An Analysis on the Interrelationship between South Korea’s ODA to Myanmar and Macroeconomic Factors in Myanmar: A Time Series Analysis using ARDL Approach*

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The background and purpose of this paper aim to analyze the interrelationships among FDI, human capital, labor force, export and Korean Official Development Assistance (ODA) towards Myanmar in order to identify the role and importance of Korean ODA in Myanmar’s economic growth. The ARDL bound test was utilized to analyze the long-term as well as the short-run relationships among the variables, using time series data from 1991 to 2017. According to the results of the effect of long and short term in our model, it is confirmed that Korean ODA towards Myanmar positively affects Myanmar’s export to the world, but negatively affects export in the short run. Accordingly, we can conclude that South Korea’s ODA contributes to economic outcomes and export volumes of the recipient country, Myanmar. In the future, the researches designing to explore the determinants of policy effectiveness of ODA and examine its effectiveness will be necessary.

| Keywords | Myanmar, ODA, FDI, Human Capital, ARDL Model |

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I. Introduction

Myanmar, the second-largest country in Southeast Asia, also lays its borders with the two largest consumer countries and markets in Asia according to the population and GDP. Besides, Myanmar possesses abundant natural resources, including natural gas, gems and stones, forestry products, and other agricultural products. In 2011, the civilian government took the seat of the national office after a long period of military rule and Myanmar has started reforming the legislation and economic policies designed for the national development in terms of GDP and income growth. Despite the competitiveness in terms of geographic and natural resources, Myanmar had to apply an assist of ODA (Official Development Assistance) to IMF (International Monetary Fund) due to the ineffective management by military government during the mid-1980s. Since then, ODA becomes one of the essential factors for national development in Myanmar not only under the military rule but also under the civilian government. According to OECD, ODA is defined as government aid designed to promote the economic development and welfare of developing nations. Recently, the amount of ODA inflow has been increasing along with the national reform and economic openness in Myanmar. According to the statistics, the cumulative amount of ODA in Myanmar was just under 100 million dollars, which rapidly rose up to 400 million dollars in 2008, and again reached up to 6.4 billion dollars in 2013.

Empirically, the effectiveness of foreign aid has been the subject of extensive investigation, and its effects on economic variables such as growth rate are ambiguous. Many researchers

1 Larkin, S. Myanmar at the Crossroads: Rapid Industrialization Development or De-Industrialization, (2012).