

**The Analysis of Foreign Direct Investment on Economic Growth:
A Case Study of Myanmar**

By

ZIN, Khin Thidar

THESIS

Submitted to

KDI School of Public Policy and Management

In Partial Fulfillment of the Requirements

For the Degree of

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Committee in charge:

Professor Lee, Jinsoo, Supervisor



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ABSTRACT

Foreign Direct Investment (FDI) is broadly recognized as the foundation of economic advancement especially within the context of least-developed countries (LDCs) like Myanmar. FDI not only brings capital but also opens doors for employment by catalyzing economic development. In response, Myanmar's policymakers have been strategically crafting and implementing reforms to maximize FDI inflows. Since transforming into a market-driven economy and enacting the Myanmar Foreign Investment Law (FIL) in the same year 1988, the Myanmar government has shown unwavering dedication to attracting FDI. The introduction of the new Myanmar Investment Law (MIL) in the year of 2016 further underscores this commitment. However, the recent upheavals as a consequence of the pandemic's impact and political transformations have shown uncertainty among potential foreign investors. Therefore, it becomes critical to understand the connection between FDI and economic expansion to identify the policies to encourage FDI inflows.

The main purpose of this paper is to investigate the economic upturn due to the effect of FDI by employing a time-series data analysis through the Vector Error Correction Model (VECM). This paper utilizes yearly figures over the period from 1989 to 2022 of GDP growth rate, investment inflow amount, trade amount and inflation rate scaled by GDP, and unemployment rate from reliable sources including the World Bank, the International Labor Organization, and the Directorate of Investment and Company Administration. The analysis indicates that increased FDI and a slight rise in inflation positively influence economic expansion in a developing country context like Myanmar. Furthermore, it demonstrates that lowering trade deficit and reducing unemployment rates significantly contribute to enhancing economic growth. Therefore, this

study's findings advocate the Myanmar government to strategically prioritize FDI promotion to achieve sustained economic advancement in the long term.

Keywords: Myanmar, VECM, GDP, FDI, Trade, Inflation Rate, Unemployment Rate.

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Table of Contents

1. INTRODUCTION.....	1
2. LITERATURE REVIEW	4
2.1 Definition of FDI	4
2.2 Definition of Economic Growth	5
2.3 Relation between FDI and Economic Growth	5
2.4 Theoretical Review	6
2.5 Empirical Review.....	6
3. FOREIGN DIRECT INVESTMENT ENVIRONMENT OF MYANMAR.....	9
3.1 Institutional and Legal Framework.....	9
3.2 The most invested countries in Myanmar.....	10
3.3 The most invested sectors of FDI in Myanmar.....	11
3.4 Investment Opportunities.....	13
3.4.1 Resource Sectors	13
3.4.2 Manufacturing Sectors	15
3.5 Investment Barriers.....	16
4. Research Methodology	19
4.1 Data Collection	19
4.2 Model Specification	19
4.3 The Relationship between GDP and FDI.....	20
4.4 The Relationship between GDP and the Trade.....	21
4.5 The Relationship between GDP and the Inflation Rate	21
4.6 The Relationship between GDP and the Unemployment Rate.....	21
4.7 Augmented Dickey-Fuller test (ADF)	22
4.8 Lag order selection.....	23
4.9 Co-integration test.....	23
4.10 Vector Error-Correction Model (VECM).....	24
5. Results and Discussions	25
5.1 Descriptive Analysis	25
5.1.1 Yearly Pattern of GDP per capita growth rate, FDI net inflow, Trade scaled by GDP, Inflation scaled by GDP and Unemployment rate	25
5.1.2 Descriptive Statistics at Level Form	28

5.1.3 Descriptive Statistics at Logarithm Form	29
5.2 Econometric Analysis	30
5.2.1 Unit Root Test and Integration Order	31
5.2.2 Lag Order Selection Criteria	31
5.2.3 Vector Error Correction Model (Short-Run Relationship)	32
5.2.4 Johansen test for cointegration.....	34
5.2.5 Vector Error Correction Model (Long Run Relationship).....	35
5.2.6 Diagnostic Test	36
6. Conclusion	38
References	40
Appendix.....	44

LIST OF TABLES

Table 1. Top ten invested countries (31/12/2023)	10
Table 2. Sector of permitted projects (31/12/2023) (US \$ in millions)	12
Table 3. Result of Descriptive Level Form.....	29
Table 4. Result of Descriptive Logarithm Form.....	30
Table 5. Result of Unit Root Test at Logarithm Form.....	31
Table 6. Result of Lag Order Selection Criteria	32
Table 7. Result of VECM Cointegrated Estimation (short run) with optimal lag 4	33
Table 8. Result of Johansen tests for cointegration	35
Table 9. Result of VECM Cointegrated Estimation (long-run).....	36
Table 10. Result of Heteroskedasticity Test: Breusch-Pagan/Cook-Weisberg	37

LIST OF FIGURES

Figure 1. Myanmar's GDP per capita growth (1989 to 2022, annual %).....	25
Figure 2. FDI net inflows into Myanmar (1989 to 2022, US \$ billion).....	26
Figure 3. Trade (Sum of Export and Import 1989 to 2022, % of GDP)	26
Figure 4. Inflation (1989 to 2022, annual %).....	27
Figure 5. Unemployment Rate (1989 to 2022, % of total labor force).....	28

LIST OF GRAPHS

Graph 1. Trend Plot of Log-Transformed Variables	30
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ABBREVIATION

ADF	:	Augmented Dickey-Fuller
AIC	:	Akaike Information Criteria
DICA	:	Directorate of Investment and Company Administration
FDI	:	Foreign Direct Investment
GDP	:	Gross Domestic Products
HQIC	:	Hannan-Quinn Information Criterion
LDCs	:	Least Developed Countries
MIC	:	Myanmar Investment Commission
OLS	:	Ordinary Least Square
SBIC	:	Schwarz Bayesian Information Criterion
VAR	:	Vector Autoregressive Model
VECM	:	Vector Error Correction Model

1. INTRODUCTION

Foreign Direct Investment (hereafter referred to as FDI) has been widely identified as a vital vein of economic development especially for developing countries. FDI is pivotal in facilitating the economic enhancement of underdeveloped countries (Edrak et al., 2014; Iqbal et al., 2012; Masron et al., 2012). According to (Chen et al., 2010), FDI contributes to host countries' economic growth through multiple dimensions, including technology transfer, job creation, import substitution, and the expansion of export volumes. In view of FDI being acknowledged as a strategic instrument for promoting economic development, many developing countries have proactively implemented policies to promote FDI in order to support their long-term development objectives.

The Myanmar government has also demonstrated continuous and determined efforts to attract FDI over an extended period. In late 1988, Myanmar started its transformation to a market-oriented system by allowing extensive involvement of private entities in trade and investment (Han, 2002). The adoption of the Myanmar Foreign Investment Law (FIL) in November 1988 coincided with this transition and was designed to encourage and facilitate the attraction of FDI. Furthermore, in 2016, the introduction of the Myanmar Investment Law (MIL) reinforced the country's commitment to responsible investment that benefits both local and foreign investors while ensuring adequate protection for investors and their investments. Meanwhile, Myanmar Investment Rules (MIR) were also promulgated as a complementary legal framework following the MIL. Accordingly, it is clear that the Myanmar government demonstrates a strong commitment to fostering foreign investment in the country for economic expansion.

On the flip side, the effort to attract FDI into Myanmar has encountered increased complexities due to a multitude of factors, thereby further intensifying the challenges involved.

Despite extensive efforts to attract FDI, the policies still need to be efficient and effective to enhance the inflows of FDI (Zun, 2017). Moreover, there has been a growing interest recently in the political transition and the considerable influence of the COVID-19 pandemic on the FDI inflows amount into the country. According to the World Bank's Myanmar Trade and Investment Update, a thirty-one percent decline (equivalent to USD 1.7 billion) in FDI commitments during the 2021 fiscal year was attributed to heightened political uncertainty and the effect of COVID-19 (WB, 2021). Moreover, the country experienced a loss of approximately 1.6 million jobs in 2021 due to the compounding impacts (International Labour Organization, 2022). So, for a labor-intensive country like Myanmar, the FDI's effect on the growth of the economic situation has attracted considerable attention to identifying policies that can foster a sustainable investment climate to create job opportunities.

