
Challenges in Cross-Border Trade Between Myanmar and Thailand: A Case Study of Myawaddy Border Trade Zone

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Abstract

This study investigates the challenges in cross-border trade between Myanmar and Thailand, focusing on the Myawaddy Border Trade Zone. It aims to identify and study in detail the present challenges to cross-border trade in the Myawaddy Border Trade Zone and to explore feasible solutions. Using a qualitative research approach, data was collected through semi-structured interviews and analysed using a thematic analysis method. A total of six traders and two government representatives were selected to provide diverse perspectives on the challenges faced in the Myawaddy Border Trade Zone. The findings underscore four principal challenges affecting cross-border trade: transportation disruptions, exchange rate volatility, export policy shifts, and border instability. To mitigate transportation barriers, traders have adopted alternative land routes and maritime logistics. In response to currency fluctuations, advance payment mechanisms and bilateral currency transactions are recommended. Regarding export policy changes, traders propose deferring new regulations until the conclusion of the 2024–2025 fiscal year. To address border instability, war risk insurance and enhanced coordination with local authorities are being utilized. The study recommends the Ministry of Commerce maintain consistent trade policies, stable export and import regulations, and enhance trade facilitation. The Central Bank of Myanmar should focus on stabilizing exchange rates and addressing inflation. Traders should adopt advanced payment systems, expand supply chains, and collaborate with local authorities.

Keywords: *cross-border trade, transportation, exchange rates, export policy, border instability, security challenges*

1. Introduction

Myanmar, which was formerly called Burma, has been an important trading partner since 100 B.C. as a bridge between India and China. Traditionally, the Mon kingdom in lower Burma was one of the important trading centres on the Bay of Bengal. After the British conquest, Myanmar became one of the wealthiest countries in Southeast Asia, with abundant real estate, minerals and water resources (Hays, 2014). However, in recent decades, Myanmar's economy has lagged behind other countries of Southeast Asia, and the agriculture sector still occupies a leading position in the economy (Aung-Thwin, Aung, & Steinberg, 2024).

Myanmar shares borders with five neighbouring countries: China, Thailand, India, Bangladesh, and Laos, and it has a maritime boundary with Malaysia and Singapore. These countries differ in natural resource endowment and industrial development phase among themselves. In the socialist era (1962-1988), Myanmar's top trading partners were industrialized nations such as West Germany and Japan. However, when the military government took power in 1988, several Western nations imposed economic sanctions on Myanmar's military government, prompting a shift toward neighbouring countries, particularly China and Thailand, through open-door policy and cross-border trading liberalization (Kudo, 2007).

This study investigates the Myawaddy Border Trade Zone, which is one of Myanmar's border trade zones lying on the border of Thailand. As a member of the Greater Mekong Subregion (GMS), the Association of Southeast Asian Nations (ASEAN), and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Myawaddy occupies a crucial location on the East-West Economic Corridor, connecting from the Andaman Sea to the South China Sea, stretching 1,500 kilometres from Mawlamyine in Myanmar to Da Nang in Vietnam (Asia Development Bank, 2018). This makes Myawaddy one of the most strategic areas in facilitating cross-border trade and other economic activities.

The Myawaddy Border Trade Zone plays a crucial role in fostering regional integration, facilitating cross-border trade, and driving economic growth. It currently holds the highest trade volume among the Myanmar-Thailand

cross-border trade posts. However, this border trade zone faces several challenges that significantly affect it. The struggle between the Myanmar military and different ethnic armed groups affects trade and continues to cause it to decline, making traders reluctant to conduct cross-border business due to the existing unrest (Neelapaichit, 2024). Cross border trade with Thailand could decline by up to 40% because of the instability (Apisitniran, 2024).

In addition, the border trade of Myanmar is also severely impacted by infrastructure barriers which influence both the quantity of trade and local traders. Most border-trade routes experience poor infrastructure standards, with unpaved, narrow, and poorly maintained roads resulting in delays and high transportation costs (Florento & Isabela, 2014). Moreover, there is a lack of modern warehousing and logistics facilities in the proximity of the border trade zones.

The Myanmar kyat has also faced issues with inflation impact, creating economic issues for traders such as raising the prices of goods traded in the market (Institute for Strategy and Policy [ISP], 2024). The depreciation of the kyat relative to major currencies, particularly the US dollar, has led to increased costs for essential imports, such as consumer products and energy (The World Bank, 2023). Border trade with China has declined by 41% due to both conflict and currency challenges (Strangio, 2024). The volatility of the kyat is highly unpredictable, and the uncertain currency and economic conditions deter foreign investment (Bissinger, 2024a). This decline in investment restricts the capital left for local businesses to grow, leading to stagnant growth and potentially leading to trade imbalances and pressure between nations.

