



TRENDS IN SOUTHEAST ASIA

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# MYANMAR'S RESISTANCE AND THE FUTURE OF BORDER TRADE

**Challenges and Opportunities**

Jared Bissinger

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## FOREWORD

The economic, political, strategic and cultural dynamism in Southeast Asia has gained added relevance in recent years with the spectacular rise of giant economies in East and South Asia. This has drawn greater attention to the region and to the enhanced role it now plays in international relations and global economics.

The sustained effort made by Southeast Asian nations since 1967 towards a peaceful and gradual integration of their economies has had indubitable success, and perhaps as a consequence of this, most of these countries are undergoing deep political and social changes domestically and are constructing innovative solutions to meet new international challenges. Big Power tensions continue to be played out in the neighbourhood despite the tradition of neutrality exercised by the Association of Southeast Asian Nations (ASEAN).

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# Myanmar's Resistance and the Future of Border Trade: Challenges and Opportunities

By Jared Bissinger

## EXECUTIVE SUMMARY

- Since the start of Operation 1027, Myanmar's resistance groups have gained control over large parts of key overland trade routes and a number of important border crossings, fundamentally changing the realities in the control of border trade.
- Despite these losses, the State Administration Council (SAC) retains control-of-trade-related institutions that are vital for accessing an international trading system characterized by state-to-state interactions—giving them significant influence over trade even if they do not control trade routes and border crossings.
- International precedents from territories such as Palestine, Transnistria, Abkhazia and South Ossetia show that non-state actors face significant challenges engaging in trade, and are vulnerable to frequent changes in trading arrangements. Perhaps the most important factor shaping trade in these territories is the state of their relationship with either the state of which they are nominally a part, or a neighbouring state.
- Thailand allows small-scale trade and limited movement of people through “checkpoints for border trade”, which exist outside the formal system and are unilaterally established by Thailand. These checkpoints represent an alternative opportunity to reshape border trade.
- If Myanmar's resistance hopes to transform trade from a revenue source to a meaningful strength, their prospects are best if they collaborate and develop a status-neutral plan (e.g., not requiring diplomatic recognition nor denying recognition to the SAC) for trading arrangements with neighbours, and enhance dialogue with them about this plan.





# Myanmar's Resistance and the Future of Border Trade: Challenges and Opportunities

By Jared Bissinger<sup>1</sup>

## INTRODUCTION

Since Operation 1027, Ethnic Resistance Organizations (EROs) and other armed groups<sup>2</sup> have made significant territorial gains. They now control most of Myanmar's key border trade posts and overland trade routes. This includes Myawaddy, which has traditionally been Myanmar's second-largest border trade post and the largest on the Thai-Myanmar border.<sup>3</sup>

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<sup>1</sup> Jared Bissinger is Visiting Research Fellow with the Myanmar Studies Programme at the ISEAS – Yusof Ishak Institute, Singapore.

<sup>2</sup> This paper uses Ethnic Resistance Organization or ERO to refer to the various ethnic armed organizations in Myanmar which oppose rule from Naypyidaw whether in the military or political sense. The term EAO or Ethnic Armed Organizations is a politically neutral term agreed upon in 2013 in the context of the nationwide ceasefire agreement process initiated by the Union Solidarity and Development Party (USDP) administration then. Policy documents and reports use the term EAO starting in 2013. The term ERO was introduced in 2021 by the National Unity Consultative Council. Researchers well-versed with the political context and evolution of the terms emphasise that EROs do not include state-backed ethnic militia (such as the Border Guard Forces) or ethnically-based defence forces.

See Kim Joliffe (@Kim\_Joliffe), "Thread: ERO or EAO?", Twitter, 22 October 2022, [https://twitter.com/Kim\\_Joliffe/status/1583762334706606082?lang=en](https://twitter.com/Kim_Joliffe/status/1583762334706606082?lang=en); See also Amara Thia, "It's Time to Rethink Myanmar's Ethnic Armed Organisations", *The Diplomat*, 24 March 2023, <https://thediplomat.com/2023/03/its-time-to-rethink-myanmars-ethnic-armed-organizations/>

<sup>3</sup> Descriptions of second and third largest refer to traditional rankings; these have been disrupted by COVID and the coup. Crossings that also include natural gas exported via pipeline are excluded.

They also control Chin Shwe Haw, Myanmar’s third-largest border trade crossing before the coup and the second-largest on the Myanmar-China border, after Muse.<sup>4</sup> Resistance groups also control significant parts of the Mandalay-Muse, Mandalay-Chin Shwe Haw, and Myawaddy-Yangon corridors. They also control significant territory—especially along the country’s international borders—where people depend on and regularly engage in local cross-border trade.

However, despite controlling territory and trade routes, Myanmar’s resistance faces an uphill battle in turning conflict victories into trade-related gains that enhance their legitimacy and aid their people. Internationally, non-state groups struggle to access and benefit from the formal trading system, which is designed around states and governed by state-to-state and multilateral agreements. In Myanmar, the State Administration Council (SAC) continues to control the state institutions that facilitate formal trade, even as it loses physical control over trade routes and border crossings. As such, non-state groups generally do not have the option to facilitate formal, legal trade. This has numerous implications, including negatively affecting the livelihoods of people living in their territories, who face higher costs for logistics—including facilitation fees and limits on market access. This can hinder the development of long-run competitiveness, and also shape factors such as migration and even the direction of conflict. In short, the inability to access formal trade is a significant and durable drag on development.

