic activity in the private sector gave rise to a flourishing black economy, in which individual soldiers took bribes from the traders for grants of licences and permits and sold goods from government stocks to which they enjoyed privileged access (Tucker:2001-192). This rent seeking practices had jerked up the cost of production and made the home production costlier than foreign goods. The economy nose-

dived, the flourishing black market and increasing injections of foreign aid enabled Burma to avoid starvation. In order to alleviate interest on foreign loans, Ne Win regime applied to the United Nations to accord it least developed country status which had been formalised at UN in December 1987. Ne Win also lifted restrictions on private trading. But the black market economy had thrived to such an extent, no option left to the regime other than to demonetise large bank notes of 75 and 25 Kyat on September 5, 1987. As most Burmese accumulated vast cash savings in black money, it wiped out most of the people's savings. On the face of stiff public protest, General Ne Win suddenly resigned on July 23, 1988, bringing an end to his twenty six and half years autocratic rule.

### *The Phase of Liberalisation (1988 onwards)*

With Ne Win's resignation, Burma slipped into unprecedented political turmoil. Sein Lwin, Anti-Riot Police Chief, who replaced Ne Win tried to quell the mass agitation in iron hand but failed and resigned. General Saw Maung, Minister of Defence in Ne Win's last government and his associates, assumed power on September 18, 1988 by a new *coup d'etat*. They abrogated the 1974 Constitution and constituted a new military government under the banner of State Law and Order Restoration Council (SLORC). In the parliamentary election held on May 27, 1990, people overwhelmingly voted for Suu Kyi's National League for Democracy (NLD) which won 80 per cent of the Assembly, and rejected SLORC rule as National Unity Party, which was formed by SLORC, won only 10 seats. However, SLORC refused to step down and came down heavily on the pro-democracy movement. It banned all political parties, arrested NLD leaders and strengthened its hold.

During these years of political turmoil, Burma suffered negative growth while most of the South East Asian countries were experiencing lightning economic growth. In order to combat imminent economic disaster, SLORC has come out of the Ne Winian policy prescription and put an end to policy of isolation and state control. It has taken steps to liberalise the

economy through privatisation and industrialisation. It has opened up Myanmar for foreign direct investment. Both export and import have been largely decontrolled. It has tried and is being trying to strike deals with ethnic insurgencies through accommodating some of their concerns. In agricultural front it has focussed on diversification in order to shed the dependence on rice cultivation alone. It has been entering into joint ventures with multinationals of various origins in order to bring new technology and foreign investments. Instead of only sending the army to quell the rebellion in the border regions, SLORC has successfully utilized the economic synergies across the border through opening them for trade and cross-border development projects.

All these measures have started bearing fruits as the economy has shown the signs of improvement since 1995-96.

Since 1995, Myanmar economy started growing at an accelerated rate. From 2.9 per cent in 1985, growth rate more than doubled in 1995 and it is doing extremely well since 1999 (Table 1.1).

**Table 1.1**  
**Myanmar: Growth Rate of GDP (% per year)**

<i>Year</i>	<i>GDP Growth Rate</i>
1985	2.9
1990	2.8
1995	6.9
1996	6.4
1997	5.7
1998	5.8
1999	10.9
2000	13.7
2001	11.3
2002	10.0
2003	10.6

*Source:* Compiled from Asian Development Bank (2004) and Okamoto et al. (2003)

Primary sector activities have mostly been privatized. Although government controls a large part of forestry and logging; agriculture, livestock and fishery, and mining activities are mainly in the hands of private operators (Table 1.2). In case of the secondary sector activities, production and distribution of energy and power are strictly under government control. Private operators have not been allowed to play any role in these areas. Even in case of construction, about 62 per cent output comes from the state sector. However, in manufacturing and processing private initiative are fast growing (about 72 per cent) (Table 1.2).

**Table 1.2**  
**Gross Domestic Product by Form of Ownership, 1999-2000**  
**(Provisional)**  
*(in percent of sectoral output)*

<i>Sectors</i>	<i>State</i>	<i>Cooperatives</i>	<i>Private</i>
<b>Productive Sectors</b>	<b>12.3</b>	<b>1.5</b>	<b>86.2</b>
Agriculture	0.2	1.9	97.9
Livestock and Fishery	0.2	1.0	98.8
Forestry	47.9	0.7	51.4
Energy	99.9	0.1	0.0
Mining	5.6	1.6	92.8
Manufacturing & Processing	26.5	1.1	72.4
Power	99.9	0.1	0.0
Construction	61.9	0.2	37.7
<b>Services</b>	<b>53.8</b>	<b>3.0</b>	<b>43.2</b>
Transportation	27.3	1.0	71.7
Communication	100.0	0.0	0.0
Financial Institutions	57.0	15.9	27.1
Social & Administrative Services	88.0	0.8	11.2
Rental and Other Services	3.5	3.3	93.2
<b>Trade</b>	<b>20.04</b>	<b>2.4</b>	<b>77.2</b>
<b>Gross Domestic Product</b>	<b>21.8</b>	<b>2.0</b>	<b>76.2</b>

Source: IMF (2001)

In case of tertiary sector activities, communication has remained exclusively under state control, while private operators are doing well in transport (72 per cent). Even finance and banking have been opened up. Although state has considerable control (57 per cent) in this strategic area, private operators (27 per cent) also play a significant role. Most importantly, following the withdrawal of restrictions on internal distribution as well as export and import, private operators are playing the dominant role (77 per cent) in trade. As a whole, in 1999-2000, 76 per cent of GDP has come from the private sector and only 22 per cent from the state sector (Table 1.2). Thus, under SLORC, a considerable degree of decontrol and privatisation has taken place.

## **Economy of Myanmar: Structure and Trends in Sectoral Change**

### ***Agriculture***

Agriculture has been and is the most important sector in Myanmar economy. In 2003, cultivable land constitutes 16 per cent of the total land area of Myanmar. Of the rest, forest covers 50 per cent, wasteland constitutes 10 per cent and land under non-agricultural use constitutes another 25 per cent<sup>1</sup>. Fifty-five per cent of agricultural land is under paddy cultivation. Dry land constitutes 31 per cent, garden covers 7 per cent, alluvial land forms 5 per cent and shifting cultivation covers another 2 per cent<sup>2</sup>.