Table 1: Trade Volume of Myawaddy Border Trade Zone, 2021-2023

Year	Export (USD in Mill)	Import (USD in Mill)	Total Trade Volume (USD in Mill)	Percentage of the Total Trade Volume
2021	781.253	1,064.928	1,846.181	42%
2022	549.315	1,033.243	1,582.558	36%
2023	273.218	724.193	997.411	23%

Source: “Border Station Export/Import Trade Situation of Myanmar”, by Department of Trade, Ministry of Commerce, Myanmar (2024) (<https://commerce.gov.mm/en/node/28971>)

Table 1 presents the trade volume of Myawaddy border trade zone for the years 2021, 2022 and 2023. The data shows a clear downward trend in trade volume from 2021 to 2023. In 2021, the total trade volume was 1,846.181 million USD, but by 2023, it had decreased to 997.411 million USD, representing a 46% decline. Exports dropped even more significantly, shrinking by 65%, from 781.253 million USD in 2021 to 273.218 million USD in 2023. Imports also fell by 32% over the same period. This cut in exports and imports reduced the total trade volume from 42% in 2021 to 23% in 2023. This data reflects the above-noted serious challenges that affect trade activities within this zone and suggests that Myawaddy deserves specific attention. Thus, this research focuses on the Myawaddy Border Trade Zone and examines the challenges and barriers that the traders face.

This research is an ideal case study for understanding the challenges in Myanmar’s cross-border trade. The Myawaddy Border Trade Zone faces several issues and constraints including infrastructure deficiencies, logistical barriers, currency fluctuation and political instability, which hinder its full potential. These challenges not only affect bilateral trade with Thailand but also have broader implications for Myanmar’s economic development and its integration into regional markets. Additionally, there is a notable gap in the existing literature regarding the specific challenges faced by traders in this zone, as well as a lack of detailed analysis on potential solutions. The study fills this research gap by conducting a detailed study of the challenges within the Myawaddy Border Trade Zone. This research is significant because it will provide valuable information that is relevant not only to improving the Myawaddy Border Trade Zone but also to improving the other border trade zones of Myanmar. Furthermore, the results will contribute to better trade systems, enhance logistics, and address infrastructure issues that broadly affect border-trade activities.

2. Objectives

This study aims to thoroughly investigate the current challenges facing cross-border trade in the Myawaddy Border Trade Zone by identifying the key issues that hinder its efficiency and development. Through a detailed analysis of these challenges, the research also seeks to explore feasible solutions that mitigate or overcome the obstacles, with the goal of improving the overall cross-border trade environment and fostering sustainable economic growth in the region.

3. Materials and Methods

This study utilized semi-structured interviews as its main research instrument. This qualitative research method is especially effective for collecting detailed insights into participants' experiences and perceptions regarding specific issues. As noted by Boswell (2024), semi-structured interviews provide researchers with the flexibility to explore topics more thoroughly. Researchers start with a specific set of questions; however, they have the flexibility to explore beyond these inquiries depending on the responses from participants. This flexibility is vital in exploratory research, where capturing participants' viewpoints is important. This approach also fosters a more natural conversation that can produce valuable insights (Boswell, 2024).

Moreover, semi-structured interviews, with their open-ended nature, allow participants to share their thoughts and feelings freely, resulting in more comprehensive and detailed data. The depth of this richness proves particularly valuable when exploring complicated matters, such as the experiences of traders with customs processes and regulatory structures (Delve, 2022). The interview guide offers a structure while permitting follow-up questions that can explore particular areas of interest more thoroughly. This equilibrium encourages emphasis on important topics while allowing the researcher to modify the dialogue according to the participant's perspectives (Cohen & Crabtree, 2006). Therefore, this method not only enriches the information gathered but also boosts the reliability and validity of the findings by effectively capturing diverse perspectives.

3.1 Data Collection

This study integrated a combination of primary and secondary sources. The primary data was gathered from interviews conducted by the researcher with six traders in the Myawaddy Border Trade Zone, as well as with two government representatives from the Ministry of Commerce in Myanmar. The secondary data was gathered from a variety of reports, articles, websites, and research studies related to the Myawaddy Border Trade Zone. The diverse range of sources offered a thorough insight into the topic and enriched the overall analysis. Additionally, to overcome geographical and temporal limitations, the researcher utilized online interviews through platforms such as Zoom. Data was securely stored through notetaking and audio recording with the consent of the participants.

3.2 Data Analysis

The interview data was analysed by thematic analysis, a qualitative approach well-suited for identifying and evaluating patterns in qualitative data. Villegas (2024) asserts that this approach effectively examines participants' perceptions and experiences, enabling researchers to extract detailed evidence into significant themes. Thematic analysis is adaptable, allowing researchers to adjust their analysis to the study's context while maintaining rigorous data interpretation (Villegas, 2024).