International precedents show that non-state actors have limited success accessing the international trading system. Case studies show the potential and limitations of non-state actors developing their own trade-related institutions. These suggest that there are possible avenues that Myanmar’s resistance actors could pursue in order to build up their

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<sup>4</sup> Not including natural gas. See Ministry of Commerce (SAC), “Department of Trade by Border Station Export/Import Trade Situation of Myanmar in (1-10-2021) to (22-10-2021) Compared to the Same Period in 2019-2020 Fiscal Year”, 29 October 2021, <https://www.commerce.gov.mm/en/category/trade-data?page=25>

trade-related influence. There are also clear incentives for neighbours—especially Thailand—to consider trade-related engagement with resistance actors. If Myanmar’s resistance can find ways to diminish the benefits the SAC enjoys by controlling the institutions of trade, it could help them further erode the military’s access to revenues while also benefitting people living in some resistance-controlled areas.

This report reviews the evolution of Myanmar’s border trade since Operation 1027, and the opportunities and challenges that Myanmar’s resistance faces in turning recent conflict gains into substantive trade-related developments. This report starts with a review of Myanmar’s overland trade, and particularly how control has changed since Operation 1027. It then examines how non-state territories engage in international trade, and the experiences and challenges they have faced. It then moves to a review of trading arrangements with neighbouring countries, before closing with observations about the potential evolution of Myanmar’s border trade in the future.

## **MYANMAR’S BORDER TRADE PRE- AND POST-COUP**

Myanmar’s border trade has long been an important part of the country’s total trade. It consists of two important components—trade in natural gas exported through pipelines, and trade in all other goods, which move across the border by truck. The first of these comprises a significant share of Myanmar’s overall formal border trade. Before the coup, formal border trade accounted for 42 per cent of exports—23 per cent from natural gas and 19 per cent from other goods trade. Border trade accounted for 17 per cent of total imports.<sup>5</sup> Since the coup, official data from the SAC show that formal border trade has become somewhat less important—36 per cent of exports and 16 per cent of imports in

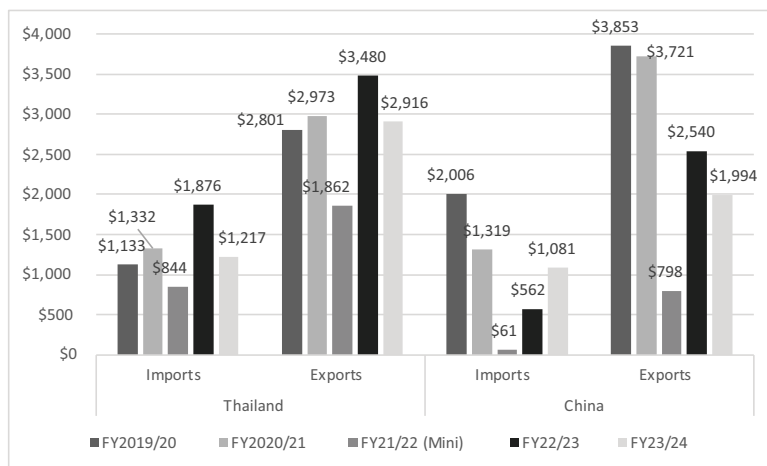
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<sup>5</sup> Central Statistical Organization, “Myanmar Statistical Yearbook 2020”, Government of the Republic of the Union of Myanmar, 2021.

the first 11 months of FY 2023/24.<sup>6</sup> This decline may be due to conflict, which has dampened cross-border trade, or the SAC’s trade and financial reforms, which have dramatically reshaped the economics of trade. Through the first 11 months of FY23/24, the value of Myanmar’s border trade remained significant. Total border two-way trade with Thailand over this time period was valued at US\$4.13 billion by the Myanmar government, while border trade with China over this same period was US\$3.08 billion. See Figure 1.

The Myanmar military exerts significant influence over formal trade and traders, especially when compared to countries that are less conflict-affected and more market-oriented. It does this through its disregard for the rule of law, its conflict actions deterring trade, and its direct efforts

**Figure 1: Myanmar’s Border Trade with Thailand and China**



Note: FY21/22 is a mini-budget year; data reflect a 6-month period only. FY23/24 includes 11 months of the fiscal year only.

<sup>6</sup> Ministry of Commerce (SAC), “Department of Trade by Border Station Export/Import Trade Situation of Myanmar in (1-10-2021) to (22-10-2021) Compared to the Same Period in 2019-2020 Fiscal Year”.

to block trade, such as hampering transportation infrastructure. It also does this through changes in policy, which not only affect trade directly but also the supply of and demand for traded goods. Changes in the trade and financial sector have increased SAC control and its financial benefits from formal trade. However, these actions also create strong incentives to avoid the formal trade system. Widespread import licensing, an overvalued official exchange rate and forced conversion of a share of export proceeds incentivize informal behaviours such as trade mispricing or moving goods through non-SAC controlled trading posts.

