CONCLUDING OBSERVATIONS

This thesis has attempted to explore and analyze the trends in the trade and development of Myanmar, situating the discussion in the context of the arguments on the benefits of free trade. These arguments were first put forward by the classical economists, and they enjoy a widespread revival at present as part of the dominant discourse in economics. Most developing countries have turned towards trade liberalization, which is being further reinforced by continuing reduction of trade barriers, through the multilateral trade negotiations culminating in the setting up of the WTO in 1995 and further trade negotiations since then.

This thesis started by devoted some critical attention to the classical exposition of the benefits of free trade based on the theory of comparative advantage, and discussed the historical process of the growth of colonial trade, which was the actual background to the formulation of the theory that free trade is of mutual benefit to trading partners. It was done to indicate that the theory was put forward using particular assumptions which may not be actually satisfied. The concept of trade determined by "comparative advantage" is perhaps not so simply acceptable for primary producing countries like Myanmar as it might be for manufacturing countries. Like other tropical developing countries Burma in the colonial period (then turned into a part of British India) was encouraged to rapidly increase exports to the world market, of a wide range of primary goods (rice, teakwood, rubber and so on) which most of the industrially advanced countries could not produce at all, and for which relative cost could not be defined. Burma’s occupational distribution and output structure became more heavily primary sector dependent, while the exchange earnings from its rising export surplus did not benefit the local population. It is quite likely that with fast rising rice exports and little investment, the consumption level of the local Burmese population fell as was happening in the rest of British India, but this matter needs more research which was beyond the scope of this thesis.

With the second world war, Burma was automatically cut off from this colonial trade pattern and exports fell sharply. The attempt of the government in independent Burma, was to Burmanize employment and to try to build up a more diversified
production structure, with an emphasis on infrastructure and simple manufacturing industries. The economic performance of the post Independence era appeared as a transition from revival and sustained economic growth in the 1950s to relative stagnation in the two decades of the 1960s and 1970s. The real GDP growth from 1949 to 1960 was a healthy 5.9%, with per capita real GDP growth rate of 3.7%. Burma's trade performance was initially good owing to favourable world market conditions for its main export, rice.

There have been two major problems that Myanmar has faced throughout its subsequent independent history of attempted development, and which is perhaps quite typical of other developing countries too: the first is the problem of raising internal resources for development and the second is the question of external vulnerability created by global price volatility and uncertain global demand conditions, when there is trade and capital liberalization as part of an attempt to follow an export-oriented growth strategy.

By examining the policy measures actually implemented under the path of “the Burmese road to socialism” up to 1988 we have seen that while almost all large scale manufacturing and all trade was nationalised, the main productive sector of the economy, agriculture was not socialized or organized into larger units (unlike in Vietnam and China). Agricultural productivity rose little and it did not provide the required extent of resources for development unlike in other socialist countries, nor did the agricultural sector itself diversify or expand much as a market, owing to an excessively rigid system of administered prices for the farmers which stifled incentives. Myanmar’s primary sector exports on the other hand faced declining prices on the world market for much of the period, and especially so in the 1980s. Initially unfavorable and persistently declining term of trade and resulting imbalance of external payments, are serious problems for all underdeveloped countries and Myanmar was no exception. Its exports were affected by the high fluctuations of primary commodities prices and their declining price trend over most periods in the world market. Further, the prices of imported intermediate goods and capital goods increased owing to the oil shocks in the 1970s and 1980s, and the economy faced serious chronic trade deficit.

Thus the growth process in the two decades before 1988 in Myanmar, ran up against the foreign exchange constraint which affected both agricultural growth and
industrial expansion. Therefore the government was forced to turn to inflow of foreign
capital which boosted activity levels for a while but by its nature this was not a
sustainable source of growth which the country could control.