Out of 11.75 million hectares under major crops in 1999-2000, about 53 per cent has gone for paddy cultivation, 22 per cent for pulses, 9 per cent for sesame, 5 per cent for groundnuts, 4 per cent for sunflower, and 3 per cent for cotton (IMF:2001). Between 1995-98 and 1999-2000, there has been marginal increase in acreage under paddy, wheat, maize, groundnuts and sesame. Increase in acreage under pulses, sunflower and sugarcane has been substantial. Acreage under crops like jute, cotton and rubber has been marginally declined (Table 1.14A). This shows that agriculture in Myanmar is diversifying in favour of pulses, sunflower and sugarcane.

For the same reference period, i.e., between 1995-96 and 1999-2000, except sesame, jute and rubber, there has been an increase in the level of output in case of paddy, wheat, maize, pulses, groundnuts, sunflower, cotton, sugarcane and tobacco. But except, paddy, wheat, pulses, cotton and tobacco, the yield has decreased for others (Table 1.15A).

The figures suggest that except cotton, increase in production in case of other crops is due to the increase in acreage. As the land-man ratio is favourable in Myanmar compared to other South East Asian countries, extensive cultivation is more in practice rather than intensive cultivation. Lack of irrigation, limited availability and high price of fertilizers, low consumption of energy appear to be the causes of slow growth of agriculture. Because of the ban on private sector export of rice, the price of rice at domestic market is about half the international price. As the price of privately imported fertiliser has been fully liberalised, this has resulted into higher input price but lower price for output. As a result, imported fertilizers are almost beyond the means of most farmers (IMF:1999-10). Lack of adequate irrigational facilities has kept agricultural activities depended on the vagaries of monsoon. In spite of being rich in water resources, having 828 cubic km<sup>3</sup> potential for surface water and 495 cubic km<sup>4</sup> for ground water, only 0.36 per cent of total paddy land were under irrigation in 2003. Thus, irrigation potential is yet to be realised. As far as consumption of energy inputs is concerned, agriculture absorbed about 11 per cent of total petroleum products in 1999-2000 (IMF:2001-15). However, consumption of electricity in this sector has been negligible.

Compared to 1980s, agriculture has grown at a higher rate in the 1990s. Apart from the fact that agriculture is subject to diminishing returns, the fluctuation in the growth rate is also partly explained by the variations in natural factors like rainfall, drought, etc. Severe flood in 1997 and drought in 1998 had contributed to slow growth in corresponding years (Table 1.3).

The contribution of agriculture to GDP is declining over the years (Table 1.3). So also the share of agriculture in total

export (Table 1.3). There has been a perceptible change in the cropping pattern as well as export of agricultural crops. Once Myanmar was the largest exporter of rice in the world, now pulses have become the largest foreign exchange earning crop, accounting for about 15 per cent of total export. The annual growth rate of production of pulses averaged 11 per cent during 1994/95–1998/99. Besides pulses, sunflower and sugarcane production also recorded strong growth in 1998-99 (IMF: 1999-10).

**Table 1.3**  
**Myanmar: Economy and Agriculture**

<i>Year</i>	<i>Growth Rate of Agricultural Sector</i>	<i>Agricultural Sector's Share in GDP</i>	<i>Agricultural Sector's Share in Export</i>
1985-86	2.2	39.7	42.4
1990-91	2.0	38.7	31.8
1995-96	5.5	37.1	46.0
1996-97	3.8	36.2	36.1
1997-98	3.0	35.2	30.3
1998-99	3.5	34.5	28.0
1999-2000	10.5	34.4	17.9
2000-2001	9.5	33.1	18.9

*Source: Okamoto et al., 2003*

However, in spite of declining importance of agriculture in relation to its contribution to GDP as well as export, it is still the main source of livelihood in Myanmar. About 64 per cent of the total labour force was engaged in agriculture in 1995-98. By 1997-98, this figure was reduced only by 1 per cent. Taking the primary sector<sup>5</sup> together, 68 per cent of the labour force was employed in it in 1995-96 which came down to 67 per cent in 1997-98.

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**Industrialization**

It has already been pointed out that efforts towards industrialisation made during the integration and consolidation phase (1948-62) by the U Nu government had failed. Till 1974, Ne Win also made futile efforts to industrialise Myanmar. As the source of finance for industrialisation was modelled on rice export, its success was contingent upon the success of rice export and international price of rice. This model faced twin challenges. Firstly, falling international price of rice with most countries attaining self-sufficiency in food, and second, aggravating food insecurity within with the growth of domestic population. Ne Win tried to maximise export earning as well as ensure food security in the country by nationalizing export trade. As rice is the staple food in Myanmar, it was important for the stability of his government to keep the domestic price of rice lower than the international market price. As a result, government procurement price was kept very low. This acted as a disincentive to the farmers who, in turn, preferred to supply low quality rice by way of levy to the government. This, in turn, led to the fall in export earning from rice.

By early 1970s, Ne Win realized that industrialisation of Myanmar is not possible without external aid which he avoided so far. On assuming power in 1962, Ne Win led Myanmar to isolation. Even he denied joining ASEAN when it was established in 1967, although joining this group would have been of much benefit. However, since 1970s, there had been a policy shift in favour of foreign aids. Myanmar turned to World Bank in 1972 and joined the Asian Development Bank in 1973. It started borrowing from international financial institutions and began to accept loans and grants from the foreign governments (Chaudhary:2000-430). On assuming power, SLORC enacted the Foreign Investment Law in 1988. It has identified areas for foreign direct investment. It has encouraged FDI in joint ventures.

For six years, 1994/95-1999/2000, a sum total of about 6 billion dollar FDI proposals have been approved for investment.

However, about a little less than 50 per cent of the approved amount has actually been received (Table 1.4). The annual average actual inflow during this period has been little less than half a billion which is, in a sense, negligible compared to the very high inflow of FDI in the South-East Asian neighbours like Thailand, Malaysia, Hong Kong, Republic of Korea and Singapore. But compared to her past, this is also no less significant for a country like Myanmar where volatile political and social environment has kept business confidence perpetually low.