Border trade has also been affected by other developments—including the COVID-era closure of the Chinese border and the post-coup changes in Myanmar’s economy. For example, transportation costs nearly doubled in the two years after the coup—driven by kyat depreciation and conflict.<sup>7</sup> Sanctions have also shaped Myanmar’s financial flows and economic activity; however, their implications for goods trade across land borders are limited (these are more significant for piped natural gas, which is not the focus of this analysis). There are few mechanisms to enforce sanctions on this trade, and many avenues to circumvent them, though they have provided some impetus to conduct trade in baht and yuan instead of US dollars.

## **CHANGING REALITIES OF CONTROL**

However, few things have changed border trade as significantly as Operation 1027 and other recent conflict operations. Through these, Myanmar’s EROs and other armed groups have control over territory and trade routes to an unprecedented level. In Northern Shan State, the Three Brotherhood Alliance (3BHA), which consists of the Arakan Army, Ta’ang National Liberation Army, and the Myanmar National

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<sup>7</sup> Central Bank of Myanmar, “Quarterly Financial Statistics Bulletin”, vol. 1, December 2023, [https://www.cbm.gov.mm/sites/default/files/policy\\_relationship/QFS\\_Bulletin\\_2023\\_Volume\\_I.pdf](https://www.cbm.gov.mm/sites/default/files/policy_relationship/QFS_Bulletin_2023_Volume_I.pdf); Note that this has also been a contributor in the shift by some farmers towards increased crop self-sufficiency.

Democratic Alliance Army (MNDAA), has taken control of significant parts of the trade route from Mandalay to Muse. The MNDAA controls the border crossing at Chin Shwe Haw and much of the trade corridor connecting it to Hseni (where it joins the main Mandalay to Muse route). In the past, Chin Shwe Haw was a significant trading gate—Myanmar’s second-largest with China before the coup. EROs control numerous towns and cities along this trading route, and a number of bridges have been destroyed, also by the regime. In Kachin State, the KIA has taken Lwegel, a smaller border trade post with China, but one that had seen increasing traffic in recent months.<sup>8</sup>

In Myanmar’s southeast, EROs including the Karen National Union (KNU) and their armed wing, the Karen National Liberation Army (KNLA), along with a number of affiliated armed actors, have taken control of Myawaddy, the primary hub for border trade with Thailand. They have also increased their control along the vital Asia Highway running from Myawaddy to central Myanmar. There has been significant fighting around Kawkaik, a key city on this road which lies across the mountains to the west of Myawaddy. As of March 2024, parts of the Asia Highway were closed due to this conflict, and at least one major bridge was destroyed. Traders are relying on alternate routes controlled by armed groups such as the Karen BGF—which has long played an important role in informal trade between Myanmar and Thailand.<sup>9</sup> This includes the Myawaddy-Thoekokoe route, which bypasses Kawkaik.<sup>10</sup> An SAC official suggested in late 2023 that the route was not likely to reopen in the near future due to ongoing fighting and damage to a bridge

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<sup>8</sup> *Myanmar Now*, “KIA Captures Trade Hub on China Myanmar Border”, 9 April 2024, <https://myanmar-now.org/en/news/kia-captures-trade-hub-on-china-myanmar-border/>

<sup>9</sup> Aung Naing, “Trade through Myawaddy Plummets amid Fighting near Thai-Myanmar Border”, *Myanmar Now*, 11 March 2024, <https://myanmar-now.org/en/news/trade-through-myawaddy-plummets-amid-fighting-near-thai-myanmar-border/>

<sup>10</sup> *Ibid.*

outside of Kawkareik.<sup>11</sup> The smaller trade post at Mese is also under Karenni control.

Resistance groups including People’s Defense Forces (PDFs) also control significant portions of the main trading route to India, which passes through Kale and crosses the border at Tamu.<sup>12</sup> In early 2024, there was significant fighting in Kale Township, a major city on the trade route.<sup>13</sup> In Northern Rakhine State, the Arakan Army (AA) has also expanded control, and conflict has led to the halt of trade at the Maungdaw-Teknaf border crossing.<sup>14</sup> The AA noted that it plans to reopen border trade in the future but does not yet have a plan for this.<sup>15</sup> Lastly, Paletwa—a key transit point along India’s Kaladan Multimodal transport project, has also fallen to the AA. This has raised questions about the future of the project, though India has begun engaging with the AA on it.<sup>16</sup> Because of these substantial changes, formal border trade has declined significantly and at some crossings has stopped completely, though informal trade reportedly continues in many places.

Myanmar’s resistance and armed groups have numerous motivations for seeking control and influence over trade—though these vary between

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<sup>11</sup> Ibid.

<sup>12</sup> *The Irrawaddy*, “Sagaing Resistance Seizes Indian Border Town from Myanmar Junta”, 12 November 2023, <https://www.irrawaddy.com/news/burma/sagaing-resistance-seizes-indian-border-town-from-myanmar-junta.html>

<sup>13</sup> *The Irrawaddy*, “More than 30 Civilians Killed by Myanmar Junta in Sagaing: Volunteers”, 22 March 2024, <https://www.irrawaddy.com/news/war-against-the-junta/more-than-30-civilians-killed-by-myanmar-junta-in-sagaing-volunteers.html>

<sup>14</sup> Jashim Mahmud, “Bangladesh’s Trade through Naf River Grinds to a Halt amid Myanmar Skirmishes”, <https://bdnews24.com/business/wt0hijf2fx> (accessed 28 March 2024).