The analysis process included several essential stages, starting with the precise transcription of all interviews. This step was essential for maintaining the authenticity and nuance of participants' responses, guaranteeing that their voices were accurately represented. Following the transcription, the researcher engaged in several readings of the data to become familiar with it and to identify initial impressions and possible themes (Dawadi, 2020).

A systematic coding process was then utilized to organize the data into key themes and sub-themes that were directly connected to the research questions. This coding process included recognizing important patterns and systematically arranging them into cohesive categories (Qualtrics, 2024). For instance, codes were created around common issues faced by traders, such as "security concerns", "infrastructure challenges", and "inflation and inefficient regulatory practices". By grouping these codes into broader themes, the analysis aimed to clarify the underlying issues

affecting cross-border trade and identifying potential strategies to address these challenges. Identifying these themes, along with secondary data sources, enabled the researcher to provide a comprehensive explanation of the challenges traders face in cross-border trade.

4. Results and Discussion

This section consists of two main subsections, research results and research discussion. In the first of these subsections, the collected primary data that is most relevant to addressing the study's research objectives is outlined. The second subsection then draws on related secondary sources of data to critically discuss and analyse the primary data, and to reach well-supported conclusions.

4.1 Results

This subsection is divided into two parts. The first part describes the challenges to cross-border trade that were identified by the participants. The second part then outlines the participants' views on feasible solutions and their ways on how to mitigate the identified challenges to cross-border trade in the Myawaddy Border Trade Zone.

4.1.1 Challenges in the Myawaddy Border Trade Zone

The findings reveal that there are four main issues or challenges related to cross-border trade in the Myawaddy Border Trade Zone. These challenges are "Difficulties in transportation", "Fluctuations in Exchange Rates", "Changes in Export Policy" and "Border Instability and Security Challenges".

4.1.1.1 Difficulties in Transportation

Traders face significant transportation challenges, which leads to hindering trade operations in the Myawaddy Border Trade Zone. The closure of the Myawaddy-Kawkaeik Asian Highway, resulting from clashes between the military and ethnic armed groups, has shifted trade to alternative routes such as Myawaddy-Htokawko, leading to delays and inefficiencies in trade operations. The alternating travel system allows outbound traffic on one day and inbound traffic on the next day. For example, participants A, B and C reported that:

As a result of the Myawaddy-Kawkaeik Asian Highway's closure, border trade is now permitted to operate on an alternating basis, with one day for the outbound route and the next for the inbound route, utilizing the Myawaddy-Htokawko route. (Participant A, Trader, December 3, 2024)

The closure of the Myawaddy-Kawkaeik Asian Highway has resulted in cross-border trade being carried out through the Myawaddy-Htokawko route, with one day for the outbound route and the next for the inbound route. Current alternative trade routes encounter transportation challenges, including lengthy distances that lead to delays and higher expenses. Persistent transportation challenges have resulted in a steady decrease in trade volume. Currently, trade along the Thai-Myanmar border is mainly carried out via the Tachileik, Myeik, Mawtaung, and Kawthaung border trade stations. (Participant B, Trader, December 3, 2024)

The reliance on this single alternative route has resulted in traffic congestion. Certain vehicles become stuck, navigating back and forth with restricted access on a daily basis. Vehicles alternate between moving up and down, leading to occasional face-to-face traffic blockages. (Participant C, Trader, December 3, 2024)

Moreover, shifting trade to an alternative route due to the closure of the Myawaddy-Kawkaeik Asian Highway leads to higher transportation costs, which greatly impact traders. In addition, only small vehicles are allowed on the alternative route, rather than large ones, resulting in additional costs for traders. For example, participants A, F and H reported that:

The Htokawcoe route restricts the use of 12-wheeled trucks, permitting only smaller 18-foot vehicles for the transportation of goods. The cost of transporting cargo has seen a significant increase as a result. Moreover, the transportation cost from Myawaddy to Yangon using a six-wheeled truck ranges between 45 and 50 lakhs. The expense for traveling from Myawaddy to Hpa-An ranges between 30 and 45 lakhs. The costs have risen considerably compared to previous levels. (Participant A, Trader, December 3, 2024)

Transportation difficulties present the primary challenges. Furthermore, there has been an increase in transportation costs, the kyat has lost value, and there are limitations on foreign currency exchange. (Participant F, Trader, December 29, 2024)

Trade has been adversely affected by the inability to use the main Asian Highway route and relying solely on temporary routes, which has led to increased costs. (Participant H, Officer (Department of Trade (Myawaddy Border Trade Zone)), December 26, 2024)

Additionally, the rainy season causes significant damage to roads, resulting in landslides, accidents, and delays. Heavy rainfall also disrupts trade operations and creates unsafe conditions for trucks. Participant B stated that:

