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CHANG-YEON KIM

Principal Research Engineer

Good Policy Forum

Chang-Yeon Kim is a political research engineer at the Good Policy Forum in Seoul, South Korea. Prior to his work at the Good Policy Forum, Mr. Kim spent several years working in Belgium. In 2005, he was a bio-statistical researcher for Janssen & Janssen; in 2004, he was a statistical researcher for the Leuven University Intego Database; and in 2002, he worked as a consultant on a CRM solution for Nitto CRM.

Mr. Kim holds a B.A. in Business Administration from Korea University; and an M.B.A. and M.S. in Applied Statistics from Hasselt University in Belgium. He is the author of, “The Denominator in General Practice, A New Approach from the Intego Database” (*Oxford Journals*, 2005).

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MYANMAR-SOUTH KOREAN ECONOMIC COOPERATION: PROSPECTS AND STRATEGIES

Myanmar is located on the mainland of Southeast Asia. It covers an area of 677,000 square miles and is endowed with rich resources. Among the ASEAN countries, Myanmar is the poorest, and in this respect, its importance as a trade or investment partner has been severely limited. However, Myanmar was the richest among the ASEAN countries fifty years ago and considering its rich natural resource endowment, has the potential to become a substantial consumer market once again.

South Korean entrepreneurs have invested in Myanmar since 1990, and since 1991, South Korea has been assisting Myanmar's economic development through ODA. According to official statistics, Myanmar and South Korean bilateral trade amounted to 261.27 million USD in 2008; Myanmar's import from South Korea was 180.7 million USD and its export to South Korea was 80.57 million USD.

Although trade volume between Myanmar and South Korea is increasing, the full potential of Myanmar's strategic value has yet to be acknowledged. Myanmar has both geographic and economic importance for South Korea. At the same time, Myanmar needs economic aid and foreign direct investment to further develop its economy. Therefore, mutual benefits can be achieved through closer economic cooperation between Myanmar and South Korea.

This paper will analyze the current status of Myanmar's economy and economic cooperation with South Korea and will draw conclusions about the prospects for increased economic cooperation between the two countries. Finally, it will discuss potential benefits that could result from increased economic cooperation and private sector investment.

MYANMAR'S CURRENT ECONOMIC STATUS AND FUTURE PROSPECTS

Myanmar was the wealthiest country in Southeast Asia until the early 1960s but is now one of the poorest nations in the world. This drastic change originated from the military *coup d'état* that occurred in 1962. The military government, led by General Ne Win, declared that Myanmar's economic scheme would follow what they called the "Burmese Way to Socialism." The aim of this policy was to create a self-sufficient state while institutionalizing central planning through the nationalization of both local and foreign enterprises. However, this policy created structural weaknesses in Myanmar's economy which led to the deterioration of its former economic prowess. The "Burmese Way to Socialism" officially ended in 1988 and since then, Myanmar has adopted a market-oriented economic system and permitted modest expansion in both the private sector and foreign investment. However, the aftermath of the old system still remains.

As shown in Table 1, Myanmar's real GDP per capita is the lowest among ASEAN countries. While Myanmar ranks fifth among ASEAN countries in total population, its real GDP ranks seventh. This indicates that Myanmar is severely underdeveloped and implies that economic aid is needed to improve its economic prospects.

Table 1. Selected ASEAN Macroeconomic Indicators in 2007

	Total Population	Real GDP	Real GDP per capita
	(USD thousand)	(USD million)	(USD)
Myanmar	58,605	12,632.7	215.6
Brunei Darussalam	396	12,317.0	31,103.5
Cambodia	14,475	8,662.3	598.4
Indonesia	224,905	431,717.7	1,919.6
Lao PDR	5,608	4,128.1	736.1
Malaysia	27,174	186,960.7	6,880.1
The Philippines	88,875	146,894.8	1,652.8
Singapore	4,589	161,546.6	35,203.0
Thailand	65,694	245,701.9	3,740.1
Vietnam	85,205	71,292.1	836.7
ASEAN	575,526	1,281,853.9	2,227.3

Sources: ASEAN Finance and Macroeconomic Surveillance Unit Database; ASEAN Statistical Yearbook 2006; ASEAN Trade Database as of 18 July 2007; and IMF World Economic Outlook Database as of October 2007.