<sup>15</sup> Aung Naing, “Trade through Myawaddy Plummets amid Fighting near Thai-Myanmar Border”.

<sup>16</sup> Kallol Bhattacharjee, “Did Not See Junta’s Army Personnel Inside Myanmar, Says Indian MP After Visiting Rebels”, *The Hindu*, 2 March 2024, <https://www.thehindu.com/news/national/did-not-see-juntas-army-personnel-inside-myanmar-says-indian-mp-after-visiting-rebels/article67908048.ece>



groups.<sup>17</sup> Some seek to raise revenue from trade through either border crossings under their control or checkpoints on trade corridors where they have a presence. Another motivation is to appease partners on whom they are dependent to sustain conflict—notably China. However, China is using its leverage to push EROs and armed groups to reopen border trade. A third motivation is to facilitate trade opportunities for people living in their areas. A number of EROs have a long history of permitting border trade, with people in their areas depending on this trade as an important source of income. For these people, border trade can help bolster livelihoods, tackle food insecurity, improve wellbeing, and increase resilience. A final motivation is to use trade to bolster legitimacy by demonstrating governance capacity.

## **THE SAC’S LINGERING CONTROL OF TRADE-RELATED INSTITUTIONS**

Even though significant parts of Myanmar’s key overland trade routes and border crossings are controlled by resistance groups, the SAC retains control of the state institutions that oversee trade. The SAC’s Ministry of Commerce controls import licensing, which sometimes requires recommendations or certifications from other SAC-controlled ministries or a business association. It also requires original credit advice and a bank statement to show that importers have either bought foreign exchange from, or deposited export revenues into a local bank.<sup>18</sup> Businesses have been reported struggling to obtain import licences.<sup>19</sup> SAC-controlled ministries also control sanitary and phytosanitary measures necessary

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<sup>17</sup> A number of groups engage in, and benefit significantly, from trade in illicit goods including narcotics. This trade, while significant, is not the focus of this report.

<sup>18</sup> DFDL, “Myanmar: Latest Trading Sector Developments”, 17 July 2023, <https://www.dfdl.com/insights/legal-and-tax-updates/myanmar-latest-trading-sector-developments/>

<sup>19</sup> World Bank, “Myanmar Economic Monitor: Navigating Uncertainty”, 30 January 2023, <https://www.worldbank.org/en/country/myanmar/publication/myanmar-economic-monitor-january-2023-navigating-uncertainty>

for trade, while the SAC-controlled Food and Drug Administration remains responsible for food export health certificates. These types of documentation are essential for many exports to leave Myanmar through the formal system and enter other countries (or do so at preferential tariff rates).<sup>20</sup>

Because international trade is a state-based system, control of these functions gives the SAC significant leverage. It also gives them ways to profit from that trade even if they do not control trade routes or border crossings. The SAC could theoretically manipulate this to its advantage in numerous ways. For example, it could withhold trade documentation, such as health, sanitary, phytosanitary and country of origin certificates, or only issue this after traders have paid official and unofficial fees to the SAC. They could refuse to issue documentation for border trade at gates controlled by the resistance, or refuse to issue documents until proof of foreign exchange remittances from the exports has been provided—a significant benefit for the SAC, which can force businesses to convert a share of foreign exchange proceeds at the artificially low official exchange rate.

Withholding documentation from traders could force them to use informal crossings where they cannot access lower import duties (taxes on the value of incoming traded goods) from neighbouring countries. Duties are sometimes high, and can even make trade in some products uncompetitive. For example, the Thai government assesses a 72 per cent duty on corn imports, however, this duty can be avoided for half of the year if the exporter has proper export paperwork from the Myanmar government and conducts trade through formal channels. Traders from Myanmar using informal channels cannot avoid this duty, which makes them highly uncompetitive against traders who can. If higher duties have to be paid, they could have a significant negative effect on farm gate prices for farmers in Myanmar.

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<sup>20</sup> Goods that are exported from Myanmar outside of the SAC-controlled formal system do not necessarily enter Thailand informally as well. In fact, Thai Customs and other administrative departments often collect data, conduct inspections and otherwise oversee goods that have left Myanmar through an informal channel.

## THE GLOBAL TRADING SYSTEM AND NON-STATE TERRITORIES

The SAC's control of Myanmar's trade-related institutions provides them with numerous benefits and constitutes a notable disadvantage for Myanmar's resistance. However, there are examples of geographical territories—including some with similarities to Myanmar's resistance-controlled areas—that have participated in international trade to some degree. These examples may provide precedents for the steps that Myanmar's resistance may take as it seeks to solidify its role in trade. *Taiwan* is the most obvious example of a territory with access to the international system—though its trading relationships date back to a time when it had widespread diplomatic recognition. Now, it is classified by the WTO as a Special Customs Territory and operates its own border control and customs organizations—including issuing its own certificates to facilitate trade. However, given its history, it provides few precedents for Myanmar.