**Table 1.4**  
**Myanmar: Foreign Direct Investment 1994/95-1999/2000**

*(in Millions of US dollar)*

<i>Year</i>	<i>Approved</i>	<i>Actual</i>	<i>Growth Rate of Actual FDI (in per cent)</i>
1994-95	1351.9	135.0	-
1995-96	668.3	317.5	135.18
1996-97	2814.2	580.7	82.90
1997-98	1012.9	878.8	51.33
1998-99	54.4	683.6	(-) 22.21
1999-2000	58.1	304.2	(-) 55.50
<b>Total</b>	<b>5959.8</b>	<b>2899.8</b>	

*Source:* Calculated from Table-39, IMF (1999,2001)

A sector-wise analysis of actual FDI inflow for the same period shows that the lion's share has gone to country's rich oil and gas sector (54.45 per cent), followed by hotels and tourism (19.03 per cent), manufacturing (9.54 per cent), mining (7.75 per cent), transport (4.14 per cent) and real estate (3.22 per cent) (Table 1.5).

**Table 1.5**  
**Myanmar: FDI Inflow by Industry, 1994-2000**

(in Millions of US dollar)

<i>Industry</i>	<i>Approved</i>	<i>Actual</i>	<i>Percentage Realisation</i>
Agriculture	11.7	0.5	4.27
Manufacturing	1401.7	276.7	19.74
Oil and Gas	1927.2	1578.9	81.93
Mining	358.8	224.8	62.65
Fishery	192.7	28.0	14.53
Hotels and Tourism	572.0	551.9	96.49
Transport	274.4	120.0	43.73
Real Estate	997.2	93.5	9.38
Industrial Estate	193.1	18.6	9.63
Others	31	6.9	22.26
<b>Total</b>	<b>5959.8</b>	<b>2899.8</b>	<b>48.66</b>

Source: Calculated from Table-39, IMF (1999 , 2001)

However, privatisation appears to have made hotels and tourism sector as a favourite destination for FDI. The percentage realisation (actual as percentage of approved FDI) is the highest in this sector (98.49) followed by oil and gas (81.93) and mining (62.65). The percentage realisation in each of these three sectors is much higher than the national average (48.66 per cent). This indicates extractive activities are more lucrative than manufacturing in Myanmar.

Inflow of FDI in Myanmar originates mainly from two regions, viz., developed countries of the West and South-East Asian countries. Firms of United Kingdom, France and United States together have contributed about 61 per cent of actual

inflow (Table 1.6) during the six years (1994/95–1999/2000). Lion's share of the FDI from the developed world has gone into the oil and gas sector. Western oil barons like Texas, Royal Dutch, Amoco, Unocal, Kirkland, Premier, Clyde, and Total — all have developed a significant stake in Myanmar's rich oil and gas resource. Singapore, Thailand, Japan, Hong Kong, Malaysia and Republic of Korea based firms together have contributed around 45 per cent of total actual inflow of FDI in Myanmar (Table 1.6). These firms are investing mainly in areas like fishery, logging, mineral extraction, and manufacturing through joint ventures with the Myanmar state enterprises and departments.

**Table 1.6**  
**Myanmar: FDI by Country, 1994/95–1999/2000**

*(in Millions of US dollar)*

<i>Country</i>	<i>Approved</i>	<i>Actual</i>	<i>Percentage to total Actual FDI</i>
United Kingdom	1339.3	997.9	34.41
Singapore	1243.3	645.1	22.25
France	460.4	508.4	17.53
USA	365.1	250.6	8.66
Thailand	1053.4	192.6	6.64
Japan	132.4	87.7	3.02
Hong Kong	76.7	54.6	1.88
Malaysia	533.4	50.1	1.73
Republic of Korea	43.4	36.1	1.24
Others	712.4	76.7	2.64
<b>Total</b>	<b>5959.8</b>	<b>2899.8</b>	<b>100.00</b>

*Source:* Calculated from Table-40, IMF (1999, 2001)

In fact, SLORC, later renamed as State Peace and Development Council (SPDC) in 1997, considers joint ventures as preferred route for the inflow of FDI than any other forms. In spite of encouraging private initiative in manufacturing, resource extraction and trade, state control over critical and strategic sectors like power, communication, banking and construction, has not been loosened (Table 1.3). Moreover, state enterprises also play a significant role in forestry, mining, manufacturing and processing, transportation and trade (Table 1.3).

It may be pointed out that SPDC exercises a considerable indirect influence over a significant part of private enterprises run or control by the army personnel. As the programme of privatization in Myanmar is more of regime engineered rather than market structured, permits and licenses have been given to the cronies who dance in tune with the interest of the regime. As a result, the degree of privatization and its quality in terms of market competitiveness are not as large as data presented in Table 1.3 suggest us to believe.

Be that as it may, of the total actual inflow during 1994/95–1999/2000, about 35 per cent have been routed through joint ventures with the state enterprises (Table 1.7).

**Table 1.7**  
**Myanmar: FDI Inflow by Types of Venture,**  
**1994/95–1999/2000**

*(in percentage)*

<i>Types</i>	<i>Approved</i>	<i>Actual</i>
Solely Foreign Owned Venture	44.63	33.55
Joint Venture	27.17	35.06
Others	28.20	31.59
Total	100.00	100.00

*Source:* Calculated from Table-38, IMF (1999, 2001)

## Joint Ventures

State enterprises like Myanmar Automobile and Diesel Engine Industries (MADI), Myanmar Agricultural Machinery Industries (MAMI), Myanmar Machine Tools and Electrical Industries (MTEI) and Myanmar Tyre and Rubber Industries (MTRI), under the Ministry of Industry, play important role in joint ventures. It is these enterprises who participate in joint ventures with the foreign firms. These enterprises, created in the 1960s and 1970s, have been restructured under SLORC/SPDC so that they can play more effective role in transforming the agrarian economy into an industrial one. Besides these state enterprises, SLORC created Union of Myanmar Economic Holdings Company Limited (UMEHC), where majority of the shares are held by government and military personnel, and a number of its subsidiaries like Myanmar Oil and Gas Enterprise (MOGE), in order to control joint ventures particularly in mining and extractive activities.