A flurry of research has been dedicated to investigating the connection between FDI and economic development including the controlling economic factors to GDP. To cite an example, (Zun, 2017) undertook a research investigation using the Vector Error Correction Model (hereafter referred to as VECM) to review the association of FDI, economic progress, and trade openness in Myanmar from 1989 to 2015. The study's findings unveiled an insignificant long-run positive correlation between GDP and FDI and a significant long-run negative association between GDP and trade openness. Despite the significant volume of scholarly research on the link within FDI and economic development, the short-range and long-range impact of FDI in Myanmar especially after the COVID-19 outbreak and subsequent political changes with more controlling and explanatory variables remain to be confirmed. Therefore, this empirical investigation by utilizing the Johansen test of co-integration and VECM will seize the opportunity to bridge the existing gaps and provide recommendations for the policy implications of FDI inflows in Myanmar.

This study seeks to shed light on three questions: What impact will FDI have on Myanmar's economic growth, how the trade, inflation rate, and unemployment rate can contribute to economic growth, and to what extent policies are required to increase FDI inflow into Myanmar? Subsequently, this research will also be tested on the following three hypotheses: First, the economic growth of Myanmar has been substantially boosted by the significant positive impact of FDI. Second, an increase in the trade and inflation rate is anticipated to have a beneficial influence on Myanmar's economic development. Lastly, the decrease in the unemployment rate is expected to play a crucial part in driving the economic development of Myanmar. Section 1 of this paper is the introduction. The following sections of this study are organized as follows: Section 2 covers theories along with the empirical literature reviews. Section 3 presents Myanmar's FDI Environment, Opportunities, and Barriers. Next, Section 4 focuses on Methodology. Then, Section 5 includes data analysis with the result discussion. Finally, Section 6 wraps this study up with the conclusion and recommendations.

2. LITERATURE REVIEW

In recent years, numerous researchers have extensively explored the contribution of FDI to economic development as it is a well-known economic growth contributor (Baiashvili & Gattini , 2020). Thus, at the outset of this present paper, it is imperative to provide comprehensive and detailed definitions for the key concepts under scrutiny, namely ‘FDI’ and ‘Economic Growth’.

2.1 Definition of FDI

According to the (OECD, 2008), FDI encompasses a specific classification of investment activities that take place across national boundaries. In this context, an investor from one economy establishes a long-term stake and exerts considerable authority over a business operating in a different economy. In practical terms, FDI involves the achievement of a foreign company or project by an investor, whether it be an individual, a corporation, or a government entity originating from a different country (Hayes, 2023). Moreover, FDI is commonly referred to “as possessing a significant ownership or controlling stake, entailing 10 percent or more of a company's voting shares, or holding a similar share in a non-incorporate enterprise” (Griffin & Pustay, 2007). While the conceptual usage of the term "FDI" is pervasive and widely accessible, and its significance has been extensively documented by global institutions and researchers, it is noteworthy that the definition of FDI remains subject to variation. The divergence stems from the fact that different countries operating within their distinct regulatory frameworks tend to adopt varying definitions of FDI by their own rules and regulations. As a result, the exact understanding and interpretation of FDI can exhibit disparities across different jurisdictions and the present study will adopt the definition of FDI specified by the 2016 Myanmar Investment law, which defines investment as the grants that the investor possesses the authority to control or handle property within the territory (MIC, 2024).

2.2 Definition of Economic Growth

According to (Supriyanto, 2016), economic growth can be viewed as a representation of the state's economic activity. Besides, it serves as an indicator of the country's overall economic progress. In an earlier study, (Paulo Brito, 2011) concluded that theories of economic growth revolve around identifying the variables that describe the increase in Gross Domestic Product (hereafter referred to as GDP) and understanding the dynamic behavior and relevance. The focus lies in determining the factors that contribute to the expansion of a nation's economy. On a related note, (Bakari & Mabrouki, 2017) posited economic growth as an increase in GDP without considering population growth. However, a true representation of economic growth should also take into consideration other social factors. Then, this distinction recognizes the different contexts and stages of economic progress because numerous measures assist as benchmarks for assessing economic development within a country. These indicators usually encompass state income, income per capita, the workforce size, the unemployment rate, and the decreases in poverty rates. In summary, a more comprehensive definition that fits the purpose of this study is that of (Levine, 2013) which can be categorized as economic growth, where the high impact of GDP is a consequence of declining unemployment rates resulting from exceeding growth in labor productivity.

2.3 Relation between FDI and Economic Growth

FDI can be recognized as pivotal in influencing economic expansion in both direct and indirect ways for a long time, particularly within the context of developing countries. This view is extensively validated across numerous scholarly works. So, there are many different prospects among researchers for the influence of FDI on economic performance according to theoretical and analytical perspectives in the last couple of years (Adewumi, 2006). This diversity reflects the

intricate nature of FDI's contributions to economic progress by highlighting the multifaceted and varied effects of it on the host countries.

2.4 Theoretical Review

It can be acknowledged that FDI can support to achieve sustainable development more than domestic investment both in the immediate and extended future. (Melnyk, Kubatko, & Pysarenko, 2014). Further, the underdeveloped countries can benefit on the economic sector by having FDI as a platform for sharing technologies as well as knowledge according to modernization theories (Rahman, 2015). In accordance with similar thoughts, FDI also opens new job opportunities with better pay rates than domestic companies and enhances the capabilities in underdeveloped countries (Javorcik, 2015). Moreover, FDI aims to directly stimulate growth by fostering financial accumulation as well as integrating new contributions and external technologies into the host countries' production framework. Nevertheless, there are a limited number of studies that argue financial accumulation in underdeveloped countries is still notably limited (e.g., (Ahmad et al., 2018; Sucubasi et al, 2020).

2.5 Empirical Review

As mentioned earlier, FDI has been widely identified as a vital driver of the economic outcomes of the recipient countries and a large body of research has been dedicated to investigate the association over the years. Similarly, in early studies, FDI has a beneficial lasting gain on economic growth especially in developing countries (e.g., (Rodan, P.N. Rosenstein, 1961; Chenery, H; Strout, W, 1966; Grossman & Helpman, 1995). The others (Singer, 1950; Griffin K. , 1970) point out that in contrast with their findings of the negative association between FDI and economic growth in developing countries. Specifically, it can be argued that the limitations of data availability and empirical methods during that time might have constrained their analyses. In the

same line with thoughts, the projected direct link between FDI and economic expansion shows fluctuations throughout time and varies depending on the empirical methodologies utilized in different studies (Bénétrix, Pallan, & Panizza, 2023). Despite these limitations and variations, more recent research has become increasingly specific and sophisticated, allowing for heightened awareness of the association between FDI and economic advancement.

The various researches consistently find a significant positive correlation with empirical approaches (Umoh et al, 2012; Shaikh, 2010) see also (Faras & Ghali, 2009; Chakraborty & Nunnenkamp, 2006). Similarly, in the ASEAN context, a significant positive connection is also confirmed by an inclusive discussion of FDI and economic development in ASEAN countries from 2002 to 2019 see (Htoo, 2022). However, it is worth noting that there are limited studies that have identified a negative correlation between economic development and FDI. Such findings are not theoretically widely accepted but see (Shaikh, 2010). Additionally, some research studies have failed to yield clear results regarding whether FDI can effectively impact further economic progress. For instance, (Rahman, 2015) conducted an empirical analysis using annual data from Bangladesh and found an insignificant effect of FDI on economic development.

Since FDI can bring both benefits and costs in most cases, governments in developing countries actively strive to attract FDI due to the potential for a win-win situation. In line with this thinking, the present study aims to build upon previous research and examine the outcome of FDI inflows on the economic improvement of Myanmar. Notably, it is also necessary to take into account the context of Myanmar as the country has undergone political transitions very recently and faces the challenges posed by the COVID-19 pandemic. These factors can have adverse effects on economic stability and increase transaction costs. In a similar vein, a panel data study of 18 Latin American countries from 1970 to 1999 was employed and emphasized the importance of

economic stability for achieving a good result from FDI (Bengoa & Sanchez-Robles, 2003). From this point of view, political stability acts as a significant character in attaining a positive effect of FDI in the country. Within this context, the question of whether FDI incentivizes the host country, Myanmar to receive economic development even after the recent political transition and the ongoing COVID-19 pandemic challenges.