Regardless of what comparative-advantage theory may say about the virtues of
free trade, all nations interfere with international transactions to at least some degree to
avoid and lessen these negative impacts on their economy. Governmental restrictions are
sometime necessary to protect what is regarded as the national interest. Government
action may occur in response to the trade policies of other countries, it may be resorted to
in order to protect specific industries or to cure balance of payment problems. In so
doing, international trade policies become as an important measure in order to implement
the economic strategies.

Even though trade theorists viewed trade as an engine of growth, in the last three
decades, this view has been lost gradually. This failure was caused by a number of
significant events and serious problems e.g. oil-shock related problems of stagflation,
fiscal and external imbalances which were sought to be controlled through deflationary
measures, resulting in lower growth, turning into the ongoing recession in the world
economy. There was pressure on developing countries especially after the Uruguay round
of negotiations and the establishing of the WTO, to reduce protection and liberalise their
trade with the promise of benefits from high global trade growth, but they have been by
and large disappointed, as the world economy itself has gone into recession in the second
half of the 1990s, primary product prices have fallen drastically, and their producers face
competition from heavily subsidised primary products of advanced countries. They
therefore are demanding fair trade.

In the post-1988 scenario in Myanmar, under SLORC a set of economic reforms,
revival of the private sector in trade and industry, deregulation and trade liberalization
have been implemented. However unlike in most other developing countries
implementing reforms, it was not a result of debt-conditionalities and policies were not
guided by the international financial institutions but were the result of internal policy
changes. Therefore trade deregulation and removal of protection in Myanmar, was
combined with large budget deficits which were monetized. Owing to these expansionary
policies of the government combined with revival of the private sector, there has been a
higher rate of growth, but with an accelerating rate of domestic inflation. This may be eroding the relatively high levels of the human development indicators that Myanmar has shown so far, for rapid inflation lowers real wages and reduces the purchasing power of those who are the net buyers of necessities.

The depreciation of the currency on the parallel market has been as fast or faster than the inflation rate, maintaining Myanmar's competitiveness vis a vis most countries. Nevertheless the situation with regard to the external balance has deteriorated, owing mainly to factors beyond the country's control namely the Asian currency crisis from 1997 which developed into an economic crisis, and reduced suddenly Myanmar's growing exports to its more developed neighbors. Thus the recent history of the country has once again underlined the external vulnerability of the economy.

A large number of integration schemes, ranging from bilateral or multilateral agreements to sub-regional or regional cooperation, have come into existence in different parts of the world. It is possible to make a guardedly optimistic prognosis based on Myanmar's integration into ASEAN and the regional free trade area AFTA, and on the possibilities of its benefiting in future from trade relations with and investment from its economically and industrially more developed Asian neighbors including India and China. The last two chapters of this thesis have been devoted to looking at the trends in Myanmar's trade with ASEAN countries, and with its two giant neighbors, including border trade which was legalized as part of the reforms. ASEAN is an important export market for Myanmar taking a fifth of its exports, while Myanmar's imports from ASEAN accounted for nearly half of the country's total imports from the world. Myanmar is developing an export surplus with South Asia (India and Bangladesh) to offset its trade deficit with China and Thailand, and is also developing a larger re-export trade mainly on account of its border trade.

Since it is Asia's relatively high growth which has been keeping up the growth rate of the developing nations as a whole in the last two decades, the fact of Myanmar's closer integration with the more developed countries of this region may prove to be advantageous in future. Its location as a country with lower wages than its neighbours, but possessing a literate and skilled labour force, may lead to manufacturing relocation from which it may benefit. Myanmar has continued its efforts towards liberalizing and
opening up the economy, which at present has a mixed form of command economy and market economy and remains subject to substantial economic regulations, some of which had to be re-imposed as a result of the Asian crisis. A relevant policy has already been laid down by the SLORC for further reform, but the concrete plans and steps have yet to be made more apparent. Political influences, rather than purely economic factors, often play a major role in inappropriate government policies. Unless the political impasse in the country could somehow be solved and more comprehensive reforms be carried out, the prospects for realising the potentialities of regional integration and setting the country on a steady path of development, will not be realised.