Despite broader diplomatic recognition, *Palestine* does not have the same access to the international system as Taiwan. Instead, it is part of a customs union with Israel, an arrangement agreed to as part of the Paris Protocol on Economic Relations 1994. This customs union, which was designed to last just five years, requires Palestine to use Israel's customs regimes and tariff system, though with some ability to set tariffs in limited areas.<sup>21</sup> This union gives Israel control of border

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<sup>21</sup> Mutasim Elegraa et al., "Trade Facilitation in the Occupied Palestinian Territory", United Nations Conference on Trade and Development, 2014, [https://unctad.org/system/files/official-document/gdsapp2014d1\\_en.pdf](https://unctad.org/system/files/official-document/gdsapp2014d1_en.pdf) (accessed 27 March 2024); Palestine was permitted to establish tariffs on some imports from Egypt and Jordan (subject to limits), agricultural products (subject to limits) and "capital goods and equipment and parts, inputs and pharmaceutical products (subject to Israeli standards. For more information, see World Bank, "Unlocking the Trade Potential of the Palestinian Economy: Immediate Measures and a Long Term Vision to Improve Palestinian Trade and Economic Outcomes", updated, <https://documents1.worldbank.org/curated/en/960071513228856631/pdf/ACS22471-REVISED-Palestine-Trade-Note-Web.pdf> (accessed 27 March 2024).

crossings and most aspects of trade administration. It also created a payment mechanism that requires Israel to transfer all tax revenues from Palestinian imports to the Palestinian authorities.<sup>22</sup> However, this created a dependence on revenue transfers, which accounted for 69 per cent of Palestinian Authority revenue in 2022. Israel has previously withheld this revenue, for example, since the Hamas attacks in October 2023 and in response to Palestine’s successful bid for UN recognition as a non-member observer.<sup>23</sup> It has also been criticized for allowing unilateral Israeli restrictions that result in excessive logistics costs for Palestinian businesses.<sup>24</sup> While the agreement was supposed to allow Palestine to set up its own food safety standards and organizations for some goods trade, this has not happened in practice.

Other territories with limited or no international recognition have had mixed experiences with trade. *Transnistria*, a Russia-backed breakaway region of Moldova, implements various trade-related functions, such as local border controls and customs authorities who oversee transport, quality, health, veterinary quarantine and phytosanitary functions.<sup>25</sup> However, Transnistria’s trading arrangements remain heavily influenced by Moldova, which treats trade as internal as long as Transnistrian enterprises have a Moldovan registration. From 1996, for example, Moldova adopted an approach that permitted Transnistria to use its customs seal to facilitate its international trade with neighbouring Ukraine, in exchange for establishing joint customs centres with Moldova, though the latter did not happen. This arrangement did not last, however, as Moldova adopted a new requirement in 2003 that allowed Transnistria to “execute papers necessary for export-import transactions”

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<sup>22</sup> Elegraa et al., “Trade Facilitation in the Occupied Palestinian Territory”.

<sup>23</sup> Ibid.

<sup>24</sup> World Bank, “Unlocking the Trade Potential of the Palestinian Economy”.

<sup>25</sup> International Crisis Group, “Abkhazia and South Ossetia: Time to Talk Trade”, 24 May 2018, <https://www.crisisgroup.org/europe-central-asia/caucasus/georgia/249-abkhazia-and-south-ossetia-time-talk-trade> (accessed 28 March 2024).

only after the businesses had registered with Moldova.<sup>26</sup> Until recently, Moldova allowed Transnistrian businesses to take advantage of its trade agreement with the EU.<sup>27</sup> However, since the start of the Ukraine-Russia war, Moldova's approach has changed. In 2024, it removed customs privileges for Transnistrian businesses which gave them tax exemptions on EU imports, and now requires them to pay the same taxes as Moldovan businesses.<sup>28</sup>

Transnistria's trade is complicated by both the politics and practicalities of its non-state status. Its only international border is with Ukraine, with whom trade relations have been volatile—including the 2022 closure of the border by Ukraine due to Transnistria's close relations with Russia. This cut off a quarter of the breakaway regions' trade and a significant channel for smuggling.<sup>29</sup> Transnistrian businesses also face challenges with international payments, which had normally been facilitated by Russian banks but have faced delays due to sanctions after Russia's invasion of Ukraine. Insurance and freight can also be costly, as Transnistrian logistics firms cannot obtain international transport documents to conduct transport through other countries. In sum, even though Transnistria exercises full control of its borders, its trade remains heavily influenced by Moldova.

The Georgian breakaway region of *Abkhazia* shares some similarities with Transnistria, though these differences are waning as it increasingly becomes integrated with Russia. In the 2010s, there was some dialogue

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<sup>26</sup> Anatol Gudim, "Transnistria: Conflicts and Pragmatism of the Economy", Center for Strategic Studies and Reforms, undated, <http://pdc.ceu.hu/archive/00003500/01/transnistria.pdf> (accessed 27 March 2024).

<sup>27</sup> Brian Milakovsky, "Trade or Blockade? Economic Relations with Uncontrolled Territories in Moldova and Ukraine", Kennan Cable No. 48, March 2020, [https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/KI\\_200304\\_cable%2048\\_v1\\_0.pdf](https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/KI_200304_cable%2048_v1_0.pdf) (accessed 27 March 2024).