Therefore, understanding the effect of FDI on economic enlargement in the long-term and short-term with the above-mentioned challenges remains an interesting and important research area. As this section has already discussed a literature review of the relationship, the subsequent part of this present paper will present the FDI environment in a specific country context Myanmar.

3. FOREIGN DIRECT INVESTMENT ENVIRONMENT OF MYANMAR

3.1 Institutional and Legal Framework

In Myanmar, the Myanmar Investment Commission (hereafter referred to as MIC) is a government-appointed body with the aim of responsible investment development by protecting investors and their investments. The MIC mainly targets the development of the national economic environment through investments under the new Myanmar Investment Law 2016 with the following objectives.

- (a) foster ethical investments that safeguard both the natural and social environments for the benefit of the Union and its people;
- (b) secure the investors and their investments under the law;
- (c) generate employment potentials for citizens;
- (d) enhance human capital;
- (e) boost efficiency in productivity, services, and trade;
- (f) advance technology, agricultural, pastoral, and manufacturing sectors;
- (g) promote the development of various professional fields, including nationwide infrastructure;
- (h) empower citizens to collaborate effectively with the global community;
- (i) build businesses and investments aligned with international best practices.

Therefore, the MIC has duties to carry out investment promotion, facilitation, and coordination. Accordingly, the MIC has the power to issue necessary notifications including the

stipulation of investment-promoted sectors for income tax incentives as well as guidelines for the restricted or prohibited investment categories to investors.

3.2 The most invested countries in Myanmar

According to the table below, China has been the most significant investor in Myanmar historically, from the period of 1989 to 2012. However, the investment patterns have changed since Myanmar transitioned to an open market system in 2010 and had the EU sanctions lifted in 2013. After the period of 2013, there has been a significant improvement in investment inflows into sectors such as urban development, real estate, power, and manufacturing particularly from Singapore. Consequently, Singapore has become the largest investor, holding 28.05% of the total investment, while China stands as the second-largest investor with 23.56%. Following these are Thailand, Hong Kong, the United Kingdom, the Republic of Korea, Vietnam, Malaysia, Japan, and the Netherlands.

Table 1. Top ten invested countries (31/12/2023)

Sr.No	Nation	No.	Endorsed Amount (US \$ in millions)	%
1	Singapore	376	26124.066	28.05
2	China	616	21948.583	23.56
3	Thailand	154	11616.573	12.47
4	Hong Kong (SAR)	298	10040.897	10.78
5	UK	110	7483.534	8.03
6	Republic of Korea	198	4200.208	4.51
7	Vietnam	31	2224.526	2.39
8	Malaysia	69	1961.001	2.11

Sr.No	Nation	No.	Endorsed Amount (US \$ in millions)	%
9	Japan	126	1866.883	2.00
10	Netherlands	25	1574.904	1.69

Source: DICA, 2024

3.3 The most invested sectors of FDI in Myanmar

Myanmar categorizes its FDI inflows into twelve different sectors by reflecting a wide range of investment opportunities as shown in the below table (2). These include agriculture, livestock and fisheries, mining, manufacturing, power, oil and gas, construction, transport and communication, hotel and tourism, real estate, industrial estate, and services sectors. Notably, the power sector has become the premier destination for investment driven by the country's rich energy resources, particularly in hydropower and natural gas. This sector is closely followed by the oil and gas sector because Myanmar has actively encouraged international investments since 1989 for its extensive natural reserves.

Nevertheless, the resource-intensive FDI like the oil and gas sector had no FDI inflow at all in some years after 2016 even though it attracted the maximum level of investment in the past. In contrast, the manufacturing sector has consistently attracted investments year after year except recent political transition by benefitting from Myanmar's low labor costs. Then, this sector's growth surges since 2012 especially after the EU lifted sanctions in 2013 for Myanmar's political and economic reforms. As a result, the manufacturing sector has raised to become the third largest recipient of FDI in Myanmar, while the transportation and communication sector has settled into fourth place. This change was notably influenced by the entry of international telecommunication companies such as Norway's Telenor and Qatar's Ooredoo in 2013.

Table 2. Sector of permitted projects (31/12/2023) (US \$ in millions)

Sr. No	Sector	1988-89 to 2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018 (4 to 9)	2018-19	2019-20	2020-21	2021-22 (10 to 3)	2022-23
1.	Power	18867.343	364.201	46.511	40.110	360.100	909.883	405.774	92.680	93.280	1026.890	3121.323	20.584	820.270
2.	Oil and Gas	14063.072	309.200		3220.306	4817.790				10.204	352.820			
3.	Manufacturing	1770.847	400.716	1823.882	1502.013	1069.846	1179.514	1769.177	706.677	1347.825	1128.222	286.023	202.667	271.806
4.	Transport & Communication	313.906		1190.232	1679.304	1930.996	3081.149	901.639	314.158	1538.400	300.454	133.500	45.600	
5.	Real Estate	1056.453		440.573	780.745	728.680	747.620	1261.977	280.380	210.933	1115.957	8.000	38.807	29.000
6.	Hotel and Tourism	1064.811	300.000	435.210	357.949	288.395	403.646	176.767	9.536	82.622	53.342	81.000	30.497	2.800
7.	Mining	2814.360	15.334	32.730	6.259	28.923		1.310	6.000		3.800			7.000
8.	Livestock & Fisheries	315.408	5.6	96.016	26.861	8.250	96.678	27.661	32.955	156.898	138.488	19.698	19.350	2.168
9.	Industrial Estate	193.113				10.000		34.037	34.481	48.451	273.490	28.210		
10.	Agriculture	173.101	9.650	20.269	39.666	7.180		134.485	10.650	19.119	17.730	9.988		3.500
11.	Construction	37.767											65.000	
12.	Services	23.686	14.766	18.534	357.320	235.963	231.322	1005.259	277.184	650.742	469.780	103.656	219.579	504.123
	Total	40693.867	1419.467	4103.957	8010.533	9486.123	6649.812	5718.086	1764.701	4158.474	4880.973	3791.398	642.084	1640.667

Source: DICA, 2024

3.4 Investment Opportunities

Myanmar is the only land bridge strategically linking Northeast India to the broader Southeast Asia region. Moreover, it's worth noting rich natural resources, including arable land, forests, minerals, natural gas, freshwater, and marine resources. The country's population stands at nearly 54.2 million in 2022 (World Bank, 2023) and 67 percent of the population is the legal working age of 15 to 64 years (International Labour Organization, 2019). Thus, many foreign direct investment opportunities can be extended to diverse sectors by presenting a wide range of potential avenues for economic enhancement and progression in the developing country, Myanmar.

3.4.1 Resource Sectors

(a) Agriculture

Myanmar stands as a country with a strong agricultural foundation by providing rich soil and water supplies. The country's varied ecosystems, topographical diversity, and distinct climate zones facilitate the easy cultivation of a wide range of crops, from perennials to essentials like rice, pulses, beans, and an assortment of fruits and vegetables. According to (JICA, 2013), over 60 different crops are grown in Myanmar under diverse agro-ecological conditions. However, most of the agricultural production is almost in the possession of private farmers, and small-scale farming is practiced in Myanmar. Therefore, there are good prospects for strategic business collaboration with international investors benefitting from technology and capital based on contract framing.

(b) Aquaculture industries

Myanmar has a 2,832 km seafront along the Bay of Bengal and the Andaman Sea which offers a wide range of marine products with enormous export growth opportunities. Then, most of

the fishing grounds in Myanmar's seas are comparatively underexploited compared to other regions (MIC, 2024). Additionally, approximately 50,000 hectares of freshwater ponds are specifically allocated for the aquaculture and fisheries sectors focusing only on exports to cater to the growing global demand for marine products. Therefore, the opportunities in this sector are presented along the coast, offshore, fish farming pools, mainland river, lake systems, and deep-sea locations of Myanmar.

