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Letter from the Editor-in-Chief

Myanmar and Korea have many similarities and are complementary relationship. Therefore, we believe that research exchange will expand mutual understanding between Myanmar and Korea, and will be the cornerstone for mutual development.

KOMYRA and YUE have co-published The Myanmar Journal since August 2014. So far, many scholars have published numerous papers through the journal, and We are sure that this journal has helped many people understand Myanmar and Korea more clearly and closely.

The Myanmar Journal covers various issues in Myanmar and Korea. It covers various topics that can promote bilateral development and mutual understanding, not limited to specific topics such as economy, industry, society, education, welfare, culture, energy, engineering, healthcare, and agriculture.

We hope that this journal will continue to promote understanding of the current status and potential capabilities of Myanmar and South Korea and promote in-depth international exchange and cooperation.

We would like to express our deepest gratitude to the editorial board and YUE and KOMYRA for their valuable support in The Myanmar Journal publication.

August 30, 2022

Youngjun Choi *yj choi*

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INFORMATION ABOUT
The Myanmar Journal

The Myanmar Journal (ISSN 2383-6563) is the official international journal co-published by Yangon University of Economics (YUE) and Korea Myanmar Research Institute (KOMYRA).

This journal aims to promote the mutual cooperation and development of Myanmar and Korea through intensive researches in the entire filed of society, economy, culture, and industry.

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Effect of International Trade on Economic Growth of Myanmar

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ABSTRACT : This study intends to examine the effect of international trade on economic growth (GDP) of Myanmar. It focuses on international trade and economic growth (GDP) in Myanmar during the period of 1989-2019. The study uses Multiple linear regression model. The data are collected through Myanmar Statistical Yearbook, various issues and the World Bank. The result shows that export and exchange rate are statistically significant at 1% level. Import and population are negatively significant at 10% and 1% level respectively. Among the explanatory variables, exports largely influence on economic growth (GDP) of Myanmar. The more goods and services the country export, the more the country are stimulating economic growth. The study recommends that government should encourage export promotion through market driven exchange rate policy in order to enhance domestic production and promote international competitiveness and thereby leading to increase in economic growth of Myanmar.

Key words : *International trade, Economic growth, Export, Import, Exchange rate*

I. Introduction

International trade is an important determinant of growth rate of a country and it is a vital for increasing productivity, competitiveness and fostering both economic performance and economic growth. Economic growth is necessary for future

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development of country. A country can grow economic growth but not develop without economic growth. Economic growth depends on international trade consisting of both improvement in exports and imports. In Myanmar, international trade contributes to 53.15% of GDP (World Bank, 2021). The export of goods and services contributes to 28.04% of GDP and import of goods and services contributes to 24% of GDP (World Integrated Trade Solution, 2019). The international trade thus plays a vital role for economic growth of Myanmar. Especially an increase in exports leads to high economic growth. Based on the previous studies, the economic growth of a country is influenced by different factors such as its export, import, investment, government spending, inflation, exchange rate and Foreign Direct Investment. However, a few factors can positively relate with economic growth especially increased exports (Goh and McNown, 2017; Sunde, 2017; Ee, 2016; Jawaid, 2014; Mazumdar, 2001; Anwar and Nguyen, 2010; Antwi et al, 2013; Omri and Rault, 2014; Seetanah, 2011; Salmani and Razzaghi, 2014). In this study, international trade consisting of export and imports are under the consideration of influencing factors for economic growth. Due to this consideration, this study intends to examine how international trade affects on economic growth of Myanmar. The objective of the study is to examine the effect of international trade on economic growth of Myanmar.

II. Literature Review

António Jorge Soares Jesus Antunes (2012) examined the Effects of International Trade on Economic Growth in comparing with Portugal and Netherlands covering the period of 1970 to 2010. The study found that both exports and imports are positively significant effect on Gross Domestic Product in Portugal. Only exports are positively significant effect on Gross Domestic Product in Netherland.

Faliku and Kun Huang (2020) examined the impact of exports and imports on Liberia's economic growth during the period between 2000 and 2019, employing a time series regression model of the Ordinary Least Squares (OLS) and technique. The study found that foreign direct investment (FDI), exports, imports, population growth, gross fixed capital formation are a linear association with economic growth. The study also found that exports have positively significant influence on economic growth while imports have negatively effect on GDP growth of Liberia.

Hemzawi and Umutoni (2021) examined the impact of exports and imports of Rwanda's economic growth covering the period of 2000 to 2020, applying econometric analysis and Ordinary Least Square linear regression. The study found that gross domestic product, exports and imports have a positive significant relationship together with labor, technology variables, and gross capital in the long-run. The increase in one percent of value of imports influence the rise of GDP by 0.32 percent, while for the increase of one percent of exports, there is a rise by GDP by 0.05 percent. The research suggested that government should continue to implement import-led policies or export-led policies through technology and national export strategy.