<sup>28</sup> Galiya Ibragimova, "Is Moldova Ready to Pay the Price of Reintegrating Transnistria?", Carnegie Endowment for International Peace, 24 January 2024, <https://carnegieendowment.org/politika/91460> (accessed 27 March 2024).

<sup>29</sup> Ibid.

around allowing businesses in Abkhazia to access the Georgia-EU Free Trade Area.<sup>30</sup> However, a number of challenges were identified that would limit the access of Abkhaz businesses, including:

- Abkhaz products would need Georgian certification of origin, with discussions focusing on implementation using a third party, such as an international standards company.
- Abkhaz goods would need inspection and certification to meet European quality standards, with consideration given to implementation by Abkhazia's Chamber of Commerce.
- Authorities would have to verify compliance with procedures for issuing certificates, with discussions here also focusing on using an independent organization for this capability.<sup>31</sup>

Despite discussions, Abkhaz's inclusion in the EU-Georgia free trade area did not materialize, and it now appears unlikely to happen, given Abkhazia's increasing alignment with Russia.

Abkhazia and another Georgian breakaway region, *South Ossetia*, were also the subject of discussions on facilitating transit trade. This was the result of a November 2016 landslide which closed the only functioning route—through a dangerous, weather-prone mountain pass—from Georgia to Russia. The route through South Ossetia was much more efficient, with a better road and a tunnel under the mountains, as was the route through Abkhazia, but both were closed due to questions around political status. Discussions focused on using international observers to monitor customs procedures at the entry and exit to the corridor. Electronic trackers would be attached to cargo and tracked by satellite as goods moved through the corridor, with data sent to both Georgia and Russia. A Swiss trade facilitation company was selected to implement parts of the system, such as monitoring cargo. Both Georgia and Russia

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<sup>30</sup> International Crisis Group, “Abkhazia and South Ossetia: Time to Talk Trade”.

<sup>31</sup> *Ibid.*

signed agreements with the company, though other unresolved technical barriers prevented the corridor from opening.<sup>32</sup>

## **IMPLICATIONS FOR MYANMAR AND EROs**

While trading arrangements between states and non-state territories show the diversity of what is possible, they also illustrate the challenges faced by non-state territories. They also show how state parties (such as the SAC) enjoy notable privileges even if they do not physically control border crossings. For Myanmar, these examples provide numerous lessons including:

- Physical control of border gates does not provide EROs with access to the global trading system, and may not even provide full access to neighbouring markets. This is because the SAC still controls the state institutions that facilitate formal trade—providing them with significant influence over access to foreign markets.
- For non-state territories, good relationships with either the state of which they are nominally a part, or a neighbouring state, are essential for trade facilitation. In the Myanmar context, the SAC seems unlikely to adopt an accommodating stance towards ERO and trade, given its history of statements about the non-disintegration of the union and comments after China-facilitated trade discussions in March 2024, when the SAC said that management of trade and border crossings would remain under its control.<sup>33</sup> As such, relationships with neighbouring states are essential for EROs to expand their role in trade.
- Non-state territories are vulnerable to regular changes in trading arrangements, often due to changes in the views of neighbouring states or states of which they are nominally a part.

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<sup>32</sup> Ibid.

<sup>33</sup> *The Irrawaddy*, “Myanmar Junta Denies Rumor of Deal with Brotherhood Alliance in Latest Peace Talks”, 6 March 2024, <https://www.irrawaddy.com/news/burma/myanmar-junta-denies-rumor-of-deal-with-brotherhood-alliance-in-latest-peace-talks.html> (accessed 28 March 2024).

- Trading arrangements that do not provide non-state actors with direct revenue flows are vulnerable to interference. This is evident in the case of Israel and Palestine, where revenues destined for the latter were repeatedly withheld by the former.
- Small territories with populations of less than a million have developed functional trade oversight structures, often with support from a patron. This suggests that Myanmar's EROs can do the same.
- Most non-state territories that have engaged in trade with neighbours or the international system are controlled by a single group that has consolidated control and defined borders. There is limited precedent for trading arrangements between a state and multiple non-state parties, especially when these multiple non-state actors sometimes have overlapping jurisdictions and lack clearly defined borders. This suggests that the complexity of Myanmar's resistance may complicate cooperation on trade, and highlights the importance of collaboration between EROs and armed actors to jointly develop a trade strategy and engage with neighbouring countries.
- Third-party companies, such as standards companies, may be a useful partner to incorporate given the complex environments and sensitive issues. Standards companies can perform trade-related functions often implemented by states, but their independent nature could help parties avoid difficult political questions and awkward appearances that could otherwise stall cooperation.

## **ANOTHER AVENUE: THAILAND'S BORDER TRADING SYSTEMS**

One of the most important lessons from international examples is that relations with neighbours are vital for the trade of non-state territories. Myanmar's two key overland trade partners, Thailand and China, are both interested in continuity of trade. They also both have border trade systems that serve as avenues to facilitate trade—generally small-scale trade—outside of the government-to-government system. Thailand has a system that allows people and goods to move across the border—albeit only temporarily and within a limited area—without a passport. They can also engage in limited trade in goods without formal trade documentation.