(c) Wood-based industries

According to (FAO, 2020), about 42.19% of Myanmar's land area is still covered by forest resources and is well-recognized for its teak and hardwood wealth. Then, only Myanmar has superior-quality teak trees (Myint , 2012). On the other hand, the Government of Myanmar strictly limited and abandoned the export of natural teak and timber since April 2014 to hinder unsustainable forestry practices and large-scale log harvesting. This systematic alternation presents opportunities for both foreign and local investors. Rather than exporting these forest products in their raw form, there is potential to produce refined and value-added products using international technology and gain access to the global market.

(d) Mineral products

Myanmar is home to a wealth of mineral reserves, many of which are not yet to be exploited. This scenario presents a unique opportunity for foreign investors because of Myanmar's global reputation for high-quality ruby and jade, along with its substantial reserves of pearls, silver, gold, and other precious metals and stones. Although the state has the exclusive right to manufacture and extract, the law allows the FDI to obtain licenses if the proposal meets the country's standards. Along with these, other opportunities exist for foreign investment in gem

processing, cutting, and related export services by offering lucrative prospects for international investors.

(e) Tourism and hospitality

Myanmar is famous for its unexplored natural resources, cultural wonders, and ancient treasures that can promise the best authentic experiences. According to (Feast of Travel, 2018), it is acknowledged as the gem of Southeast Asia. From the ancient temples to golden pagodas, the pristine beaches to breathtaking icy mountains, Myanmar's tourism can provide a wide range of activities based on individual preferences. The tourism sector along with these potential destinations offers a prime opportunity for foreign investors to engage, contribute, and flourish within an industry that is set for substantial growth and innovation. Moreover, the promotion of beneficial and sustainable tourism is directly aligned with SDG Goal 8 and firmly positioned in the 2030 Agenda.

3.4.2 Manufacturing Sectors

(a) Garment industries

The garment industry in Myanmar has captured the interest of international investors due to the competitive labor costs, which are significantly lower than those in Malaysia, Thailand, and Vietnam. This advantage has positioned the garment sector as a leading recipient of manufacturing investments. By mid-2015, approximately 55% of the garment firms officially registered in Myanmar were either fully or partially owned by foreign entities. Notably, around 29% from Korea, 25% from China, 17% from Hong Kong, and 12% from Japan¹. Despite political changes in recent years, the EU has sustained its garment trade scheme with Myanmar, highlighting a

¹ Data provided by the Myanmar Garment Manufacturers Association.

commitment to support the country's garment industry workers. This commitment underscores the sector's potential as a promising opportunity for further investment.

(b) Capital-intensive industries

In Myanmar, industries that require significant capital investment, including the automotive and land machinery sectors, benefit greatly from locations that offer robust connectivity to both global and domestic markets. This is particularly true within the framework of Special Economic Zones (SEZs). Myanmar is home to three SEZs (Thilawa, Dawei, and Kyaukphyu). Each of them is strategically located to boost economic activities and attract investments by offering streamlined services. These zones facilitate a swift and straightforward registration process through one-stop service centers, aiming to cultivate a conducive, stable, and investor-friendly environment which is one of the attractive opportunities of the state.

3.5 Investment Barriers

FDI plays an essential role in the economic development of nations, with governments across the globe actively seeking to attract it. However, the process of attracting FDI is complex with challenges, particularly for Least Developed Countries (LDCs) like Myanmar. Among these, political and regional instability stands out as the most significant risk factor for entering Myanmar (UNDP, 2022). Given the long-term nature of FDI ventures, all foreign investors require assurances that their investments will be secure and stable against such uncertainties and barriers in the country.

(a) Political barrier

The most significant barrier following the political transition is a prolonged cash flow problem. This challenge is compounded by a series of other significant issues, including unstable foreign exchange policies and the imposition of targeted international sanctions. These factors

have collectively exerted a negative impact on Myanmar's economy by leading to a substantial downturn in the nation's international trade and investment flows. Since foreign investors are usually drawn to the stability and consistency of financial policies of the host country, these conditions serve as substantial obstacles for both existing and potential new foreign investors in Myanmar.

(b) Infrastructure Barriers

The attractiveness of developing countries for foreign investors is significantly diminished by the challenge of inadequate infrastructure. In Myanmar, this issue is particularly acute as less than 40 percent of the country's roads are paved, and more than fifty percent of the population is without access to all-weather roads and reliable electricity (International Trade Administration, 2024). This lack of infrastructure not only increases the direct costs and risks associated with doing business but also necessitates that international investors absorb additional expenses for the development of critical services such as telecommunications, power, and water supply. As a result, the insufficiency of infrastructure stands as a substantial barrier to drawing FDI to Myanmar.

(c) Human Resource Barrier

Developing countries especially Least Developed Countries (LDCs) often encounter significant challenges related to human resources. These countries are characterized by a largely unskilled workforce along with inadequate training of professional, qualified management and technical professionals. According to Myanmar's Future Jobs: Embracing Modernity, two out of the three workers in Myanmar are low-skilled workers (World Bank, 2018). The strength and skill level of a country's human resources are critical drivers of FDI as investors are drawn to locations with a capable and advanced workforce. Therefore, if Myanmar aims to enhance its appeal to foreign investors, the government must prioritize human resource development.

In order to attract foreign investments, understanding the FDI environment including the most invested countries and sectors is vital, especially for policymakers. This section has reviewed the FDI landscape of Myanmar by highlighting opportunities for growth and identifying challenges that must be navigated to appeal to potential foreign investors. Next, this study will describe the research methodology that has been employed to understand the impact of FDI inflows on the economic growth of Myanmar.

4. Research Methodology

4.1 Data Collection

The secondary time series data from 1989 to 2022 of GDP per capita growth rate, FDI net inflow amount, trade, and inflation per GDP by the World Bank (WB), and unemployment rate by the International Labor Organization (ILO) will be utilized in this study. The GDP per capita by WB is the national income divided by population at midyear. Under the definition of WB, the FDI net inflow amount represents a kind of international investment flow into the host economy, encompassing equity capital, reinvestment of profits, and various other forms of capital, measured in US dollars. Moreover, other explanatory variables such as trade and inflation percentages which are scaled by GDP. According to the ILO, the unemployment rate reflects the proportion of the workforce that is currently out of work but actively seeking and available for jobs.

4.2 Model Specification

The study will cover a quantitative approach for conducting the Ordinary Least Square (OLS) method to explore the correlation of targeted elements. Additionally, the stationarity of all variables is tested using the Augmented Dickey-Fuller (ADF) test. Moreover, the Johansen test will be used to ascertain the presence and quantify the number of cointegrating relationships among the variables in a VAR model. Finally, the VECM will proceed to determine the long-run correlation between GDP, FDI, TRADE, INF, and UN. The result will be outputted by the Stata software within the VECM methodological framework. The econometric framework of this study is as follows,

$$Y = \alpha + \beta_1 (\text{FDI}) + \beta_2 (\text{TRADE}) + \beta_3 (\text{INF}) + \beta_4 (\text{UN}) + \mu$$

Where:

α = constant

μ = error term

Dependent Variable –

GDP = GDP per capita growth rate

Independent or Explanatory Variables –

FDI = FDI net inflow,

TRADE = Sum of export and import amount scaled by GDP,

INF = Inflation scaled by GDP,

UN = unemployment rate, and

β = Coefficients of the independent or explanatory variables.

4.3 The Relationship between GDP and FDI

FDI has been recognized as a vital source of financing particularly for developing countries. On this matter, this study hypothesizes that there will be a positive relationship between the FDI inflows and the GDP per capita growth rate. As for one of developing countries like Myanmar after facing the COVID-19 pandemic and recent political transition, FDI has become essential to economic recovery and growth. FDI has the potential to stimulate domestic production which will lead to the expansion of employment opportunities. Simultaneously, it can advance an export-oriented framework derived from production that will increase the economic growth rate per person. Therefore, FDI is posited to have a positive relationship with GDP per capita growth rate.

4.4 The Relationship between GDP and the Trade

The relationship between total trade figure (the sum of exports and imports volume) and GDP is a critical area of study in economics, demonstrating the impact of a country's participation in international trade on its economic outcomes. A higher volume of trade typically indicates a more open economy, which can lead to increased GDP through improved access to markets, more efficient resource allocation, and enhanced productivity from competitive pressures and technology transfer. These dynamic underscores the significance of trade policies and global economic conditions in shaping a nation's economic growth. However, in the case of Myanmar, a country characterized by a trade deficit is expected that total trade figure and GDP could demonstrate a negative correlation.