Myanmar Fritz Werner Industries, established in 1985, has been a joint venture between MAMI and Fritz Werner Industries of Germany. MAMI holds 60 per cent of equity while Werner holds the rest 40 per cent. It produces industrial goods. Myanmar Daewoo Electronics Company Limited is another joint venture between MTEI and Daewoo Electronics of South Korea established in 1990. MTEI is holding 45 per cent of equity and the rest 55 per cent is held by Daewoo Corporation. It produces television, cassettes, refrigerator, washing machine and other home appliances. Myanmar Suzuki Motor Company Limited established in 1998 is a joint venture enterprise between MADI and Suzuki Motor Corporation of Japan. MADI holds 30 per cent of equity while the Suzuki Motors holds the rest 70 per cent. Myanmar Matsushita Electric Works Limited is another joint venture enterprise between MTEI and Matsushita Electric Works of Japan established in 1999. While MTEI holds 30 per cent of equity, the rest 70 per cent is held by the Japanese company. It produces wiring devices and other electrical materials. Myanmar Ekarat Transformer Company Limited is another joint venture between MTEI and Ekarat Engineering

of Thailand established in 1999 to produce distribution transformers.

In most joint ventures in extractive activities, UMEHC acts as controlling partner. UMEHC's subsidiary MOGE entered into joint ventures with Unocal and Total in oil and gas sector.

As Myanmar has neither the technology nor the resources, it is to her advantage to enter into joint ventures so that the technology and expertise can be internalised in the long run which will empower her to efficiently use her rich natural resources for future development.

Besides state enterprises and joint ventures, SLORC/SPDC has also emphasized the growth of small-scale units under private sector. Industrial zone approach has been adopted for the development of small-scale sector. Myanmar Industrial Development Committee (MIDC) has been constituted in 1995 in order to frame policy direction for the growth of the small-scale sector. MIDC works through a Working Committee (MIDWC) which implements the guidelines framed by it. The MIDC has established 18 industrial zones all over the country. In every zone industrial estates have been constructed. So far, 26 estates have been constructed in 18 zones. A total of 7112 industrial units are housed in these estates<sup>6</sup>.

Low rate of domestic saving in Myanmar has led to low rate of capital formation. This low rate of capital formation, in turn, slows down the pace of industrialisation. However, in recent years, private fixed investment has surpassed its public counterparts (Table 1.16A).

Manufacturing and processing activities absorb around one fifth of the banking system loans (Table 1.17A), employ about 9 per cent of the total employed workforce (1997-98) (IMF:2001-18) and contributes about 9 per cent to GDP (1998-99)<sup>7</sup>. The share of manufactured goods in total export is also rising albeit slowly from 6 per cent in 1980-81 to 8 per cent in 1990-91 and to 16 per cent in 1997-98, the average annual increase in the percentage share of manufactured goods being

0.5 per cent. This is indeed abysmal performance compared to the achievements made by other South-East Asian countries.

### *Trade*

The geo-economic location of Myanmar provides her ample scope for both sea trade with 2832 km long coastline, and overland trade with neighbouring China, Thailand, Laos, Bangladesh and India with whom she shares 2,185 km, 1800 km, 235 km, 193 km and 1,463 km borders respectively. In pre-colonial era, royal dynasties benefited from long distance intra-Indian Ocean trade (Myint-U:2001-46). However, from the 17th century onwards, following the move of the capital from Pegu to Ava, the importance of maritime trade had declined. The pre-colonial trade was characterized by export of agro-forest and mineral based products and import of manufactured goods. Export basket predominantly consisted of rice (with occasional Royal ban), ivory, pepper, cutch, teak, other timber, lac, cotton, tea, gold and silver whereas import basket usually included firearms, silk, paper, textiles and various manufactures (Myint-U:2001-47).

Although there had been an enormous change in the scale of production and export during the colonial era essentially due to inflow of large British capital, the essential structure of trade had remained the same. Myanmar remained producer and exporter of primary goods, *a la*, other British colonies, and importer of British manufactures. With British capital flowing into rice trade, logging and oil exploration—rice, teak and oil became three important building blocks of Myanmar's export (Myint-U:2001-227).

This structure of trade continued in post-colonial Myanmar till late 1990s. About 90 per cent of her exports composed of primary goods, i.e., agro-forest-mineral based products in 1980-81 (Table 1.8). By mid 1980s, i.e., just before liberalisation, primary goods contributed about 92 per cent of Myanmar's total domestic export (Table 1.8). By early 1990s, things started changing and by late 1990s, the share of the primary goods

came down below 50 per cent of the total domestic exports (Table 1.8). Moreover, there is a clear trend which shows that Myanmar has come a long way in transforming its rice-based agriculture into a multi-crop one.

**Table 1.8**  
**Myanmar: Domestic Export of Principal Commodities**

*(in million Kyat)*

<i>Commodity/Group</i>	<i>1980-81</i>	<i>1985-86</i>	<i>1990-91</i>	<i>1995-96</i>	<i>1999-98</i>
1. Agricultural Products	1761 (55.45)	1126 (43.88)	942 (31.90)	2321 (46.12)	1952 (31.03)
of which:					
Rice and Rice Products	1355	763	172	440	38
Pulses	152	238	515	1358	1403
2. Timber	793 (24.97)	1046 (40.76)	999 (33.83)	1048 (20.82)	853 (13.56)
3. Base Metals and Ores	190 (5.98)	114 (4.45)	72 (2.44)	70 (1.39)	30 (0.48)
4. Precious Stones and Minerals	105 (3.31)	74 (2.88)	86 (2.91)	137 (2.72)	207 (3.29)
5. Other Commodities	327 (10.29)	206 (8.03)	854 (28.92)	1457 (28.95)	3248 (51.64)
<b>Total Domestic Export</b>	<b>3176</b> <b>(100.00)</b>	<b>2566</b> <b>(100.00)</b>	<b>2953</b> <b>(100.00)</b>	<b>5033</b> <b>(100.00)</b>	<b>6290</b> <b>(100.00)</b>

Source: [http://www.myanmar.com/Ministry/commerce/data\\_chart/domestic\\_export\\_principal.htm](http://www.myanmar.com/Ministry/commerce/data_chart/domestic_export_principal.htm)

Note: Figures from different sources are cross-verified and then adjusted against "other commodities" in order to arrive at the given annual total export. Figures in brackets are percentages.