1. Primary Industry Based Economy

As Myanmar was once the largest rice exporter in the world, the rural rice production sector plays an important role in Myanmar's economy. It makes up roughly 60 percent of Myanmar's agricultural production; the contribution of agriculture to GDP is around 40 percent (see Table 2). Agriculture, livestock & fishery and forestry all combine to make up 47 percent of Myanmar's GDP in FY 2005/2006, meaning that Myanmar's economy is primary industry based.

Table 2. Myanmar's GDP by Sectors: Myanmar Central Statistical Organization (CSO)

SECTORS	2004/05	2004/05	2005/06	2005/06
	(million kyat)	% to GDP	(million kyat)	% to GDP
GOODS				
Agriculture	3,714,681.2	40.92	4,718,474.3	38.40
Livestock & Fishery	630,305.5	6.94	941,058.8	7.66
Forestry	27,887.3	0.31	76,818.6	0.63
Energy	10,852.3	0.12	20,075.7	0.16
Mining	46,600.3	0.51	69,392.9	0.56
Processing & Manufacturing	1,051,643.8	11.58	1,572,906.7	12.80
Electric Power	20,023.4	0.22	27,652.3	0.23
Construction	356,770.5	3.93	461,655.9	3.76
SERVICES				
Transport	855,388.3	9.42	1,283,046.6	10.44
Communications	81,222.7	0.89	129,115.7	1.05
Financial Institutions	6,748.4	0.07	10,237.4	0.08
Social & Administrative Services	103,890.3	1.14	112,598.9	0.92
Rental & Other Services	151,643.5	1.67	196,533.9	1.60
Trade Value	2,021,270.9	22.26	2,667,197.7	21.71
GDP	9,078,928.4		12,286,765.4	

Source: Myanmar Central Statistical Organization (CSO).

While it is necessary for Myanmar to modernize its economic structure by increasing production in other sectors, such as Processing and Manufacturing, it is important that it pursues further growth of food output as well, as the majority of Myanmar's labor force is still agrarian. Yet, the fact that Myanmar has the poorest per capita income among ASEAN countries may be an indication that the growth of rice production has not been enough to have had a positive effect on per capita income. Although there is no reliable data to prove this, FAO estimates on milled rice supply per capita¹ seems to be in line with this assumption. Of course, a counter argument can be raised based on official rice paddy production, which is reported to have risen from 14 million tons in 1990 to a provisional 22 million tons, suggesting more than a 55 percent increase. However, the reliability of the official data is also widely doubted.²

2. Public Sector Driven Economy

Since 1988, Myanmar has been trying to privatize its formerly nationalized economy, conforming to a market economy; however, progress on this front has been slow and state-owned enterprises are still ruling key industries. Private enterprises are

seen only in woodworking, construction, retail and wholesale, service and labor-intensive light industry. State-owned enterprises are still the main actors in key industries, such as power, communications, oil refinery, mineral and energy, as well as in fiber, medical, machinery, chemicals, and even general consumption goods (KOTRA 2008:354).

It is common sense that the productivity of state-owned enterprises tends to fall behind that of private enterprises. However, in the early part of the 21st century, the Myanmar government accelerated the construction of new state-owned factories (Kudo 2005:12-14). As shown in Table 3, the Myanmar government further expanded public industry in 2001 and 2002.

It seems that Myanmar has recognized the problems associated with the expansion of public industry, having emphasized the need to sell state-owned enterprises and increase privatization since 2008; however, no systematic plan has been announced as of yet. Myanmar's key industries are still government-led and suffering from the lack of investment in plant and equipment. These realities have led to low productivity and inefficiency in most sectors of Myanmar's economy.