4.5 The Relationship between GDP and the Inflation Rate

The relationship between GDP and inflation is characterized by both positive and negative aspects. On one hand, moderate inflation is often associated with economic growth, suggesting that as the economy expands, prices may increase due to higher demand. On the other hand, high inflation can have a detrimental effect on GDP growth by reducing the consumer expenditure potential and increasing the cost of borrowing, which can dampen investment and economic activity. In Myanmar's context, a slight positive relationship is anticipated between GDP and inflation, implying that an increase in GDP might be accompanied by a moderate rise in inflation, signaling a stable economic upturn.

4.6 The Relationship between GDP and the Unemployment Rate

It is widely recognized in economics theory that the increase in GDP tends to boost employment and reduce unemployment e.g. Okun's law (Okun, 1928-80). For a labor-intensive country like Myanmar, the reduction of the unemployment rate holds paramount importance in

driving economic growth. On the flip side, the implication of the COVID-19 situation has prompted the closure of a substantial number of businesses, leading to a rise in the unemployment rate. Consequently, this absence of output leads to a decline in GDP. Therefore, it is anticipated that there could be existence of a negative correlation between GDP and the Unemployment rate for a labor-intensive country like Myanmar.

4.7 Augmented Dickey-Fuller test (ADF)

The Augmented Dickey-Fuller (ADF) test plays a crucial role while this study utilizes the time series data. It is essential to check whether the variables are stationary or not because stationarity is one of the most fundamental concepts in doing time series analysis. If a dataset contains non-stationary variables, it is necessary to transform the data to achieve stationarity before analysis and trend adjustment is compulsory. Then, in stating the multiple regression model for time series data, it needs to assume a certain form of stationary does not change over time.² The series can be considered as stationary when the ADF figure exceeds the critical value. In contrast, the series become non-stationary while ADF figure is smaller than the critical one. So, the ADF test is applied in this study whether the variables have unit root or not as follows:

$$\Delta X_t = \alpha + \rho t + \beta X_{t-2} + \sum_{i=1}^{k-1} \gamma_i \Delta X_{t-1} + \varepsilon_t$$

Where,

Δ =The first difference operator

X = dependent variable

² M. Wooldridge J.M (2020) Introductory Economics Asia edition

α = constant

p = coefficient of time trend

t = time period

ε = error term

4.8 Lag order selection

The crucial thing to do with this test lies in selecting the appropriate lag order (p). In the context of employing VAR or VECM specification to explore and estimate both short-term and long-term relationships among variables, the determination of lag order hinges on the application of the Akaike Information Criteria (AIC), Hannan-Quinn Information Criterion (HQIC), and Schwarz Bayesian Information Criterion (SBIC). The autoregressive lag length (p) is an inherently unknown parameter, necessitating estimation through various lag length selection criteria such as AIC (Akaike, 1973), SBIC (Schwarz, 1978), and HQIC (Hannan & Quinn, 1979). This selection of lag length is not merely a statistical exercise but a substantive decision that influences the model's ability to capture the economic processes accurately.

4.9 Co-integration test

The statistical concept of existence cointegration refers to a phenomenon where initially non-stationary variables become stationary when their differences are examined (Gujarati, 2012). This implies that the Johansen cointegration test assesses whether variables exhibit collective movement over the long term. Therefore, the Johansen cointegration test is pivotal for identifying such relationships, providing a foundation for employing especially VECM in the research. If one or more variables are found to be co-integrated among them, it indicates a long-term relationship.

Along with this concept, running this test is appropriate for this study which is intended to use VECM.

4.10 Vector Error-Correction Model (VECM)

If the variables exhibit cointegration, the VECM model becomes a suitable tool to facilitate the calculation of the error correction term. This observation highlights the dynamic nature of the relationships between the variables, where long-term fluctuations play a pivotal role in establishing stable and enduring connections between them. Importantly, this term is crucial because it helps to address deviations or differences between the variables, ultimately contributing to the restoration of equilibrium in the long term. Therefore, by focusing on the ultimate goal of analyzing the long-term, this approach enhances our understanding of how these economic interactions work and uncovers the mechanisms driving these relationships in the country of Myanmar.

After exploring the methodology, the next chapter will present the results and findings of the descriptive and econometric analysis.

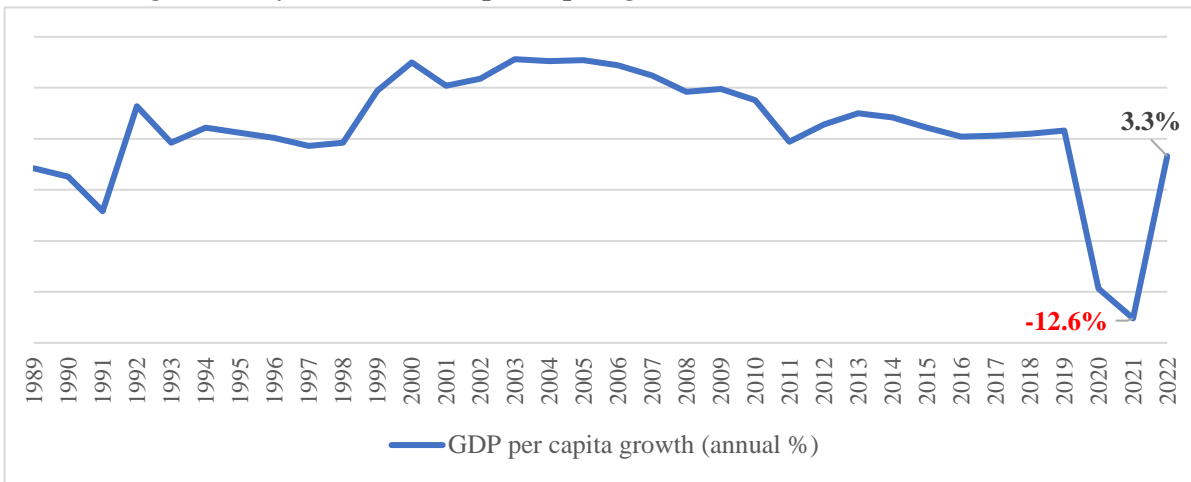
5. Results and Discussions

5.1 Descriptive Analysis

This study will also present a basic descriptive analysis with the interpretation of the targeted variables before the econometric analysis.

5.1.1 Yearly Pattern of GDP per capita growth rate, FDI net inflow, Trade scaled by GDP, Inflation scaled by GDP and Unemployment rate

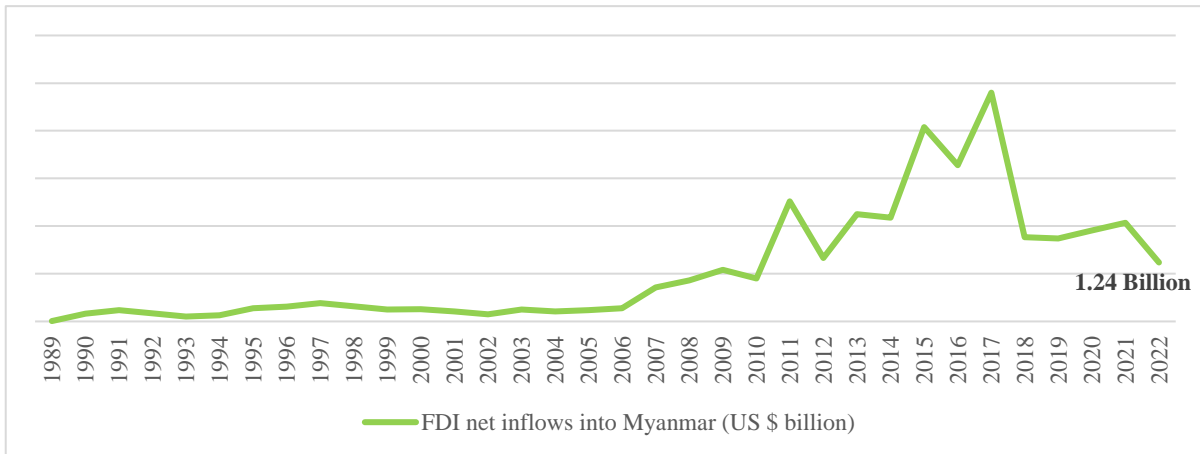
Figure 1. Myanmar's GDP per capita growth (1989 to 2022, annual %)



Source: World Bank, 2023

As the above (Figure 1), the GDP per capita growth of Myanmar has had a mostly positive trend except for a little decline in 1991, 2011, and 2015 as they are the political transition period. Among them, the 2021 political transition has the most impact on Myanmar's economic growth with a 12.6 % decrease. Despite a positive turn with a 3.3% increase in 2022, Myanmar's economic recovery is still fragile with a tentative rebound from the significant downturn of the previous year (World Bank, 2023). Thus, this outlook suggests that the future of Myanmar's economy will depend on how well it handles its political issues.