Export of rice constituted 77 per cent of total agro exports in 1980-81, it came down to 68 per cent in 1985-86, and then to 18 per cent in 1990-91 (Table 1.8). The fall in export of rice over the years has been compensated by the rise in export of pulses. The share of pulses in total agro export was 7 per cent in

1980-81 and it has gone up to 55 per cent in 1990-91. Because of the severe flood in 1997-98, the share of rice in total agro export had touched its bottom at 2 per cent, while that of pulses had reached to 72 per cent (Table 1.8). Besides pulses, diversification has also taken place in favour of sugarcane, sesame, sunflower and cotton, the contributions of all those crops to total agro exports are also increasing over time.

**Table 1.9**  
**Myanmar: Composition of Imports**

(in million Kyat)

Commodity/Group	1980-81	1985-86	1990-91	1995-96	1999-98
1. Capital goods	2496.3 (53.85)	2741.3 (57.09)	1905.6 (34.50)	3644.5 (35.38)	6172.1 (43.29)
2. Intermediate goods	1863.1 (40.20)	1484.7 (30.92)	1661.6 (30.09)	2376.8 (23.07)	3350.1 (23.50)
3. Consumer goods	275.6 (5.95)	576 (11.99)	1955.6 (35.41)	4280.3 (41.55)	4735.2 (33.21)
Total	4635 (100.00)	4802 (100.00)	5522.8 (100.00)	10301.6 (100.00)	14257.4 (100.00)

Source: [http://www.myanmar.com/Ministry/commerce/data\\_chart/composition\\_of\\_imports.htm](http://www.myanmar.com/Ministry/commerce/data_chart/composition_of_imports.htm)

Note: Figures in brackets are percentages

While the composition of exports reflects the resource base and productive capacity of an economy, the composition of imports represents the demand structure. Being primary goods producing economy, Myanmar has to import capital goods in a big way. The share of capital goods in total imports was 54 per cent in 1980-81 (Table 1.9). It has further gone up to 57 per cent in 1985-86, just before Myanmar liberalised her economy since 1988. In post-liberalised 1990s, although the percentage share of capital goods in total import bill has come down, it has remained as the principal component of Myanmar's import (Table 1.9). The share of consumer goods in total import was

5.95 per cent in 1980-81 and 12 per cent in 1985-86 (Table 1.9). With trade liberalisation in 1988, the value of import of consumer goods has gone up 3 times in the 1990s. While machinery and transport equipments constitutes the single largest item in capital goods, manufactured goods constitutes the bulk of consumer goods. The manufactured goods basket is dominated by chemicals, medicines, textiles, edible vegetable oils; dyeing, tanning and colouring materials, fertilizers, cotton yarn, paper and paper board, cement, rubber manufacturer, electrical goods, etc.

Thus, the composition of export and import shows that Myanmar is basically a producer and exporter of primary goods and importer of capital as well as manufactured goods. Although there is a change in the composition of export basket in late 1990s, it cannot be inferred at the moment as to whether this change is a temporary phenomenon or it is because of the change in the fundamentals of the economy of Myanmar.

Myanmar economy is more integrated with the economies of neighbouring South-East Asian countries. Singapore, Japan, Hong Kong, Korea, Thailand and Malaysia have been the major trading partners all along. While 39 per cent of Myanmar's total export in 1980-81 went to these countries, it went up to 60 per cent in 1990-91 (Table 1.18A). Since the 1980s, Myanmar products have been increasingly received in both India and China.

While China absorbed 1.33 per cent of Myanmar's export in 1980-81, and 13.55 per cent in 1990-91, India absorbed 1.80 per cent and 17.92 per cent respectively. In 1997-98, about 12 per cent of Myanmar's total export has gone to China while India absorbed 23 per cent (Table 1.18A). Thus, by late 1990s, India emerged as the largest export market for Myanmar.

As far as the sources of Myanmar's imports are concerned, Japan played the dominant role in the 1980s. About 45 per cent of Myanmar's total import originated from Japan in 1980-81 as well as in 1985-86. About 63 per cent of Myanmar's total import originated from South-East Asian countries and China in

1980-81 which gone up to 70 per cent in 1990-91 and further to 82 per cent in 1997-98 (Table 1.18A). By late 1990s, Singapore has emerged as the major source of imports for Myanmar.

It may be noted that although India has become the major destination of Myanmar's exports during the 1990s, she remained as a poor source for Myanmar's imports. Indian imports constituted only 0.54 per cent of Myanmar's total imports in 1980-81, it went up marginally to 0.68 per cent in 1990-91, and then to 4.65 per cent in 1997-98 (Table 1.18A). Thus, Myanmar enjoys a huge positive trade balance from her trade with India, although she has been experiencing overall negative trade balances with the rest of the world (Table 1.19A).

**Table 1.10**  
**Myanmar: Share of Export and Import in GDP, 1995/96–**  
**1999/2000**

(in Million Kyat)

	1995-96	1996-97	1997-98	1998-99	1999-00
GDP at Market Prices	604,729	791,980	1,119,509	1,609,776	2,190,301
Exports	5033	5488	6290	7700	9394
Imports	10,302	11,779	14,258	16,941	15,248
Percentage share of Export in GDP	0.8	0.7	0.6	0.5	0.4
Percentage share of Import in GDP	1.7	1.5	1.3	1.1	0.7

Source: IMF (2001)

However, in spite of trade liberalisation, the external sector of the Myanmar economy is not performing well. The ban on Myanmar imposed by USA and EU because of the failure of installation of popular government following the 1990 election has hit hard on the external sector of the economy. The percentage share of exports in GDP has been continuously falling. It was 0.8 per cent in 1995-96 and has slid down to

0.4 per cent in 1999-2000 (Table 1.10). As GDP is rising at a faster rate, there is a need to accelerate exports as well. Otherwise, it will be difficult to sustain the growth rate.

### Myanmar's Border Trade

In order to expand trade, since early 1990s Myanmar has started promoting border trade with the neighbouring countries of China, Thailand, Bangladesh and India. Along Myanmar-China border, it has opened three border trade posts at Muse, Lwejel and Lizer; four posts along Myanmar-Thailand border at Tachilek, Myawaddy, Kawthaung and Myeik; two posts along Myanmar-Bangladesh border at Sittwe and Maungdaw and one post along Myanmar-India border at Tamu.