The rainy season frequently leads to road damage on the Dawna Mountain range, resulting in accidents with cargo trucks. Travel becomes difficult during rainy weather. We must pause until the rain ceases and the roads are dry before proceeding. Rain leads to landslides and creates slippery conditions, resulting in numerous accidents involving large trucks. Limited options exist for small vehicles, and when heavy rain occurs, all activity halts. Damaged roads lead to disruptions in the supply of goods, resulting in a complete halt of trade. Engaging with Thai traders presents challenges because of delays along the routes, resulting in untimely deliveries of goods. (Participant B, Trader, December 3, 2024)

To summarize, the closure of the Myawaddy-Kawkareik Asian Highway due to armed clashes has shifted trade to alternative routes, causing delays and inefficiencies. This shift also leads to higher transportation costs, limited vehicle options, and increased risks during the rainy season, including landslides, accidents, and unsafe conditions for trucks. These issues hinder the trade activities in the Myawaddy Border Trade Zone.

4.1.1.2 Fluctuations in Exchange Rates

Traders in the Myawaddy Border Trade Zone face considerable challenges due to fluctuations in exchange rates, especially with the depreciation of the Myanmar kyat leading to increased costs for imported goods. Since many transactions take place in foreign currencies such as the Thai baht or the US dollar, traders face increased costs that reduce their profitability. Participants A and C noted that:

The fluctuations in currency exchange rates create challenges in the process of currency exchange. The depreciation of the kyat has led to an increase in the prices of imported goods. The profits of traders are closely tied to the exchange rate. The necessity to buy goods using baht or dollars leads to higher costs and reduced profits. Consequently, these extra expenses are transferred to consumers, leading to an increase in the prices of goods. (Participant A, Trader, December 3, 2024)

As the goods enter the domestic market, there is a rise in prices, which has a direct effect on consumers. (Participant C, Trader, December 3, 2024)

Another pressing concern is the gap between official (fixed) and market exchange rates, which restricts the flexibility of exporters. This discrepancy significantly limits the profits of exporters, making Myanmar's goods less competitive in the international market. Participant F also noted that these fixed rates discourage trade activity, contributing to a decline in the number of exporters, which ultimately weakens the overall trade ecosystem in the region. Participants A and F reported that:

At present, 65% of export earnings are restricted to an exchange rate between 3,100 and 3,200 kyats per dollar, whereas the current market exchange rate exceeds 3,600 kyats. (Participant A, Trader, December 3, 2024)

The result of this is a decline in the number of exporters. The reduction in the number of exporters has made the process of exporting increasingly challenging. The government is encountering a growing demand for foreign currency, with cross-border trade currently serving as the primary source of this currency. (Participant F, Trader, December 29, 2024)

Moreover, transactions in the region heavily rely on the Thai baht, with many traders and consumers favouring foreign currencies due to the kyat's instability. This shift undermines the kyat's role in cross-border trade and exacerbates the economic challenges faced by local traders. For example, according to Participant F:

Because of the significant downturn and the increasing inflation rate, we are presently encountering this issue. Historically, both kyat and foreign currencies have been utilized concurrently in border regions. Currently, in Myawaddy, there are limitations on fuel purchases for machines when paying in kyat, whereas those using baht can buy an unlimited amount. (Participant F, Trader, December 29, 2024)

In essence, fluctuations in exchange rates present one of the main challenges for the Myawaddy Border Trade Zone, impacting pricing, profit margins, market competitiveness, and consumer affordability at every stage of the trading process.

4.1.1.3 Changes in Export Policy

Frequent changes in export policy, as noted by Participant C, have created significant challenges for traders and hindered trade operations:

The recent modifications to the export policy concerning rice, beans, pulses, and rubber exports have posed challenges for our export businesses. (Participant C, Trader, December 3, 2024)

Moreover, a significant problem is the fixed exchange rate imposed on export revenues, requiring exporters to sell a portion of their revenue at rates significantly below the current market rate. Exporters must sign contracts prior to shipment, making it difficult to adjust prices in response to changes in policy or the market environment. Participant B noted that:

The recent changes to the export policy for rice, beans, pulses, and rubber have caused significant challenges for export businesses. Previously, exporters could sell 70% of their revenue at the market rate to companies importing fuel and consumables, with the remaining 30% sold at the central bank's rate. This has led to financial losses for exporters, as they are now compensated at a rate of 300 kyat per dollar, rather than the market rate. The policy has also exacerbated financial difficulties for businesses that have entered into contracts with foreign partners, further complicating matters. (Participant B, Trader, December 3, 2024)

In addition to these financial pressures, the government's move to minimize reliance on foreign currencies by promoting a barter-based trade system has introduced illegal trade activities. Participant D noted that:

This system permits trading solely through the processes of exporting and importing. This situation presents challenges for us, as the quantity of goods imported from one country does not align with the quantity of goods we are exporting. At present, imports surpass exports, and given the current restrictions, there is a potential for a rise in illegal trade activities. (Participant D, Trader, December 29, 2024)

To summarize, the export policy changes have created a restrictive and uncertain environment for traders, with fixed exchange rates and barter trade limitations intensifying financial and operational difficulties.