Figure 2. FDI net inflows into Myanmar (1989 to 2022, US \$ billion)



Source: World Bank, 2023

As the above (Figure 2), FDI net inflows into Myanmar were steadily stable till the year 2010. After trying to change the democratic transition in the years 2010 and 2015, FDI net inflow has increased obviously. Then, after enacting the new investment law in the year 2016, the investment amount increased sharply to prove that it was effective in promoting FDI inflow into Myanmar. Anyhow, it dropped after 2017 again showing that the new investment law still needs to be efficient to promote FDI inflows into the country. Then, because of the COVID-19 pandemic and recent political transition, FDI net inflows into Myanmar sharply declined again in the year 2022.

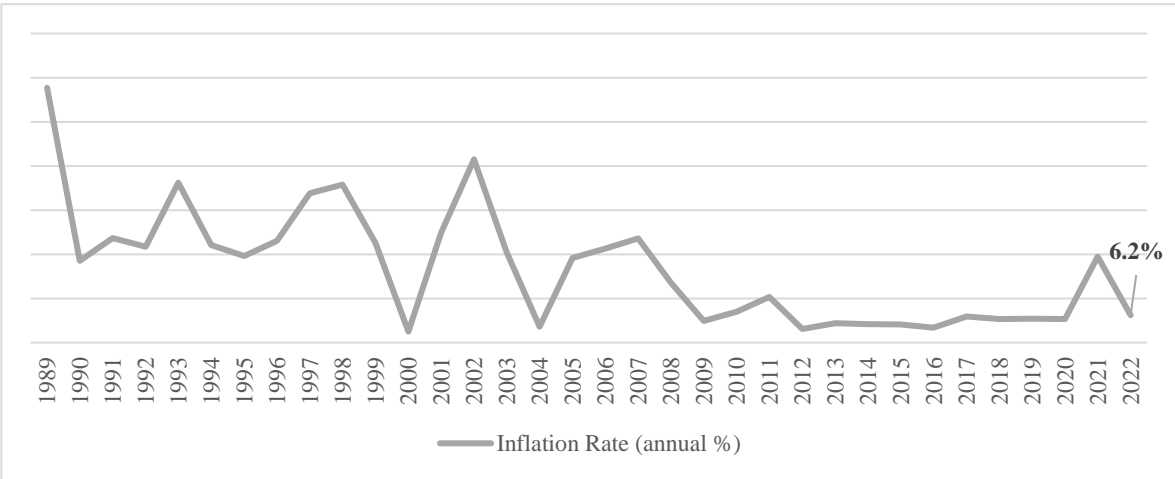
Figure 3. Trade (Sum of Export and Import 1989 to 2022, % of GDP)



Source: World Bank, 2023

As the above (Figure 3), the total trade percentage determined as (the sum of imports and exports scaled by GDP) is supreme in the year 2001 as the military government of Myanmar introduced market reforms in 2001 with more specific targets, priorities, and strategies. These reforms detailed with goals fostered a period of trade surplus from 2005 to 2010 as the country embraced an open market economy. However, the trade deficit become larger since 2013 because the volume of imports is greater than exports with China and is highest in the year 2022 with an estimated -17.06 % balance of imports (UNCTAD, 2024). The decline in Myanmar's external trade has been exacerbated by the COVID-19 pandemic and substantial political shifts (Reuters, 2021).

Figure 4. Inflation (1989 to 2022, annual %)

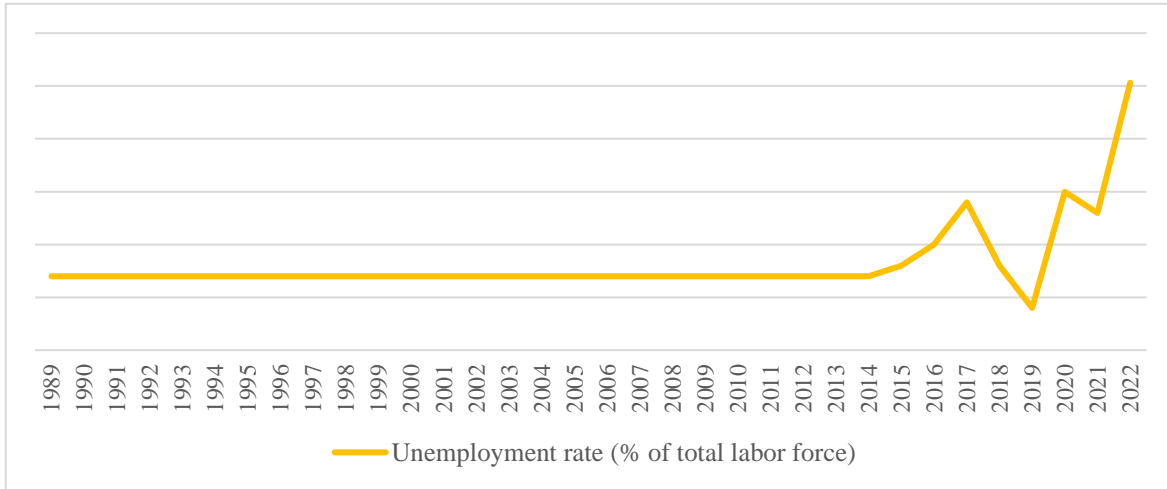


Source: World Bank, 2023

As the above (Figure 4), the inflation rates in Myanmar fluctuated from 1989 to 2017, reflecting the country's economic system changes. Stability began to emerge around 2011 as the economy started to stabilize. However, in 2021, inflation spiked to 19.5% due to fiscal policy adjustments following a political transition, disrupting the previous trend of stability. This shift highlights the impact of political events and policy changes on the country's economic stability. This abrupt increase underscores the fragile balance between political stability and economic

policies, indicating that political transitions can significantly affect the economic landscape, especially in terms of inflation.

Figure 5. Unemployment Rate (1989 to 2022, % of total labor force)



Source: International Labor Organization, 2023

As the above (Figure 5), the unemployment rate significantly dropped in the year 2019 while the GDP annual growth rate and FDI net inflows slightly increased. Then, it obviously increased after the year 2020 as a result of the COVID-19 pandemic. According to the Myanmar Ministry of Labor, the increased unemployment rate after 2020 is likely to have resulted from a warning workforce, business closures, and migration during the pandemic. Moreover, the significant impact of the recent political transition on the economy has led to the United States government's decision to impose new sanctions which are contributing to uncertainty surrounding the country's future economic performance. As a consequence, the unemployment rate sharply inclines starting from 2021.

5.1.2 Descriptive Statistics at Level Form

The descriptive statistics at the level form of target variables are presented below in Table 3. The skewness values of FDI, TRADE, INF, and UN are positively skewed or rightward skewed while the GDP is negatively skewed or leftward skewed. The kurtosis value of UN indicates a

distribution with a heavy tails value potentially suggesting more outliers compared to a normal distribution.

Table 3. Result of Descriptive Level Form

	GDP	FDI	TRADE	INF	UN
Mean	6.102941	1.08e+09	44.711176	16.89118	.7832353
Std. Dev.	5.655327	1.21e+09	12.76128	13.23939	.3685
Variance	31.98272	1.48e+18	162.8502	175.2814	.1357922
Skewness	-1.601496	1.467852	.8529532	1.019742	3.341505
Kurtosis	6.133929	4.537681	4.476206	3.897287	16.44115
Observations	34	34	34	34	34

Source: Author's Calculation in Stata Software 17.0

5.1.3 Descriptive Statistics at Logarithm Form

The descriptive statistics in the logarithm form of targeted variables are presented below in the (Table 4). The transformation of the data series into logarithmic form has potentially reduced the impact of outliers and brings the data closer to a normal distribution which is essential for accurate econometric analysis. Here, the skewness and kurtosis values also provide insights into the distributional characteristics of the transformed variables.