Javed et al. (2012) examined the effects of international trade on economic growth in general total imports to GDP ratio, exports to GDP ratio, trade openness, terms of trade, inflation, investment to GDP ratio, and inflation on the Pakistan's economic growth, using time series data from 1973-2010. To test the structural break and model fitness, chow test is applied. To detect the relationship between dependent and independent variables, the OLS (Ordinary Least Square) technique is employed. The study found that independent variables have positively significant impact on economic growth of Pakistan and an increase in import of raw materials, employment, output and production of the Pakistan is enhanced. The international trade may become important role to enrich the economic growth of Pakistan.

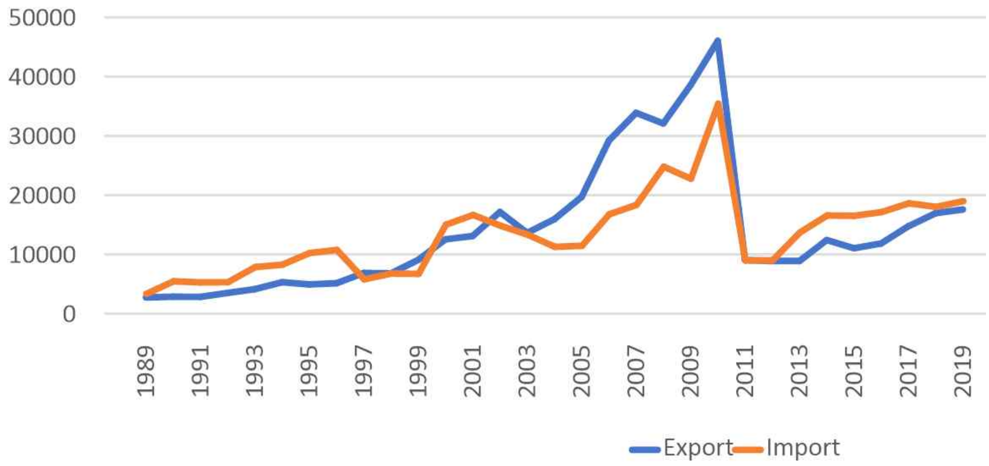
Matias Jaime Farahane and Almas Heshmati (2020) examined whether trade can act as an engine of economic growth for the southern African Development Community during the period covered by this study (2005-2017) using stochastic Cobb-Douglas production function. The study found that trade via export expansion is likely to be a better solution for SADC for achieving central objectives of its formation. More openness to trade is likely to jeopardize growth. The formation of SADC has not yet brought about the expected gains from RIA. The study recommended that policymakers should adopt measures in order to support increased trade via encouraging export expansion, accomplishing strong absorption of negative chocks that result from trade, and discovering the possibility of creating all the planned primary instruments for accomplishing SADC's central objective.

Yusuf Lateef Olarotimi et al. (2020) examine the impact of international trade on economic growth in Nigeria covering the period of 1980 to 2018, applying Dyanmic Ordinary Least Square (DOLS) multiple regression analysis technique. The study found that inflow of foreign direct investment (FDI), and net export are positively associated with economic growth except foreign exchange rate. Except net export, the inflow of foreign direct investment (FDI) and foreign exchange rate are statistically significant with economic growth. The study recommended that government ought to maintain a good market driven exchange rate policy for encouraging local production and thereby leading to increase in international competitiveness and in turn result to increase in economic growth. The efficient and specific macroeconomic policy should be implemented by government in order to gear toward improving good business environment thereby resulting to attract more foreign direct investment to generate the growth of the Nigerian economy.

III. Overview of Trends and Patterns in Merchandise Trade

Many efforts are being made by the government in attaining economic growth throughout the country through encouraging in agricultural production, promoting industrial development and stimulating international trade. In Myanmar, the contribution of international trade to GDP is 53.15% (World Bank, 2021). A 28.04% of GDP covers from the export of goods and services and 24% of GDP covers from import of goods and services (World Integrated Trade Solution, 2019). The export and import of Myanmar during the period between 1989 -2019 can be seen in Figure (1).

Figure 1. Export and Import of Myanmar



The main exports such as textiles and textile articles, and petroleum gases are mainly dominated as exports that accounts for approximately 52% of merchandise exports in 2019 (WTO, 2020). The transport equipment, petroleum oils, machinery, textile and textile articles, electrical equipment are the main import of Myanmar in 2019. Starting from 2013, the demand for inputs for the garment manufacturing industry increased and it thus leads to increase in share of textile and textile articles. Due to increase in economic activity, the share of petroleum oils also increased while the share of transport equipment and base metals decreased significantly. China is the largest export market of Myanmar in 2019 and followed by EU-28 and Thailand.

The shares of China and EU-28 increased while the share of Thailand more than go halves on as a result of decrease in international gas prices. Myanmar gas is mainly exported to Thailand. Nearly 90% of Myanmar imports came from Asia. In 2019, The largest import suppliers became China, followed by Singapore and Thailand (WTO, 2020:19).