**Table 1.11**  
**Myanmar: Volume of Border Trade**

*(in Millions US dollar)*

<i>Year</i>	<i>Export</i>	<i>Import</i>	<i>Volume of Trade</i>
1995-96	43.15	292.80	335.95
1996-97	58.40	298.72	357.12
1997-98	154.97	102.09	257.06
1998-99	146.30	153.97	300.27
1999-2000	196.40	147.99	344.39
Total	599.22	995.57	1594.79

Source: [http://www.myanmar.com/Ministry/commerce/Border trade/FSbordertrade.htm](http://www.myanmar.com/Ministry/commerce/Border%20trade/FSbordertrade.htm)

The average annual volume of trade for 1995/96–1999/00 flowed through all these border trade posts is accounted for about US \$319 million (Table 1.11). The total volume of export has gone up from US \$ 43.15 million in 1995-96 to US \$ 196.40 million in 1999-2000 (Table 1.11). The import has declined from US \$292.80 million in 1995-96 to US \$147.99 million in 1999-2000. The trade balance, within these five years, has improved from a deficit of US \$249.65 million in 1995-96 to a surplus of

US \$48.41 million in 1999-2000 (Table 1.11)<sup>8</sup>. By adopting a policy of export first and import later, Myanmar has succeeded to have a positive trade balance in her border trade.

Much of Myanmar's cross-border trade flows across China. Next to China, the second highest volume of trade flows across Thailand. The volume of trade along Myanmar-Bangladesh border is also increasing gradually. However, compared to other neighbouring countries, the volume of trade along Indo-Myanmar border is small.

### **Border Trade of NER**

This is also evident when one looks at it from India's point of view. Indo-Myanmar border trade flows through Moreh (Manipur)-Tamu (Myanmar) sector. While the north eastern region (NER) has 32 land custom stations (LCS) along Bangladesh border and 3 LCS along Bhutan border, it has only 1 LCS along Myanmar border (Das:2000-28/30). For the last five years (1998/99-2002/03), the average annual export of NER to neighbouring countries amounts to US \$87.32 million. The average annual import stands at US \$4.38 million and average volume of trade stands at US \$ 91.7 million (Table 12).

**Table 1.12**  
**NER's Border Trade with Neighbouring Countries, 1998/99-2002/03**

*(in Millions US dollar)*

<i>Year</i>	<i>Export</i>	<i>Import</i>	<i>Volume of Trade</i>
1998-1999	92.55	5.67	98.22
1999-2000	91.37	4.29	95.66
2000-2001	88.46	4.28	92.74
2001-2002	79.50	3.34	82.84
2002-2003	84.74	4.30	89.04
<b>Total</b>	<b>436.62</b>	<b>21.88</b>	<b>458.50</b>

*Source:* Office of the Commissioner of Customs, Shillong.

However, for the same period, NER's annual average export to Myanmar stands at US \$0.89 million which is only 1 per cent of NER's annual average export to the neighbouring countries (Table 1.13). As far as NER's imports for this period is concerned, the annual average imports from Myanmar amounts to US \$1.66 million which is 38 per cent of NER's annual average import from all the neighbouring countries (Table 1.12 and 1.13). Thus while NER enjoys favourable balance of trade in her cross border trade, she suffers from negative trade balance with Myanmar.

**Table 1.13**  
**NER's Border Trade with Myanmar Through Moreh**

*(in Millions US dollar)*

<i>Year</i>	<i>Export</i>	<i>Import</i>	<i>Volume of Trade</i>
1998-1999	1.20	1.47	2.67
1999-2000	0.77	1.55	2.32
2000-2001	1.2	2.70	3.90
2001-2002	0.26	0.16	0.42
2002-2003	1.03	2.44	3.47
<b>Total</b>	<b>4.46</b>	<b>8.32</b>	<b>12.78</b>

*Source:* Office of the Commissioner of Customs, Shillong.

### **NER Vs Myanmar: Is there any basis for trade?**

The reason for the slow volume of cross-border trade between India and Myanmar appears to lay in the similarity of resource base and production structure across the border. North-Eastern Region of India (NER) which shares border with Myanmar also rich in natural resources. Like Myanmar, NER also exports primary products. Agro-horticultural goods, minerals like coal, limestone, boulder stone, crushed stone, etc. constitute her export basket. For the period 1998/99-2002/03,

the average annual share of agro-horticultural and mineral products to total exports of NER has been 98.58 per cent<sup>9</sup>.

About 95 per cent of NER's export goes to Bangladesh. While the complementarity between the resource base of NER<sup>10</sup> and demand structure of Bangladesh provides a firm basis for cross border trade between them (Das:2000), the competitive resource base of both NER and Myanmar hardly provides any strong basis for trade.

Apart from similar resource base, both NER and Myanmar are industrially weak and require huge investments in order to strengthen resource industry linkages. Both import manufactured goods. The similarities in resource base, production structure and demand structure between NER and Myanmar seem largely to explain the reasons for small volume of trade between them across the border.

However, besides formal trade, for which data have been presented, and on the basis of which structure of trade has been analysed so far, there exists large-scale informal trade across Myanmar borders. Since pre-colonial era, Myanmar had strong informal trade across the border with China and Thailand. Myanmar observers feel that the volume of informal Sino-Myanmar trade is about three fold more than its formal counterparts (Egreteau:2003-80). In fact, it is difficult to estimate the volume of informal trade as it is carried out clandestinely. It is believed that the volume of the informal Indo-Myanmar trade is at least 10 times more than its formal counterparts<sup>11</sup>. Manufactured goods of third country origin like clothes and blankets from China, Japan and other South-East Asian countries are imported into NER informally and medicines, bicycle parts, chemicals and other pharmaceutical products, fertilizers procured from other regions of India, are exported to Myanmar informally (Rao, et al:2004-10). Although there is not much of scope for NER-Myanmar commodity trade, the volume of informal trade indicates a large scope for transit trade.

As it has already been pointed out that the economy of Myanmar is more integrated with the economies of South-East Asian countries rather than developed western economies, the prospect of reaching the markets of these newly industrialised countries through Myanmar has further brightened with her entry into ASEAN in 1997. India's Look East Policy precisely wants to achieve this goal for her industry and business.