4.1.1.4 Border Instability and Security Challenges

The instability at border areas has created significant barriers to the flow of trade. These conditions disrupt exports and restrict the movement of goods from local producers, leading to a lack of viable markets. The resulting scarcity inflates prices, burdening consumers and negatively impacting local economies. Participant C highlighted that border trade is a vital revenue source for the nation, generating income through taxation and foreign exchange. However, instability at the border disrupts this sector, leading to significant revenue losses from halted legitimate trade and the rise of illegal trade routes. These unauthorized routes bypass government regulations, hindering tax collection and depriving the nation of crucial economic benefits. Participant C also stated that:

Trade operations can only be properly resumed once the border is stabilized, allowing the government to effectively collect taxes from legal trade. Illegal trade yields no advantages for the nation. (Participant C, Trader, December 3, 2024)

The complexities of trade operations are influenced not only by economic factors but also by the security landscape in which they occur. In particular, the challenges posed by armed groups along border trade routes have become a paramount concern for traders and businesses alike. As highlighted by Participant D, armed groups near border trade routes pose significant threats to trade safety and efficiency. They impose financial demands on traders, raising costs without delivering the promised security. This hostile environment disrupts trade, delays shipments, and increases logistical expenses, ultimately harming delivery punctuality and reliability. The unstable security situation leads to significant economic losses for the nation. Disruptions in border trade raise commodity prices, impacting public welfare and diminishing overall consumption. Traders frequently change routes to evade conflict zones, which raises transportation costs and delays trade. Participant D mentioned that:

The Myawaddy border trade is intertwined with security concerns, and as a result of military operations, the routes for cargo trucks must be altered or halted, impacting the punctuality of deliveries. As a result, only long-lasting goods are being chosen for trade. (Participant D, Trader, December 29, 2024)

Briefly stated, border instability and security challenges are a threat to the economic sustainability of border trade in Myawaddy Border Trade Zone. These factors not only disrupt the supply chain but also destabilize the broader trading ecosystem.

4.1.2 Solutions to Reduce the Identified Challenges to Cross-Border Trade in the Myawaddy Border Trade Zone

This subsection explores the viable solutions proposed by participants to address the challenges of cross-border trade in the Myawaddy Border Trade Zone.

4.1.2.1 Solutions to Reduce Difficulties in Transportation Challenges

In response to transportation challenges, various hubs have emerged as key points for trade activities, showcasing the resilience and adaptability of local businesses. The closure of the Myawaddy route has forced traders to shift their activities to alternative hubs like Tachileik, Kawthaung, Myeik, Htee Khee, and Mawtaung. This reflects traders' adaptability to transportation disruptions. By using alternate routes, such as the Mae Sai-Tachileik passage, trade continues, albeit with increased logistical complexity. Participant A noted that:

As a result of the Myawaddy route's closure, certain goods are now being exchanged via the Mae Sai-Tachileik route. Long-distance cargo transport utilizes 12-wheeled trucks for the journey from Yangon to Hpa-An, after which smaller vehicles are employed to carry goods to Myawaddy. (Participant A, Trader, December 3, 2024)

Moreover, the government started initiatives aimed at enhancing the flexibility of trade operations through the authorization of alternative trade posts and maritime routes for exports and imports. Participant C highlighted the approval of the Yangon-Ranong containerized trade route:

Currently, trade between Myanmar and Thailand is being conducted through a newly established route, which facilitates the transportation of goods from Yangon to Ranong using a containerized system. The recently approved Yangon-Ranong trade route has greatly enhanced trade efficiency and streamlined operations (Participant C, Trader, December 3, 2024)

Furthermore, initiatives are being made to restore access to parts of the Myawaddy-Kawkaik Asian Highway. While this route remains partially closed due to conflicts and significant damage, its restoration is critical to resuming smooth trade. The waterway trade system also presents an interim solution, enabling the transport of large quantities of goods while bypassing conflict-affected areas. Participants F and G mentioned that:

Both parties are presently working together to reopen certain sections of the Myawaddy-Kawkaik Asian Highway; however, the full route remains closed for the time being. The road remains closed due to ongoing conflicts, and numerous sections have sustained damage. Yangon-Kawthoung-Ranong waterway enables the transportation of larger quantities of goods simultaneously, allowing for a substantial amount to be moved in one trip. Nonetheless, given the ongoing instability at the border, it is imperative that this issue be addressed. There will be a resolution to the situation (Participant F, Trader, December 3, 2024)