This system represents an important alternate approach for Thailand and EROs—one that may meet the goals of both parties.

In Thailand, there are numerous types of border crossings. One of these is a permanent one based on official agreement between governments, and which is designed to facilitate the movement of goods and people according to the international system of travel. These exist at points with large volumes of trade and movement of people, with established infrastructure and government capacity to oversee trade. Another is a “temporary border crossing” which as the name suggests stays in this classification only temporarily, and is not designed for trade facilitation. Thailand has just one “temporary” crossing—at Three Pagodas Pass. A third is called a *checkpoint for border trade*, which is established under a Thai policy framework that promotes trade facilitation points that provide economic benefits and enhanced relations between communities in border areas. Their establishment is led by a provincial governor, not national-level officials, though they must ultimately be approved by the Prime Minister.

*Checkpoints for border trade* allow for temporary crossings, using a border pass, to engage in trade and exchange of consumer goods, including locally produced goods. Border pass holders can travel only up to the district border, though in 2019, Thailand did consider the feasibility of expanding the travel area to the provincial boundary.<sup>34</sup> *Checkpoints for border trade* have restrictions on vehicles crossing the border, as well as limits—unilaterally established by Thailand—on the amount and types of imports and exports. Small-scale or “village trade” can be conducted, without tax, up to 20,000 Thai baht. “Middlemen” may conduct trade with a value not exceeding 50,000 baht without having an import entry declaration, although they must pay duty to the Thai Customs Department. Larger traders must follow the standard customs laws,

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<sup>34</sup> Thailand Department of Foreign Affairs, “Summary Report of Travel Statistics of Entry-Exit Border Crossings between Thailand and Neighboring Countries: Annual Budget B.E. 2562”, Office of the Permanent Secretary, Ministry of the Interior, 2020, [www.fad.go.moi.th](http://www.fad.go.moi.th) (accessed 27 March 2024).

which require import entry declaration forms and following customs declaration procedures.<sup>35</sup>

Though they are not based on government-to-government agreements, checkpoints for border trade host numerous Thai trade-facilitating authorities that ensure imports meet various standards and regulations.<sup>36</sup> Checkpoints may have a customs office, an excise department, a plant quarantine station, an animal quarantine station, and a livestock office.<sup>37</sup> They may also contain an immigration office and health and malaria screening.<sup>38</sup> Thai soldiers are also present at these checkpoints, and while they do not have a formal trade facilitation role, they sometimes end up fulfilling trade responsibilities informally.<sup>39</sup>

## INCENTIVES FOR COOPERATION

Good relations with neighbouring states are not built just on goodwill, but instead also rely heavily on mutual benefits from engagement. There are a number of benefits that could encourage Thailand to collaborate with Myanmar EROs on trade facilitation. One is simply that Thailand is interested in restarting trade, which is important for Thai businesses. EROs could help ensure efficient transshipment of Thai trade through their areas in exchange for improved market access to Thailand. This market access, when combined with greater availability of Thai inputs

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<sup>35</sup> Pinwadee Srisupan, “Roles and Actions of State Agencies on Border Area Development: A Case Study of Chong Ahn Ma Checkpoint for Border Trade, Thailand”, *Journal of Mekong Studies* 16, no. 3 (December 2020), <https://so03.tci-thaijo.org/index.php/mekongjournal/article/view/241815> (accessed 28 March 2024).

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

<sup>38</sup> B. Lertchavalitsakul, “Living with Four Polities: States and Cross-Border Flows in the Myanmar-Thailand Borderland”, Thesis, fully internal, Universiteit van Amsterdam, 2017, [https://pure.uva.nl/ws/files/19493927/Chapter\\_4.pdf](https://pure.uva.nl/ws/files/19493927/Chapter_4.pdf) (accessed 28 March 2024). See p. 80 for example.

<sup>39</sup> Ibid.

and consumer goods for people in Myanmar, could improve economic circumstances in ERO-controlled parts of Myanmar, perhaps reducing the incentives to migrate and the need for humanitarian aid.

Another incentive for collaboration is EROs' capacity to help address areas of concern for Thailand—notably the widespread seasonal fires that contribute to poor air quality, especially in northern Thailand. Thailand could allow greater market access through *checkpoints for border trade*, perhaps accompanied by assistance on quality standards and value chain finance. In exchange, EROs could work to reduce the burning of crop materials in their areas. Engagement with EROs could also be an avenue for Thailand to address concerns about the quality of imports. One particular area of concern is the safety of imported fruits and vegetables. The Federation of Thai Industries—a Thai business group—highlighted this recently after high levels of pesticide contamination in imports were found.<sup>40</sup> There may also be some scope for collaboration to reduce trade in counterfeit goods with safety concerns—such as in the case of pharmaceuticals.