Moreover, Myanmar's economy is hampered by repressive governance. According to The Heritage Foundation, Myanmar's economic freedom score in 2009 is 37.7, making its economy the fourth worst economy in overall economic freedom among the 179 countries ranked. Figure 1 shows that Myanmar's economic freedom scores are far below the world average (59.5 in 2009) and trends downward. Some could argue that The Heritage Foundation's valuation does not accurately reflect Myanmar's actual economic status; however, the downward trend is in line with the increasing dominance of Myanmar's public sector.

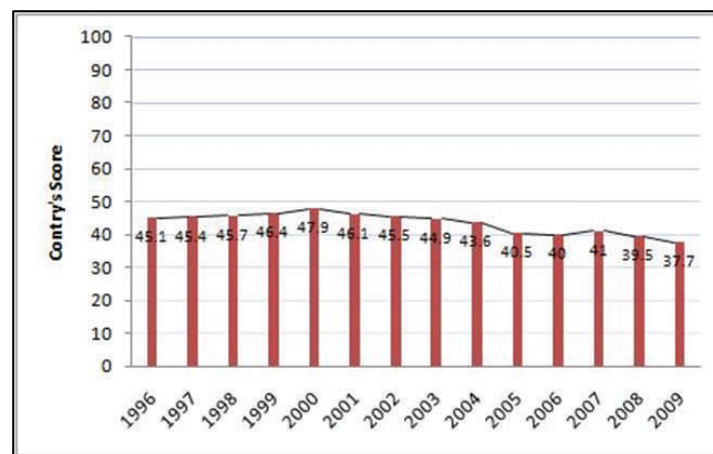
The State Law and Order Restoration Council (SLORC), which was renamed in 1997 as the State Peace and Development Council (SPDC), took power in 1988 and since then, it has tried to adopt a market-oriented system by abandoning the former socialist economic system. But the vestige of the old system still exists in many aspects of economic activity. Key industries are mainly led by state-owned enterprises and local businesses and foreign investment still commonly encounter heavy state interference.

Table 3. State-Owned Enterprises

Fiscal Year	Total Number	Growth in Number
FY 1985	597	
FY 1990	616	19
FY 1995	708	92
FY 1996	753	45
FY 1997	771	18
FY 1998	802	31
FY 1999	824	22
FY 2000	848	24
FY 2001	901	53
FY 2002	1,132	231

Source: Myanmar CSO, Statistical Year Book, 2003.

Figure 1. Index of Economic Freedom over Time



Source: The figure was compiled based on data gathered from The Heritage Foundation's Index of Economic Freedom 2009.
Note: Numbers inside the graph stand for Myanmar's index rating.

3. Myanmar's Trade Status

Myanmar seems to maintain a trade surplus as is shown in Table 4. The surplus seems to have been obtained through import regulation and emerging natural gas export. Myanmar has employed import regulations to compensate for the shortage of foreign exchange reserves. The amount and items of import that are permitted is in the range of the actual export record. So, it is hard to tell whether or not Myanmar's trade surplus stands for its real economic power.

Table 4. Trade Balance in USD Billion

	2004	2005	2006	2007	2008	2009
Export	2.9	3.8	4.6	6.2	5.7	4.9
Import	2.0	1.8	2.3	3.0	3.4	2.6
Trade Balance	0.9	2.0	2.3	3.2	2.3	2.3

Sources: 2004-2006 were drawn from EIU Country Report (2008, 9); and 2007-2009 were drawn from EIU Country Report (2008, 12).
Note: 2004 data are in real value, 2005-2008 data are estimates, and 2009 data are predictions.

It should be noted, however, that the current trend of trade surplus largely depends on relatively massive natural gas export. Table 5 shows that gas exports comprised more than 40 percent of total exports in 2007.

Table 5. Export Records by Products in FY 2007

	Gas	Beans	Wood	Marine	Garments	Total Export
Amount (USD million)	2,525	561	496	276	258	6,038
Proportion	42%	9%	8%	5%	4%	

Source: Myanmar CSO.

Myanmar's import and export partner countries in FY 2007 (April 2007—March 2008) are presented in Table 6. Thailand was ranked as the largest export partner, mainly due to massive gas exports, followed by India, Hong Kong, China and Singapore. China and Singapore are Myanmar's two major supply sources. Due to economic sanctions placed on Myanmar in 1997, Myanmar's trade has been largely restricted to its Asian neighbors.