The government is actively engaged in negotiations to explore potential methods for re-exporting goods through border trade zones connecting Myanmar and Thailand. As part of a new route, new methods for border trade are being implemented to enable the movement of goods through container systems at coastal ports along the routes (Yangon-Kawthaung-Ranong and Ranong-Kawthaung-Yangon). (Participant G, Officer (Department of Trade (Naypyidaw)), December 26, 2024)

Several existing strategies have been implemented to address the transportation challenges in the Myawaddy Border Trade Zone. The closure of key routes, particularly the Myawaddy trade route, has led traders to utilize alternative hubs like Tachileik, Kawthaung, and Myeik, demonstrating resilience amid logistical issues. Government initiatives, including new maritime routes, have helped sustain trade efficiency despite road closures. Efforts to reopen the Myawaddy-Kawkaik Asian Highway emphasize the need for collaborative infrastructure restoration, while the use of smaller vehicles to navigate natural obstacles highlights the importance of short-term adaptive measures.

4.1.2.2 Solutions to Tackle Fluctuations in Exchange Rates

Two solutions exist to tackle the challenges presented by exchange rate fluctuations. This encompasses the utilization of advance payment methods and the application of bilateral currency usage. Participant B highlighted the significance of advance payment in safeguarding traders from unforeseen exchange rate fluctuations. Participant B mentioned that:

Traders generally utilize two payment methods: payment upon receipt of goods or advance payment. Individuals who make payments in advance enjoy a slight advantage, as they are protected from unexpected changes in exchange rates. (Participant B, Trader, December 3, 2024)

In addition, Participant F described the transition from US dollar-denominated transactions to direct exchanges between the Myanmar kyat (MMK) and Thai baht (THB), which presents notable benefits for cross-border trade. Furthermore, the Central Bank's initiative in selling Thai baht on the FX Trading Platform for importers demonstrates proactive efforts to stabilize the market and improve liquidity. Participants F and G explained that:

In the past, some imported goods in cross-border trade, such as fuel, had to be paid for in US dollars. However, since around March 2022, direct transactions using Myanmar kyat and Thai baht have been allowed. As a result, the usage of US dollars has reduced. With banks facilitating these transactions, it has become more convenient to exchange baht to kyat and withdraw cash. In the Thailand-Myanmar border area, the use of baht and kyat for direct payment is allowed. As the Central Bank, in October 2024, it sold 25 million Thai baht in the foreign exchange market (FX Trading Platform) for importers. Such actions are really helpful, but it's still not quite enough to meet the demand. (Participant F, Trader, December 29, 2024)

The border between Myanmar and Thailand permits transactions in kyat, baht, and US dollars to streamline trade activities. The Central Bank of Myanmar's Notification No. 5/2022 allows for direct payments in baht and kyat via designated banks in the Myanmar-Thailand Border Trade. (Participant G, Officer (Department of Trade (Naypyidaw)), December 26, 2024)

4.1.2.3 Solutions to Reduce Changes in Export Policy

To reduce changes in export policy, traders requested to postpone the implementation of the policy changes until the end of the 2024-2025 fiscal year. Participant C reported that:

Due to current contractual commitments with international business partners, which may lead to potential losses and damages, a request has been made to delay the implementation of the policy change until the end of the 2023-2024 fiscal year. (Participant C, Trader, December 3, 2024)

Additionally, the adoption of automatic and non-automatic licensing systems represents a significant leap in streamlining export and import activities. Participant G added that:

The government is putting in place both automatic and non-automatic licensing systems for systemic export and import activities. The online Myanmar Tradenet 2.0 system is also being used to improve the export and import application process. (Participant G, Officer (Department of Trade (Naypyidaw)), December 26, 2024)

4.1.2.4 Solutions to Mitigate Border Instability and Security Challenges

To reduce the negative economic impacts of border instability and security challenges, several trading companies have purchased war insurance due to the ongoing conflicts along the trade route between Thailand and Myanmar. Participant D stated that:

Most companies have purchased war insurance because of frequent fighting along the Thailand-Myanmar border trade route. (Participant D, Trader, December 29, 2024)

In addition, local authorities, relevant departments, and OSS (one-stop service) agencies collaborate to address the border instability and security challenges. Participant H mentioned that:

A collaborative effort has started involving local authorities, relevant departments, and OSS member agencies to address the challenges encountered by trade associations, companies, and business owners.
(Participant H, Officer (Department of Trade (Naypyidaw)), December 29, 2024)

4.2 Discussion

Based on the research findings and secondary data sources, this subsection discusses two major aspects of the findings. The first part focuses on the challenges to cross-border trade and the second part examines the solutions to mitigate the identified challenges to cross-border trade in Myawaddy Border Trade Zone.