### **Concluding Remarks**

Although the instrumental value of NER-Myanmar trade in terms of generation of economic growth is negligible at present, the intrinsic value of cross border trade is, no doubt, immense as it eases out life of the people living in the border areas. For border trade to promote the economic development of the border areas, it has to be integrated with the overall development strategy of the border states. Unless the border states mould their development strategy focussing on border trade and adjust their sectoral strategies accordingly, the cross border trade is unlikely to pay any dividend. The production structure of the border states needs to be reorganised in line with the demand structure of the neighbouring country. As the import basket of Myanmar mainly consists of manufactured goods, NER could benefit from trade with Myanmar only if she could industrialise herself. It is, thus, important to have a market survey in Myanmar and identify the products which NER can produce at competitive costs preferably using her own resources. In doing this, states in NER may follow export processing zone approach to negotiate with her internal forces of rigidities like rigidities associated with land transfer and labour mobility. Besides this, anciliarisation approach towards industrialization seems to be the best way to produce quality products at competitive price rather than state-led industrial development approach.

Given the weak manufacturing base, trans-border trade in services like education, health and tourism may be of immediate benefit for NER. Both education and health services

are far better in NER compared to the bordering regions of Myanmar. Appropriate policy response needs to be evolved in these areas.

Although Indo-Myanmar border trade is essentially transit in nature and is not organically linked with the local economy at present, promotion of this trade may, in the long run, lead to the development of transport sector as well as assembly line industrialisation. These may, in turn, lead to the strengthening of resource-industry linkages in the regional economy. While Indian industry and business seeks to use both NER and Myanmar as corridors to reach South-East Asian markets, this may build a partnership between local and national capital which, in turn, will facelift the local economy. State policies need to be woven in building this partnership.

Finally, Indian state needs to consider “border trade” as a strategy for the development of the border areas. A “shared border” approach will lead to better border management which is a *sine qua non* for the promotion of cross border trade. India needs to engage Myanmar more intensely and play more substantive role in the development of Myanmar *a la* China. Border states in India need to adopt corporate approach as far as their development activities are concerned. Federal government may think of empowering the border states so that they can strike business deals with entities across the border.

## NOTES

1. [http://www.fao.org/ag/agl/sw/wpnr/reports/y\\_ta/z\\_mm/mmtb28p.htm](http://www.fao.org/ag/agl/sw/wpnr/reports/y_ta/z_mm/mmtb28p.htm)
2. [http://www.fao.org/ag/agl/sw/wpnr/reports/y\\_ta/z\\_mm/mmtb282.htm](http://www.fao.org/ag/agl/sw/wpnr/reports/y_ta/z_mm/mmtb282.htm)
3. [http://www.fao.org/ag/agl/sw/wpnr/reports/y\\_ta/z\\_mm/mmtb311.htm](http://www.fao.org/ag/agl/sw/wpnr/reports/y_ta/z_mm/mmtb311.htm)
4. *ibid*
5. Agriculture, livestock and fishery, forestry and mining constitute the primary sector here.

6. [www.myanmar/directorate\\_of\\_myanmar\\_industrial\\_planning-5.htm](http://www.myanmar/directorate_of_myanmar_industrial_planning-5.htm)
7. At constant 1985-86 prices.
8. Border trade statistics of Myanmar available in IMF (2001, table 35) do not tally with the same available at the website of the Department of Border Trade, Government of Myanmar. Here we have used the latter source as it is consistent with the data available with the Office of the Commissioner of Customs, Shillong, on the Indo-Myanmar border trade.
9. Calculated from data collected from the Office of the Commissioner of Customs, Shillong.
10. For details on resource base of NER, see (Das: 2005<sub>a</sub>, Das: 2005<sub>b</sub>)
11. Rao, *et al* (1997) estimated the volume of informal trade through Moreh-Tamu sector at Rs 1300 million annually.

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### 34 *Indo-Myanmar Border Trade: Status, Problems and Potentials*

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APPENDIX

**Table 1.14A**  
**Myanmar: Harvested Acreage Under Major Crops, 1994/95-1998/99**

*(in thousands of hectares)*

	1994-95	1995-96	1996-97	1997-98	1998-99
Paddy	5,743	6,033	5,768	5,408	5,751
Wheat	107	91	90	88	102
Maize	167	161	165	161	168
Pulses	1,693	2,006	1,932	2,046	2,391
Groundnuts	497	515	478	446	464
Sesame	1,132	904	1,015	774	673
Sunflower	179	216	122	115	287
Cotton	178	324	298	246	313
Jute	37	47	43	34	37
Sugarcane	53	66	84	106	127
Myanma tobacco	28	25	29	33	28
Virginia tobacco	3	4	4	4	5
Rubber	52	49	46	48	50
<b>Total</b>	<b>9,869</b>	<b>10,441</b>	<b>10,074</b>	<b>9,509</b>	<b>10,396</b>

Source: IMF (1999)

**Table 1.15A**  
**Myanmar: Output and Yield of Major Crops,**  
**1994/95-1998/99**

	1994-95	1995-96	1996-97	1997-98	1998-99
(In thousands of metric tons)					
<b>Output</b>					
Paddy	18,195	17,953	17,673	16,651	17,848
Wheat	89	78	87	92	92
Maize	284	275	286	308	303
Pulses	1,109	1,337	1,370	1,597	1,678
Groundnuts	500	593	559	540	502
Sesame	304	304	344	296	186
Sunflower	117	164	92	90	184
Cotton	86	165	168	164	189
Jute	35	43	39	33	33
Sugarcane	2,375	3,342	4,042	5,136	5,927
Myanma tobacco	35	41	47	57	46
Virginia tobacco	18	22	23	25	29
Rubber	27	26	26	27	26
(In kilograms per hectare of harvested area)					
<b>Yield</b>					
Paddy	3,168	2,976	3,064	3,079	3,103
Wheat	832	857	967	1,045	902
Maize	1,701	1,708	1,733	1,913	1,804
Pulses	655	667	709	781	702
Groundnuts	1,006	1,151	1,169	1,211	1,082
Sesame	269	336	339	382	276
Sunflower	654	759	754	783	641
Cotton	483	509	564	667	604
Jute	946	915	907	971	892
Sugarcane (mt per ha)	45	51	48	48	47
Myanma tobacco	1,250	1,640	1,621	1,727	1,643
Virginia tobacco	6,000	5,500	5,750	6,250	5,800
Rubbers	519	531	565	563	520