Table 6. Top 5 Export and Import Partners in FY 2007

Export			Import		
Country	Amount*	Proportion	Country	Amount*	Proportion
Thailand	2,821.2	44.0%	China	994.3	29.7%
India	728.0	11.4%	Singapore	815.8	24.4%
Hong Kong	696.4	10.9%	Thailand	383.5	11.5%
China	649.2	10.1%	Japan	242.6	7.2%
Singapore	401.5	6.3%	Indonesia	207.1	6.2%
Other	1,117.0		Other	703.3	

* In USD million.

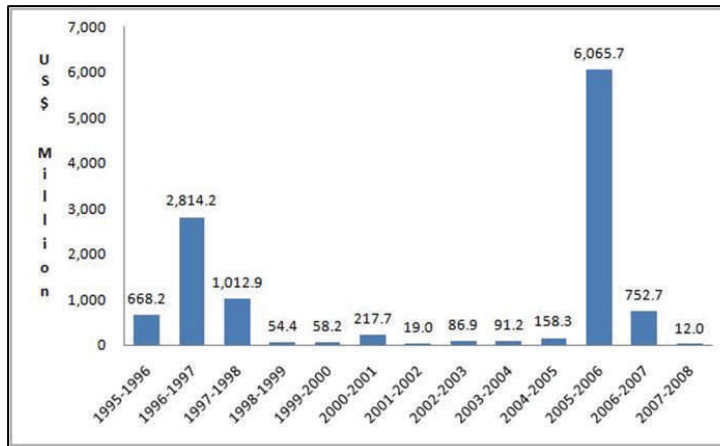
Source: Myanmar CSO.

Note: Total amount is the added up value including "other" countries.

4. Myanmar's FDI Status

FDI is critical for Myanmar’s economic and industrial development. Indeed, Myanmar has attractive incentives to entice potential foreign investors: abundant natural and human resources; vast, cultivable land; long coastlines; navigable river systems; abundant material, gems, forests and low cost labor.

Figure 2. FDI Inflows into Myanmar, FY 1995 — FY 2008 (USD Million)

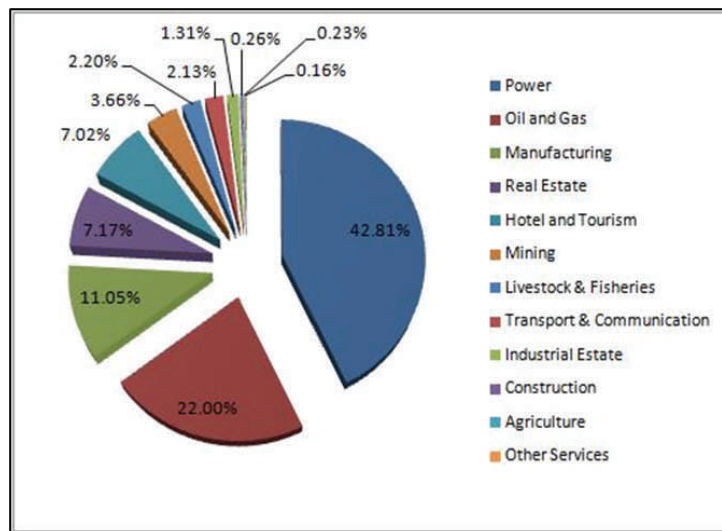


Source: Myanmar Investment Commission (MIC).
 Note: The values are registered amount, so they may be different from executed values.

Given these incentives, Myanmar attracted a large amount of FDI inflows in FY 1996 and 2005; though it should be noted that the FDI inflow in FY 2005 was due to a single power sector project contracted with Thailand.³ Outside these two years, FDI inflow has been generally stagnant or decreasing overall. The reason for this trend is twofold: the decline of FDI after 1996 was due to the Asian financial crisis that occurred in 1997, and economic sanctions against Myanmar by the U.S. and the European Union have restricted FDI inflows from 1997 to the present.