4.2.1 Challenges to Cross-Border Trade in Myawaddy Border Trade Zone

The findings indicate that traders face difficulties in transportation. The closure of the Myawaddy-Kawkaeik Asian Highway, caused by ongoing conflicts and the instability of trade routes, has driven traders to seek out alternative routes that are both less efficient and more expensive. The alternating outbound and inbound trade system intensifies delays, leading to a decrease in overall trade volumes. Additionally, increasing transportation costs have imposed considerable burdens on traders, diminishing profitability and causing trade to be less sustainable. This finding is in line with the report from Institute for Strategy and Policy (ISP), which is a renowned organization in Myanmar. The ISP reported that the Myawaddy trade zone, vital for Thailand, is experiencing fluctuating armed control, with ongoing conflicts impacting trade flow. The Myawaddy-Kawkaeik Asian Highway has become inaccessible due to security concerns, requiring traders to turn to rural routes such as the Hta Kae Koe-Kyaw Kho, which results in increased transportation expenses and extended delivery durations (Institute for Strategy and Policy [ISP], 2024). Furthermore, the World Bank (2024b) noted that essential infrastructure, including roads, bridges, and railways, has faced attacks, resulting in transportation disruptions. As a result, road freight transport has grown more unsafe and unreliable, with travel time and costs varying significantly across various routes because of the current security conditions. Barka (2012) stated that poor road conditions result in increased transportation expenses. In certain regions, transportation costs can exceed those in other developing areas by 136% due to insufficient infrastructure, with only 22.7% of roads paved. The author also noted that this scenario not only increases the expenses associated with transporting goods but also impacts the overall competitiveness of merchants (Barka, 2012).

The findings also reveal that traders face fluctuations in exchange rates, which complicate their operations and impact profitability. One of the primary issues is the depreciation of Myanmar kyat. As a result of depreciation, the increasing costs are ultimately transferred to consumers, resulting in inflation in the local market. In the same vein, traders who utilize Myanmar kyat to buy goods are encountering significantly higher costs than in previous years, which adds to the challenges faced by both traders and consumers. This finding is in line with a report by Mathieson in Asia Times. Mathieson (2024) reported that with the depreciation of the kyat, the expenses associated with importing goods from Thailand and other nations increase considerably. The kyat has recently dropped to approximately 5,000 per dollar, reaching a historic low and indicating a 25% decrease from its value in 2019. The depreciation results in prohibitively high costs for traders importing essential goods, which in turn drives up prices for consumers (Mathieson, 2024). Wei-Chen, Ming-Hua, and Xian-Li (2024) indicated that traders in developing nations face considerable obstacles stemming from exchange rate fluctuations, which negatively affect export performance. Increased exchange rate volatility specifically results in a decline in export volumes, especially in sectors like

manufacturing and agriculture, where material costs are a significant concern. In response to this uncertainty, exporters typically revise their pricing strategies, regularly altering prices to alleviate the risks linked to currency fluctuations. The World Bank (2024a) stated that the continuous depreciation of the kyat is driving persistent inflation throughout Myanmar, leading to notable consequences for economic stability. Rising inflation rates contribute to higher poverty levels, with projections indicating that almost one-third of the population could be experiencing poverty.

The findings also indicate that frequent changes in export policy have created significant challenges for traders. In line with this finding, experts in tax compliance assert that ongoing changes in export policies can lead to uncertainty regarding compliance obligations. Traders must continually adapt to changing regulations, which may involve different documentation, tariffs, or quality standards. The uncertainty could result in shipping delays and increased administrative difficulties as companies strive to comply with the latest regulations (Avalara, 2022). The government's initiative to promote barter trade as a means to lessen reliance on foreign currency has posed challenges for cross-border traders. Mei and Li (2015) noted that although barter trade can act as a practical alternative in times of economic instability, it also carries risks, such as the potential to facilitate illegal activities. The lack of financial exchanges prompts worries regarding money laundering and tax evasion via altered pricing strategies. Furthermore, the complexity of barter agreements hinders effective regulatory oversight, amplifying risks like capital flight and income tax evasion. Anbound & Yan (2024) pointed out that despite these risks, nations such as China have effectively participated in barter trade with Malaysia and Iran, facilitating the exchange of goods without the use of cash transactions. They contended that in light of evolving geopolitical dynamics and U.S. financial sanctions, cross-border barter trade is emerging as a vital element of international commerce. This approach, despite its inherent limitations, continues to be vital for numerous economies (Anbound & Yan, 2024).

The findings also show that the instability in border areas and security challenges has created significant barriers to trade, leading to a multitude of economic challenges for traders and the broader local economy. Border trade is a vital revenue source for Myanmar, generating income through taxation and foreign exchange. However, instability disrupts this sector, leading to substantial revenue losses from halted legitimate trade and the rise of illegal trade routes. This finding is in line with an article from *The Diplomat*. According to Strangio (2024), the Myawaddy crossing experienced an 87% drop in trade volume between April 2023 and July 2024, largely due to persistent conflicts and the presence of armed groups in border regions. These groups pose significant threats to traders, disrupting supply chains and imposing taxes or fees without providing security or benefits (Strangio, 2024). Moreover, a paper by Ummer & Bolaji (2023) stated that border areas experiencing armed conflicts and violence present considerable dangers to traders, such as theft, extortion, and aggression from both governmental and non-governmental entities. The authors also mentioned that traders frequently engage in negotiations with armed factions to ensure the safe transport of their goods (Ummer & Bolaji, 2023).