Source: IMF (1999)

**Table 1.16A**  
**Myanmar: Investment and Savings, 1995/98–1999/2000**

	1995-96	1996-97	1997-98	1998-99	1999-00 Provisi- onal
(In millions of kyats at current prices)					
Gross capital formation	86,122	97,051	139,964	199,308	290,019
Fixed investment	82,582	118,313	150,240	206,912	241,694
Public	41,035	57,275	68,402	79,598	81,806
Private	41,547	61,038	81,838	127,314	159,888
Change in Stocks	3,540	-21,262	-10,276	-7,604	48,325
National saving	83,383	94,317	135,882	195,911	288,190
Domestic saving	81,484	91,732	133,059	192,815	285,381
Net factor income plus net unrequited transfers from abroad	1,899	2,585	2,823	3,096	2,809
Foreign saving	2,739	2,733	4,082	3,397	1,829
(Percentage share in GDP)					
Gross capital formation	14.2	12.3	12.5	12.4	13.2
Fixed investment	13.7	14.9	13.4	12.9	11.0
Public	6.8	7.2	6.1	4.9	3.7
Private	6.9	7.7	7.3	7.9	7.3
National saving	13.8	11.9	12.1	12.2	13.1
Domestic saving	13.5	11.6	11.9	12.0	13.0
Foreign saving	0.5	0.3	0.4	0.2	0.1

Source: IMF (2001).

**Table 1.17A**  
 Myanmar: Banking System Loans by Sector, 1996-2000

*(In percentage)*

	1996	1997	1998	1999	2000
<b>Primary sector</b>	<b>12</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>6</b>
Agriculture	11	5	3	3	3
Others	1	2	3	3	3
<b>Secondary sector</b>	<b>29</b>	<b>22</b>	<b>25</b>	<b>27</b>	<b>29</b>
Manufacturing and Processing	22	17	18	20	23
Others	7	5	7	7	6
<b>Tertiary sector</b>	<b>59</b>	<b>71</b>	<b>69</b>	<b>67</b>	<b>65</b>
Trade	25	51	49	46	45
Others	34	20	20	21	20
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Total loans (in million of Kyats)</b>	<b>31,627</b>	<b>77,198</b>	<b>116,913</b>	<b>142,393</b>	<b>188,658</b>

*Source: IMF (2001)*

Table 1.18A  
Myanmar: Direction of Foreign Trade

(in percentage of total)

Country/ Region	1980-81		1985-86		1990-91		1995-96		1997-98	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
Singapore	13.02	8.47	13.38	9.57	28.91	9.78	19.77	17.97	13.30	31.84
Japan	8.53	45.36	7.53	45.52	7.62	16.58	5.14	24.75	3.85	15.64
Hong Kong	7.89	0.46	12.47	1.33	8.48	0.59	7.20	1.67	5.84	2.68
Korea	4.49	1.35	0.66	1.84	0.54	3.66	1.44	3.98	0.88	5.65
India	1.8	0.54	7.15	0.11	17.92	0.68	20.77	3.41	22.81	4.65
China	1.33	4.75	6.26	3.84	13.55	22.14	3.91	14.16	10.72	9.6
Thailand	1.75	0.33	5.10	0.5	13.26	10.19	10.72	13.03	12.02	10.02
Malaysia	2.88	2.58	3.52	1.15	1.40	7.04	2.96	6.08	2.65	7.14
Sri Lanka	5.07	-	2.67	-	2.3	-	0.29	-	0.36	-
North-West Europe	13.42	20.81	11.28	24.22	2.86	10.29	2.62	6.33	5.08	3.25
Africa	9.71	0.04	10.47	1.66	1.84	0.33	0.65	0.08	0.07	0.54
Others	30.11	15.31	19.51	10.26	1.32	18.72	24.53	8.54	22.42	8.99
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: [http://www.myanmar.com/Ministry/commerce/data\\_chart/all\\_export.htm](http://www.myanmar.com/Ministry/commerce/data_chart/all_export.htm)  
[http://www.myanmar.com/Ministry/commerce/data\\_chart/import\\_by\\_country.htm](http://www.myanmar.com/Ministry/commerce/data_chart/import_by_country.htm)

**Table 1.19A**  
**Myanmar: Value of Foreign Trade**

*(in Million Kyat)*

<i>Year</i>	<i>Export</i>	<i>Import</i>	<i>Balance of Trade</i>
1980-81	3176.4	4635.0	(-) 1458.6
1985-86	2566.1	4802	(-) 2235.9
1990-91	2952.6	5522.8	(-) 2570.2
1995-96	5032.7	10301.6	(-) 5268.9
2000-2001(p)	3982.5	6979	(-)2996.5

*Source:* [http://www.myanmar.com/Ministry/commerce/data\\_chart/value\\_ft.htm](http://www.myanmar.com/Ministry/commerce/data_chart/value_ft.htm)

*Note:* 1990-91 onward data include border trade  
 P = Provisional

# Opinions

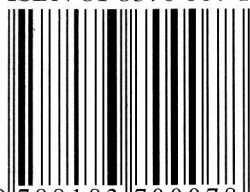
This book *Indo-Myanmar Border Trade* is a useful addition to the literature on the Northeast's externalities at a time when India is taking measured steps to implement its Look East Policy. Border trade is not only important for local livelihoods but also forms the basis for developing wider trans-border trade. Myanmar is the Northeast's doorway to commerce and exchange with the rest of ASEAN and Southwest China, fast-growing economies from which it has much to gain. Manipur is particularly well placed to be a dynamic base and entrepot for this potentially lucrative trade provided it can put its house in order in terms of governance, infrastructure and security.

—**B.G. Verghese**  
Visiting Professor,  
Centre for Policy Research, New Delhi

This is a very useful collection of essays covering many important dimensions of Indo-Myanmar border trade which has emerged as an important aspect of India's Look East Policy. I hope it is widely read.

—**Dr. Nagesh Kumar**  
Director General,  
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New Delhi

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