Even with these incentives, Thailand may be reluctant to promote trade with EROs through formal permanent border crossings. Collaboration through the system of checkpoints for border trade, based on tactful and politically sensitive engagement by EROs with local Thai officials and with the tacit approval of Bangkok, could be a more feasible channel for engagement. This is especially true since the system exists outside of the formal state-based system. With policies set unilaterally by the Thai government, restrictions could be liberalized without engaging with the SAC. This would allow Thailand to circumvent any questions that may arise regarding status and formal border checkpoints while still achieving important economic objectives. *Checkpoints for border trade* are more numerous than permanent crossings and many of them, lying across the border from ERO areas, may be better positioned to facilitate trade

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<sup>40</sup> Lamonphet Apisitniran, “Alarm Sounded for Tainted Fruit, Vegetable Imports”, *Bangkok Post*, 11 March 2024, <https://www.bangkokpost.com/business/general/2756414/alarm-sounded-for-tainted-fruit-vegetable-imports>

for people living in ERO areas. To promote trade through this channel, Thailand could adopt some steps it had previously considered—such as allowing temporary travel up to the provincial border. It could also increase the amount of goods traded through these gates, though perhaps combined with making this conditional on meeting various health, safety and sanitary standards.

For China, the incentives to work with EROs to facilitate trade are fewer. China is not an ASEAN member and is less affected than Thailand by outmigration from Myanmar. China’s main concerns include ensuring that its interests in Myanmar, especially its large-scale projects such as the oil and gas pipelines, are not harmed. This was even included in a list of points coming out of the Chinese-facilitated talks between the SAC and 3BHA in March 2024.<sup>41</sup>

China is concerned about the continuity of trade. Though Myanmar is not a major trading partner for the country as a whole, it is important for Yunnan Province. China has been facilitating discussions between the SAC and 3BHA about reopening cross-border trade. China has a very influential position over both, so EROs may have limited scope to secure an agreement that is advantageous for them. For example, the proposed arrangement between the SAC and 3BHA to share tariff revenues—of which the 3BHA would receive 70 per cent—might be problematic for the 3BHA if it does not administer and collect that revenue directly (as the Israel-Palestine example suggests). It may also not be advantageous because Myanmar and China are part of the Regional Comprehensive Economic Partnership and China-ASEAN FTA, so tariff revenue is not significant. If the 3BHA agrees to resume border trade under conditions including the SAC retaining control over import licensing and financial flows from trade, the benefits accruing to the 3BHA may be less than anticipated. Regardless of the final arrangements, China’s role in

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<sup>41</sup> Sebastian Strangio, “Myanmar Military, Resistance Alliance Sign China-Brokered Agreement”, *The Diplomat*, 4 March 2024, <https://thediplomat.com/2024/03/myanmar-military-resistance-alliance-sign-china-brokered-agreement/> (accessed 28 March 2024).

convening talks demonstrates its influence over both parties, which may limit the scope for EROs and other armed actors to negotiate trade arrangements with China.

## CONCLUSION

EROs' recent conflict gains give them an unprecedented ability to reshape Myanmar's border trade. However, they face a number of challenges if they hope to leverage physical control of trade routes and border crossings into a beneficial and durable trading arrangement with a neighbour; the most notable of these is the SAC's continued control of state institutions. The large number of EROs and other armed actors that control border areas create complexity that may increase the challenges of engaging with trading partners. EROs and other armed groups also lack historical experience and capacity to administer formal trade; this function has long been performed by the union government. A final challenge is addressing the willingness of neighbouring countries to collaborate on trade facilitation. Whether EROs are able to overcome these challenges hinges on a few factors.

First, EROs need to collaborate on trading arrangements and trade facilitation. They are more likely to obtain major changes to the trading arrangements if they do not negotiate individually with trading partners. Since trade facilitation is a national (or federal) level power in almost every context, it also presents an ideal opportunity for the resistance to demonstrate they can work together—as they would in a future federal system. A clear starting point for Myanmar's resistance groups is to develop an interim status-neutral plan for trading arrangements (e.g., one which does not require trading partners to recognize NUG, end relations with SAC, etc.) through a joint working group of key actors, and begin a dialogue with neighbouring states about restarting trade.

Second, EROs could expand their governance agendas and capacities to fully include trade facilitation. While EROs and other armed groups have not historically administered formal trade, they could build capacity, learn about international practices, and establish and follow rule-based processes. At a minimum, EROs could develop rudimentary customs capacities, and perhaps in the future provide more sophisticated services

such as sanitary and health certificates. While EROs do not currently have this capacity, they may be able to develop it from existing governance capacity supported by CDM staff who have left the government. They also would benefit from enforcing basic trade-related standards, such as restricting trade in counterfeit goods.

Lastly, the future of trade depends on Myanmar's neighbours and their views on the SAC, EROs and other armed actors. How EROs and armed groups deal with trade will shape this view but comes with both opportunities and risks. If trade remains informal and fragmented, and EROs focus on extracting revenue while providing few trade-related services, it may create or reinforce a view among trading partners that the SAC-controlled state is still the preferable partner. However, if they can collaborate and demonstrate to trading partners that they are committed to facilitating trade, developing trade-related processes and institutions, implementing basic standards, and engaging in some enforcement, trade partners may start to view them as a viable alternative to the SAC. This would undermine the SAC's legitimacy and reduce their role in and financial benefits from trade. It could help EROs and armed groups leverage their control of trade routes and border crossings into beneficial, durable trading arrangements, which would also benefit people living in their areas by easing food security challenges and improving economic well-being. Finally, it could bolster international confidence in the ability of EROs and armed groups to govern federally—and as such, has the potential to influence the direction of Myanmar's conflict and political crisis more broadly.

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