Foreign investment in Myanmar is mainly focused in the power and oil and gas sectors, as shown in Figure 3. As of June 2008, power represents 43 percent of the total share of investment. Together with oil and gas (22 percent), these sectors contribute about 65 percent. The manufacturing sector ranks third overall with 11 percent of the total share of investment. Real estate and hotel and tourism also receive tangible amounts of investment, about 7 percent in each sector. The amount in-

Figure 3. Accumulated Approved FDI Inflow by Sector, as of June 2008



Source: MIC.

vested into other sectors is relatively small and Myanmar's primary economic sector—agriculture—received only 0.23 percent of total foreign investment.

MYANMAR'S ECONOMIC DEVELOPMENT OUTLOOK

Myanmar is the second largest country in Southeast Asia and is endowed with an abundance of natural and human resources. However, poverty is a major challenge for the country with a poverty incidence, according to the 2001 Household Income and Expenditure Survey, estimated at 26.6 percent (ADB, 2008). Although Myanmar has the potential to grow into a leader among ASEAN countries, its economy is grossly underperforming, making it one of the poorest countries in the world.

Myanmar claims that its economic growth rate in recent years has been more than 10 percent per year. However, there are big discrepancies between Myanmar's claimed statistics and statistics from other sources, such as Economist Intelligence Unit (EIU), as seen in Table 6.

According to EIU, Myanmar experienced a moderate economic growth rate in 2005, which continued in the following years. It should be noted, however, that such growth may not reflect Myanmar's actual internal economic system, but rather, may have been driven by the export of the natural gas.

In May 2008, Myanmar was affected on an unprecedented scale by Cyclone Nargis, which resulted in large-scale casualties and economic losses. The economic losses were estimated to be about 2.7 percent of the officially projected GDP in 2008 (ADB 2008).

Myanmar's subjection to international sanctions as well as the weak economic performance of Myanmar's major trading partners—China, India and Thailand—is likely to drive prices on energy and commodity exports down, posing the potential for slowed economic growth. Given all these factors combined, Myanmar's short-term economic prospects are not so bright and are likely to remain stagnant in the short-run. However, from a term-term perspective, Myanmar still holds the potential to become an emerging economic power, especially among the CLMV countries.

As discussed earlier, Myanmar's wealth of resources provide natural incentives for FDI. Table 7 shows that Myanmar is the second largest market among CLMV countries in terms of population. Although Myanmar currently has the lowest per capita GDP among the CLMV countries, limiting the size of its market and deterring investment, once it resolves some of the aforementioned market conditions, Myanmar will have a sizable comparative advantage over the others when it comes to resource-seeking FDI, especially in terms of the diversity of its natural resources, such as timber, gems and natural gas.

Myanmar's bigger economic challenge will be how to attract not only resource-seeking FDI, but also FDI that can transfer technology and boost employment. Its decline from the richest ASEAN country to the poorest has been mainly driven by failed macroeconomic policy and a hostile foreign investment climate; and its economic development has not reflected its true growth potential. However, in the long-run, through continued economic reform and better macroeconomic management, Myanmar can change its economic future. In the process of realizing its potential, ODA and FDI will play an important role, establishing a foundation for sustainable economic growth and development.

Table 6. GDP Growth Rate by ADB and EIU

	2004	2005	2006	2007
GDP growth rate by ADB	13.6%	13.6%	13.1%	11.9%
GDP growth rate by EIU	-2.7%	2.9%	1.9%	3.40%

Sources: ADB; EIU.

Note: ADB data are in nominal value and based on Myanmar's official statistics, EIU data are in real value and bases on estimate statistics.