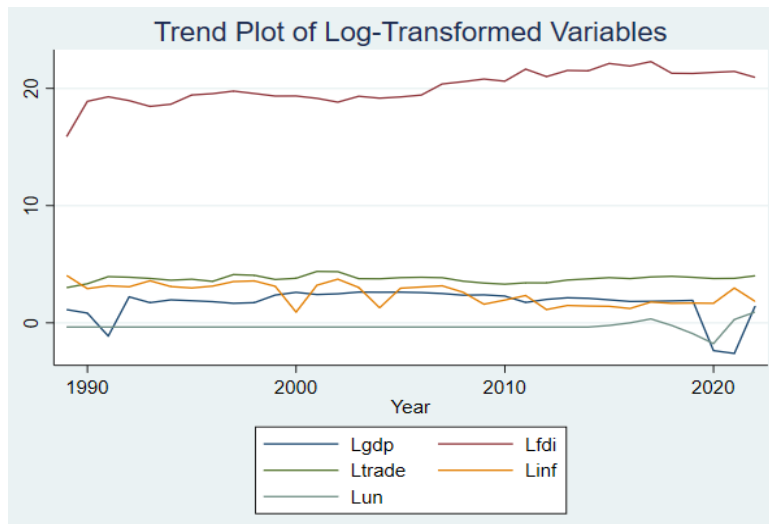
In the below (Graph 4), the trend plot in the logarithm form of GDP, FDI, TRADE, INF, and UN is presented as the stationary of the variables. It is very clear to see that the trend of LGDP, LFDI, LTRADE, LINF, and LUN from 1989 to 2022 move together in a smooth direction. Therefore, using the logarithm form in the analysis is very important in the econometric analysis.

Table 4. Result of Descriptive Logarithm Form

	LGDP	LFDI	LTRADE	LINF	LUN
Mean	1.691708	20.0913	3.761358	2.479671	-.3193592
Std. Dev.	1.265733	1.3579	.2857948	.8982602	.3882794
Variance	1.602079	1.843891	.0816787	.8068715	.1507609
Skewness	-2.474862	-.5854056	-.2529248	-.1665135	-.4203229
Kurtosis	8.324957	3.822597	3.679838	1.639653	10.07013
Observations	34	34	34	34	34

Source: Author's Calculation in Stata Software 17.0

Graph 1. Trend Plot of Log-Transformed Variables



Source: Author's Calculation in Stata Software 17.0

5.2 Econometric Analysis

This study will also cover the econometric analysis to quantify the relationship and association between targeted variables in the dataset.

5.2.1 Unit Root Test and Integration Order

In time series datasets mostly exhibit unit root which is also acknowledged as non-stationary characteristics. Consequently, to facilitate a robust regression model with targeted time-series datasets in this research, they have to assess the presence of the unit roots in each variable under the equations. The Augmented Dickey-Fuller (ADF) test, a widely recognized method for assessments at level, first and second difference will be applied to all elements under scrutiny in this research. The results of the unit root tests are shown in below Table (5). According to Table (5), the test statistics display significant values in the level form. Based on the obtained results, the analysis will prioritize the utilization of the level form for interpretation. This strategic choice involves a technique commonly employed to attain stationarity and address the potential existence of unit roots in time series data.

Table 5. Result of Unit Root Test at Logarithm Form

Result of Unit Root Test					
Variable	Test Statistic	1% Critical	5% Critical	10% Critical	p-value
LGDP	-3.183	-3.696	-2.978	-2.620	0.0210
LFDI	-3.604	-3.696	-2.978	-2.620	0.0057
LTRADE	-3.707	-3.696	-2.978	-2.620	0.0040
LINF	-3.511	-3.696	-2.978	-2.620	0.0077
LUN	-3.299	-3.696	-2.978	-2.620	0.0149

Source: Author's Calculation in Stata Software 17.0

5.2.2 Lag Order Selection Criteria

The Lag Order Selection Criteria in the below (Table 6) shed light on the crucial decision of determining the appropriate lag order for the models that will be used. In the result, the Akaike

Information Criterion (AIC), Bayesian Information Criterion (HQIC), and Schwarz Bayesian Information Criterion (SBIC) all display a declining trend according to the lag order progress. This signifies that the models with higher lag orders are providing a better balance between goodness of fit and model complexity. So, this study's interpretation of the fourth lag stands out as the most suitable choice theoretically.

Table 6. Result of Lag Order Selection Criteria

Lag	LogL	LR	DF	P	FPE	AIC	HQIC	SBIC
0	-133.331	-	-	-	.006963	9.22206	9.29676	9.45559
1	-47.0719	172.52	25	0.000	.00012	5.13813	5.58638	6.53933
2	-21.8393	50.465	25	0.002	.000138	5.12262	5.94442	7.69148
3	58.9007	161.48	25	0.000	5.2e-06	1.40662	2.60196	5.14314
4	105.319	92.836*	25	0.000	3.6e-06*	-.021239*	1.54765*	4.88295*

* optimal lag

Source: Author's Calculation in Stata Software 17.0

5.2.3 Vector Error Correction Model (Short-Run Relationship)

The VECM analysis covers the dynamics of short-run relationships between the targeted variables as the below (Table 7). Specifically, a one-unit increase in lagged FDI is associated with a 0.0157 unit decrease in lagged GDP. However, the statistical significance of this relationship is not established, given the p-value of 0.870. This is potentially influenced by external factors like the COVID-19 pandemic and recent political transitions. Additionally, the study found a significant association between the unemployment rate and GDP growth. The coefficient of -7.847138 for lagged unemployment, with a p-value of 0.000, signals a strong and statistically significant relationship. This indicates that an increase in the unemployment rate is associated with

a notable decrease in GDP growth in the short run, underscoring the crucial impact of employment levels on Myanmar's economic performance.

Dependent Variable: D (LGDP)

Table 7. Result of VECM Cointegrated Estimation (short run) with optimal lag 4

	Coefficient	Std. err	p-value
Lgdp			
Lgdp (L4)	.1396788	.1200443	0.245
Lfdi (L4)	-.0157418	.0963239	0.870
Ltrade (L4)	.5249642	.3026248	0.083
Linf (L4)	.0189583	.1399115	0.892
Lun (L4)	-7.847138	.6820268	0.000
Constant (Intercept)	-2.615521	2.234604	0.242
Lfdi			
Lgdp (L4)	.3351097	.1506345	0.026
Lfdi (L4)	.6982229	.1208696	0.000
Ltrade (L4)	-1.035508	.3797409	0.006
Linf (L4)	.0098224	.1755643	0.955
Lun (L4)	-.6372427	.8558236	0.457
Constant (Intercept)	9.412168	2.804036	0.001
Ltrade			
Lgdp (L4)	-.0821845	.0630902	0.193
Lfdi (L4)	.030222	.0506237	0.551

Ltrade (L4)	.2004588	.1590468	0.208
Linf (L4)	.0337215	.0735315	0.647
Lun (L4)	-.0811646	.3584443	0.821
Constant (Intercept)	2.487898	1.174413	0.034
Linf			
Lgdp (L4)	-.1780874	.1434841	0.215
Lfdi (L4)	-.3421807	.115132	0.003
Ltrade (L4)	.723064	.3617152	0.046
Linf (L4)	.30293	.1672305	0.070
Lun (L4)	2.041287	.8151989	0.012
Constant (Intercept)	6.702401	2.670932	0.012
Lun			
Lgdp (L4)	-.0046832	.1096844	0.966
Lfdi (L4)	.030242	.0880111	0.731
Ltrade (L4)	.0267466	.276508	0.923
Linf (L4)	-.0014979	.127837	0.991
Lun (L4)	-.1896018	.6231673	0.761
Constant (Intercept)	-1.063767	2.041756	0.602

Source: Author's Calculation in Stata Software 17.0

5.2.4 Johansen test for cointegration

The Johansen test provides critical information as the below (Table 8) about the long-term equilibrium relationships among the variables. In light of these findings, it can be understood that gross domestic product, foreign direct investment inflows, and unemployment rate in Myanmar

have at least one or more cointegrating relationships in rank 1. The presence of cointegration implies that there are stable and prolonged relationships among the variables. The value of the variables' contribution will be explained by coefficients in the VECM.