4.2.2 Solutions to Mitigate the Identified Challenges to Cross-Border Trade

The findings present several feasible and adaptive solutions to the major challenges in the Myawaddy Border Trade Zone. Notably, these strategies are not isolated; rather, they intersect and reinforce one another in addressing multidimensional trade disruptions.

To mitigate transportation disruptions—particularly due to the closure of the Myawaddy-Kawkaeik Asian Highway—traders have redirected operations through alternative hubs and maritime routes, such as the Yangon–Ranong waterway. While these adaptations demonstrate operational resilience and ensure trade continuity, they often entail increased costs and logistical complexity. This aligns with Sok (2021), who emphasized that in contexts where road infrastructure is compromised, multimodal transport—including rail and water—becomes indispensable. However, reliance on such alternatives reinforces the urgency of sustained infrastructure development and enhanced regional security cooperation.

Similarly, financial strategies such as advance payment mechanisms and bilateral currency usage (kyat–baht) have been employed to mitigate exposure to exchange rate volatility. Ong et al. (2023) stressed that expanding the use of local currencies in cross-border transactions reduces dependence on the U.S. dollar, lowers transaction costs, and improves financial resilience. Complementing these efforts, the Central Bank of Myanmar's initiative to sell Thai baht through its FX trading platform reflects best practices highlighted by Afrexim Bank (2024) regarding efficient

settlement systems. Nevertheless, such interventions alone are insufficient; border instability continues to fuel monetary uncertainty, undermining confidence and accelerating inflation. This reveals a crucial interconnection—without stabilizing the security environment, financial instruments cannot fully safeguard economic activity.

In response to frequent export policy changes, traders have called for deferred implementation to protect existing contractual obligations. Concurrently, the rollout of the Myanmar Tradenet 2.0 digital platform marks a significant advancement in trade facilitation. As noted by the Economic and Social Commission for Asia and the Pacific (2025), digitalization enhances compliance, streamlines administrative procedures, and improves transparency—elements essential to attracting investment and boosting export performance. The International Chamber of Commerce (2025) further emphasized that regulatory stability is central to long-term investment strategies, while Face (2025) highlighted the role of digital customs processes in managing policy transitions effectively.

Finally, to address security threats, many traders have adopted war risk insurance, which serves as a critical risk mitigation tool in conflict-prone regions. Petrović (2022) observed that such insurance not only shields against financial losses but enables continued commercial activity despite political volatility. However, it offers limited protection against systemic risks. Thus, coordinated governance involving One-Stop Service (OSS) agencies, local authorities, and security stakeholders is imperative. White (2024) underscored the importance of continuous engagement—through forums, workshops, and stakeholder consultations—to foster trust and resolve safety concerns. In parallel, contingency planning remains essential for ensuring continuity. As Cantens (2017) proposed, this includes identifying alternative routes, diversifying suppliers, and implementing emergency logistics strategies to safeguard revenue and sustain livelihoods in unstable border regions.

5. Conclusion

This study identified four key challenges impacting cross-border trade in the Myawaddy Border Trade Zone: transportation disruptions, exchange rate volatility, frequent changes in export policies, and persistent border instability. Drawing on semi-structured interviews and supported by thematic analysis, the research offers actionable solutions including route diversification, the adoption of bilateral currency mechanisms, implementation of digitized trade systems, and strengthened security collaboration. These findings align closely with the study's objectives and provide targeted recommendations for both policymakers—such as stabilizing exchange rates, improving policy coordination, and enhancing institutional capacity—and traders, including the adoption of advance payment systems and the development of contingency plans.

The study makes two primary contributions. First, it fills a critical gap in the literature by delivering a detailed, context-specific analysis of challenges unique to Myawaddy, a region often overlooked in broader discussions of regional trade. Second, the insights presented here extend beyond Myawaddy, offering applicable strategies for other Myanmar border trade zones experiencing similar political, infrastructural, and financial constraints. These findings also hold regional significance within broader trade frameworks such as ASEAN and the Greater Mekong Subregion (GMS), where improved cross-border coordination and enhanced resilience are essential for inclusive economic integration.

To deepen understanding and support future trade development strategies, further research is recommended in three key areas: (1) the long-term impact of digital trade facilitation tools, such as Myanmar Tradenet 2.0, on efficiency and transparency; (2) the economic implications of frequent policy changes on small-scale exporters; and (3) the geopolitical dynamics of border trade in conflict-prone areas and their effect on regional security and cooperation.

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