IV. Material and Method

The study uses the time series data from the period 1989-1999 to 2019-2020, using Multiple Linear Regression Model. The secondary data are collected from both Myanmar Statistical Yearbook and World Bank and World Integrated Trade Solution (WITS) and relevant website. The study uses multiple linear regression model to estimate the effect of international trade on economic growth of Myanmar. The study predicts that export is estimated to be a positive effect on economic growth. The general model that is estimated in explaining the relationship between international trade and economic growth is as follow:

$$LnGDP = \beta 0 + \beta 1\ LnEX + \beta 2\ LnIM + \beta 3\ LnER + \beta 4\ LnPOP + \beta 5\ LnFDI + \beta 6\ Ln\ CPI + \varepsilon$$

where;
GDP = Gross Domestic Product, EX = Export, IM = Import, ER = Exchange Rate, POP = Population, FDI = Foreign Direct Investment, CPI = Consumer Price Index, β0 = Intercept, β1, ... β6 = Coefficient of Explanatory Variables, ε = Error Term, Ln = logarithm

V. Results and Discussion

This section shows empirical results (Table 1, Table 2, and Table 3) and discussion.

Table 1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.982[a]	.963	.954	.47904	1.405

a. Predictors: (Constant), LnCPI, LnIM, LnFDI, LnER, LnPOP, LnEX
b. Dependent Variable: LnGDP

Table 2. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	145.224	6	24.204	105.473	.000[b]
	Residual	5.508	24	.229		
	Total	150.731	30			

a. Dependent Variable: LnGDP
b. Predictors: (Constant), LnCPI, LnIM, LnFDI, LnER, LnPOP, LnEX
Source: Author's Computation

Table 3. Results of Multiple Linear Regression Model

Dependent variable: Ln GDP	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.785	1.952		.402	.691		
LnEX	2.298***	.269	.796	8.546	.000	.176	5.692
LnIM	-.762*	.421	-.183	-1.809	.083	.148	6.749
LnER	.294***	.071	.305	4.125	.000	.279	3.590
LnPOP	-2.724***	.535	-.452	-5.090	.000	.193	5.190
LnFDI	-.050	.065	-.045	-.765	.452	.449	2.227
LnCPI	.206	.172	.061	1.197	.243	.577	1.734
R^2	.963						
Adj R^2	.954						
F value	105.473***						

*** Significant at 1% level
* Significant at 10% level

The result shows that the value of adjusted R2 of 0.954 shows 95.4% of variation in the economic growth as explained variables, including an explanation 95.4% percent of the variance in economic growth are explained by explanatory variables included in the model. The F value is 105.473 with a p-value of 0.000, indicating that it has the relationship between economic growth and explanatory variables at 1% significant level. The value of the F- test, the overall significance of the model is significant at 1% level. This confirms that at least one independent variable exists as significant variable for the model because model is at 1% significant level. The coefficient of export, and exchange rate are significant at 1% level while the coefficient of import is negatively significant at 10% level. Foreign Direct Investment and Consumer Price Index do not affect on economic growth of Myanmar in the model. The VIF for each explanatory variable is the range between 1.734 and 6.749. According to the result, there is no multicollinearity in the model.

It is found that the main variables such as export, and exchange rate are positively significant at 1% level. This indicates that an increase in export leads to an increase in GDP. The more goods and services the Myanmar export, the more it boosts the GDP. The result shows that export of goods and services plays a vital role in economic growth of Myanmar. It is found that exports largely contribute to economic growth (GDP) in Myanmar. The result also shows that there is negative relationship between import and economic growth of Myanmar. This indicates that the more the country import goods and services from foreign producers, the money spent on imports leaves the country and that decrease in the more outflow of foreign currency abroad and thus leads to decrease in GDP. There is a positive relationship between exchange rate and economic growth. Consequently, depreciation of local currency after an increase in the exchange rate, enhance exports while decrease in import and thereby leading to boost economic growth. The result shows that an increase in exchange rate leads to an increase in economic growth. It is found that population is negatively significant at 1% level. There is negative relationship between population and economic growth of Myanmar. The result shows that an increase in population affects a decrease in economic growth. The country needs to promote human resource development in order to increase in economic growth for long term.

VI. Conclusion and Recommendation

1. Conclusion

The study focuses on international trade and economic growth (GDP) in Myanmar during the period of 1989-2019 to examine the effect of international trade on the economic growth of Myanmar. Multiple linear regression analysis is employed in estimating the various data collected through Myanmar Statistical Yearbook issued by Ministry of Planning and Finance in Myanmar and the World Bank. The empirical results show that explanatory variables such as exports and exchange rate have positive relationship with economic growth (GDP) in Myanmar. All the explanatory variables are statistically significant with GDP except FDI and Consumer Price Index. The result shows that exports largely contribute to economic growth (GDP) of Myanmar.

2. Recommendation

Based on the research's findings, the study recommends that government should encourage export promotion through market driven exchange rate policy in order to enhance domestic production and promote international competitiveness and thereby leading to increase in economic growth of Myanmar. Also, government should implement macroeconomic policy geared toward enabling business environment that attract Foreign Direct Investment that contribute to economic growth (GDP) of Myanmar.

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