Table 8. Result of Johansen tests for cointegration

Rank	LL	Eigenvalue	Trace Statistic	0.05 Critical Value
0	49.707659	NA	111.2218	68.52
1	83.322287	0.89365	43.9926*	47.21
2	95.522711	0.55663	19.5917	29.68
3	101.14955	0.31279	8.3381	15.41
4	104.82718	0.21743	0.9828	3.76
5	105.31858	0.03223	NA	NA

* selected rank

Source: Author's Calculation in Stata Software 17.0

5.2.5 Vector Error Correction Model (Long Run Relationship)

The estimation of the long-run correlations among GDP, FDI, trade, inflation rate, and unemployment rate are represented in (Table 9) below, following the determination of the presence of co-integration. The coefficient for LFDI is 2.207681, and it is statistically significant with a p-value of 0.000. This signals a solid and specific long-term correlation between FDI and economic growth in Myanmar. A unit increase in FDI is associated with an increase of approximately 2.21 units in GDP in the long run, suggesting that FDI is a major factor of economic progress. The negative sign of LTRADE could imply that the trade growth, likely driven by the trade deficit has an unfavorable effect on GDP in the long term.

The coefficient for LINF is 2.526843, with a p-value of 0.000, indicating a statistically strong positive correlation between inflation and GDP. This suggests that, in the long run, higher inflation rates are associated with higher GDP. In the context of an underdeveloped country like Myanmar, some inflation may accompany the process of economic development as markets adjust. The coefficient for LUN is -13.30793, with a p-value of 0.000, showing a significant negative interrelation between unemployment and GDP. This implies that an increase in unemployment is related with a considerable downturn in GDP in the long run, highlighting the importance of maintaining low unemployment rates for economic growth.

Table 9. Result of VECM Cointegrated Estimation (long-run)

Variable	Coefficient	Std.Error	p-value
LGDP	1	NA	NA
LFDI	2.207681	.5160628	0.000
LTRADE	-2.207039	1.144998	0.054
LINF	2.526843	.4714076	0.000
LUN	-13.30793	3.605531	0.000
Cons	-47.99299	NA	NA

Source: Author's Calculation in Stata Software 17.0

5.2.6 Diagnostic Test

Finally, a diagnostics test is performed to validate the model's assumptions and ensure that the results are reliable. The Breusch-Pagan/Cook-Weisberg test is conducted to assess the presence of heteroskedasticity. According to the below result Table 10, the p-value is significantly above 0.05 and does not reject the null hypothesis. So, the test does not provide sufficient evidence of

the presence of heteroskedasticity in the model's residuals and is beneficial for the validity of the model's results.

Table 10. Result of Heteroskedasticity Test: Breusch-Pagan/Cook-Weisberg

Heteroskedasticity Test: Breusch-Pagan/Cook-Weisberg	
p-value	0.6437

Source: Author's Calculation in Stata Software 17.0

6. Conclusion

This research pursues the influence of FDI on Myanmar's economic development, investigating its interactions with the balance of trade, inflation, and unemployment rates. The empirical evidence, extracted from cointegration analysis, supports the claim that FDI has a beneficial effect on economic development significantly by validating the first hypothesis. This underscores the vital role of FDI in Myanmar's economic landscape. The other result proved that the trade has a significant negative effect because export amounts are usually less than import amounts in Myanmar and can refuse the null hypothesis. Then, the positive correlation of inflation with economic development may accompany the process of market expansion in the context of a developing country, Myanmar. In contrast, the negative coefficient associated with unemployment corroborates the third hypothesis, emphasizing the importance of job creation in economic expansion.

Based on the findings, some policy recommendations are presented as follows. Firstly, the government of Myanmar should continue to enhance its FDI attraction framework. For instance, sector-specific investment promotion policies should be based on the investment opportunities that have already been discussed in this study. In fact, FDI's impact on trade and employment can be negative in the long run if Myanmar's FDI is still rooted in resource-based sectors. So, a strategic redirection towards labor-intensive industries is suggested to enhance export capabilities and employment rates. This could involve providing a comprehensive package of initiatives to attract potential foreign investors, such as tax incentives and competitive corporate income tax rates for designated sectors by benchmarking these offerings against those of other countries within the region.

On the flip side, the policies that encourage value-added manufacturing and technological advancements for the resource-intensive FDI sectors are imperative. Such initiatives could lead to improved export capacity and sustainable economic growth, aligning with the global shift towards innovation-driven economies. Moreover, the government's initiatives for infrastructure development should be accelerated and expanded based on the investment barriers which have already been explained in this study. Then, the policies aimed at labor market reform should be pivotal because improving workforce skills will cater to the demands of a diversified economy and make Myanmar more attractive to foreign investors. Finally, the evident decline in investment due to the recent political transition underscores the critical importance of maintaining a stable political and economic environment to attract foreign investment.

In conclusion, the recommendations from this study are intended to serve as actionable strategies for Myanmar to enhance its FDI attractiveness. By focusing on policy reforms, infrastructure developments, labor market improvements, and technological advancement in manufacturing, Myanmar can leverage FDI more effectively as a tool for creating job opportunities, promoting import substitution, and expanding the market. Then, it is most needed to create a reliable economic environment along with a steady political situation. As the World Bank's emphasis on FDI underscores its potential as a catalyst for overcoming economic challenges (Pazarbasioglu, 2020) and the significant findings from this study, there is no doubt that attracting FDI is the best solution for Myanmar's long-term economic growth. Therefore, it is hoped that the insights and findings from this study will contribute meaningfully to Myanmar's strategic attempts to attract foreign direct investment and navigate its post-crisis economic landscape.

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Appendix

The lag 1 model is also presented according to the below result as it reflects the immediate impact of changes from the previous year regarding this year's economic outcomes. The analysis shows that a one-unit increase in the previous year's GDP is associated with a 0.3561-unit increase in the current GDP. This positive relationship is statistically validated with a p-value of 0.004, suggesting that economic growth has momentum and past performance positively affects current growth. Then, the relationship between unemployment and GDP is quite notable, where a one-unit increase in unemployment from the previous year corresponds to a 2.1960 increase in the current GDP significantly in the short run. This could reflect a unique aspect of Myanmar's economic structure which has been heavily reliant on resource-intensive sectors like oil, gas, and power sectors.

Result of VECM Cointegrated Estimation (short run) with optimal lag 1

		Coefficient	Std. err.	z	P>|z|	[95% conf. interval]	
Lgdp	Lgdp L1.	.3561265	.1240114	2.87	0.004	.1130687	.5991843
	Lfdi L1.	-.1242839	.1672074	-0.74	0.457	-.4520043	.2034366
	Ltrade L1.	.773914	.5416097	1.43	0.153	-.2876216	1.83545
	Lun L1.	2.196046	.4744124	4.63	0.000	1.266215	3.125877
	Linf L1.	.004562	.2530713	0.02	0.986	-.4914486	.5005725
	_cons	1.465461	3.7773	0.39	0.698	-5.937911	8.868833

Result of VECM Cointegrated Estimation (long-run)

Cointegrating equations

Equation	Parms	chi2	P>chi2
_ce1	4	105.2832	0.0000

Identification: beta is exactly identified

Johansen normalization restriction imposed

beta	Coefficient	Std. err.	z	P>|z|	[95% conf. interval]	
_ce1						
Lgdp	1	.	.	.	.	.
Lfdi	2.207681	.5160628	4.28	0.000	1.196216	3.219145
Ltrade	-2.207039	1.144998	-1.93	0.054	-4.451193	.0371155
Linf	2.526843	.4714076	5.36	0.000	1.602901	3.450785
Lun	-13.30793	3.605531	-3.69	0.000	-20.37464	-6.241222
_cons	-47.99299	.	.	.	.	.