Table 7. Resource Endowment of CLMV Countries

	Cambodia	Laos PDR	Myanmar	Vietnam
Land Area	181,035 sq miles	236,800 sq miles	677,000 sq miles	331,960 sq miles
Population (2006)	14.1 million	6.06 million	56.51 million	84.37 million
GDP per capita	503.27 USD	567.1 USD	230.1 USD	722.97 USD
Forest Area	70% (2006)	75% (2006)	50% (2006)	42% (2006)
Cultivable Land	20.44% (2005)	4.01% (2006)	14.92% (2005)	20.14% (2005)
Coastal Line	443Km	0	1,930Km	3,444Km
Natural Resources	Timber, Gems, Manganese	Timber, Hydro Power, Gems, Gold	Timber, Gems, Oil & Gas, Mineral, Hydro Power	Phosphates, Coal, Mineral, Oil & Gas, Hydro Power
Oil & Gas production	-	-	Oil: 9500 bbl/day (2006) Gas: 12.47 billion cum (2005)	Oil: 400,000 bbl/day (2005) Gas: 3.836 billion cum (2005)
Oil & Gas reserve (proved)	-	-	Oil: 50 million bbl (2006) Gas: 271.6 billion cum (2006)	Oil: 3.3 billion bbl (2006) Gas: 184.7 billion cum (2006)

Sources: Land Area, Population and GDP per capita are extracted from SEAN-JAPAN Statistical Pocketbook 2007; the others are tabulated from <http://en.wikipedia.org/wiki/country>.

CURRENT ECONOMIC COOPERATION BETWEEN MYANMAR AND SOUTH KOREA

According to Myanmar CSO, South Korea is eighth largest import and ninth largest export source country. In FY 2008, Myanmar's export volume to South Korea reached about 1.2 percent (73.71 million USD) of total export volume and import volume to South Korea reached about 3.2 percent (107.34 million USD) of total import volume (KOTRA 2009).

South Korea's direct investment started in the electronic products sector in 1990. Since then, South Korea's direct investment has expanded in various sectors and as of March 2009, total investment was about 97,248 thousand USD. Table 8 shows total volume of investment to Myanmar and the amount by sectors. The investments are focused on the Mining & Energy sectors (37.45 percent) and the Processing & Manufacturing sector (47.06 percent). In terms of investment attractiveness, the Mining & Energy sectors, especially the natural gas sector, are relatively younger industries in Myanmar, thus recent investments have been more focused in Mining & Energy than other sectors.

Though investment in Myanmar is increasing, the amount is not significant when compared to the amount that is invested in other countries, namely other CLMV countries. Table 9 shows the amount invested in CLMV countries. Myanmar's potential is greater than that of other CLMV countries, however, the current level of direct investment in Myanmar is the lowest among CLMV countries.

Table 8. Status of South Korea's Investment to Myanmar, as of March 2009

Sector	Investment Volume	Proportion
Agriculture, Fishery, and Forestry	1,007	1.04%
Mining & Energy	36,415	37.45%
Processing & Manufacturing	45,761	47.06%
Retail & Wholesale	13,135	13.51%
Services	930	0.96%
Total	97,248	

Source: Korea EXIM Bank.

Table 9. South Korea's FDI in CLMV Countries (USD thousand)

	2005	2006	2007	2008	As of March 2009
Cambodia	31,745	126,355	629,498	472,889	1,369,403
Laos PDR	0	2,815	24,519	43,730	111,559
Myanmar	649	465	1,168	35,600	97,248
Vietnam	313,335	587,113	1,307,271	1,330,682	4,967,479

Source: Korean EXIM Bank.

Economic sanctions and low economic freedom in Myanmar are the negative factors that have prevented greater foreign investment. But considering the resource endowment in Myanmar, more opportunities should be pursued both for Myanmar and South Korea.

South Korean investment in Myanmar can be expanded by a long-term close relationship driven by economic aid to Myanmar. Since 1991, South Korea has provided 103,002,000 USD (grants 18,302,000 USD, loans 84,700,000 USD) to assist Myanmar's economic development. Economic cooperation through ODA has expanded since 2002, when Myanmar obtained ASEAN membership, as reflected in Table 10.

Table 10. South Korea's ODA Grants to Myanmar by Year (USD thousand)

Year	Grants	Year	Grants
1991	231	2000	730
1992	203	2001	651
1993	290	2002	1,574
1994	393	2003	1,460
1995	629	2004	2,045
1996	895	2005	3,407
1997	379	2006	2,794
1998	551	2007	1,603
1999	466	Total	18,302

Source: ODA Korea.

Table 11. Five Main South Korean Grants to Myanmar Projects

Project	Year	Executed Amount (USD thousand)	Project Goal
Lashio University Facility Improvement Project	1995-1996	500	To expand facility assistance to meet the needs of a growing student body at Lashio University.
Sericulture Development Project	1997-1998	320	To increase silk yarn production by transferring sericulture technology to the government's Cotton & Sericulture Department and updating equipment.
ICT Development Master Plan Assistance Project	2004-2005	950	To establish a master plan and execution scheme to serve as a guide for Myanmar's ICT sector.
Central Myanmar Pilot Reforestation Complex Creation Project Phase 1	1998-2000	180	To create a pilot reforestation complex (50 ha) in the Tu Yin Taung region.
Central Myanmar Pilot Reforestation Complex Creation Project Phase 2	2001-2003	284	To create a pilot reforestation complex in the Tu Yin Taung region.

Source: ODA Korea.

As of 2007, ODA grants were allocated to seven development projects, five development research projects and seven NGO programs; loans were allocated to six development projects. Five major projects, two important research studies and six ODA loan projects are tabulated in Tables 11, 12 and 13, respectively. Economic cooperation between Myanmar and South Korea has included the education, agricultural, IT, environmental and health sectors.

Table 12. Development Research Projects

Development Research	Year	Executed Amount (USD thousand)	Research Goal
Power Grid Diagnosis Development Research Project	2001-2002	400	To increase power transmission efficiency and improve power supply system by investigating and analyzing the existing electricity facilities.
500kV Grid Construction Feasibility Study and Basic Design Project	2003-2005	1,000	To contribute to resolving Myanmar's serious power shortage by conducting a feasibility study and creating a basic design for a 500kV extra high voltage power transmission line to link the large scale hydroelectric power plant for construction in northern Myanmar and the major power demand points down south as part of a project to succeed the "Power Grid Diagnosis Development Research Project."

Source: ODA Korea.

Table 13. Loan Assistance to Myanmar

Approval Year	Project	Executed Amount (USD thousand)
1992	Phone Networks Expansion Project	7,800
1994	Power Transmission Expansion Project	16,800
1996	Yangon Harbor Container Yard Construction Project	15,000
	Rolling Stock Procurement	20,000
2000	Hepatitis-B Vaccine Factory Construction Project	12,600
2004	E-Government Establishment Project	12,500

Source: ODA Korea.

In April 2009, the first bilateral foreign ministry-level meeting between Myanmar and South Korea took place to drive closer economic cooperation. Mutual cooperation in the cultural, IT, human resource development, oil and gas, labor affairs, agricultural, industrial and energy sectors was discussed and a memorandum of understanding regarding consultation between the two foreign ministries was signed. In the coming years, more aid projects will be planned to assist Myanmar's economic development and plans to foster a friendlier foreign direct investment environment will be discussed.

STRATEGIC DIRECTION OF MYANMAR-SOUTH KOREAN ECONOMIC COOPERATION

South Korean private sector companies have invested in Myanmar since 1990 and since 1991, official economic cooperation began. Since Myanmar obtained ASEAN membership in 2002, South Korea's FDI and ODA to Myanmar have increased. However, its current FDI and ODA volume does not reflect Myanmar's strategic potential. Among CLMV countries, Vietnam and Cambodia are treated as strategic partners, while investment levels in Myanmar reflect only resource-seeking invest-

ment. Therefore, there are great opportunities for South Korea to expand investment and partnership with Myanmar, in order to capitalize on the geostrategic potential such a relationship would hold.

1. Myanmar's Strategic Importance for South Korea's External Economic Power Resource

Myanmar is located on the mainland of Southeast Asia. It is bound by China to the north and northeast, Laos to the east, Thailand to the east and southeast, and India to the northwest. Based on its location, Myanmar is important to China as a trading outlet to the Indian Ocean for its landlocked provinces of Yunnan and Sichuan. Strategically, Myanmar is also potentially important to China's quest to build a strategic presence in the Indian Ocean and to achieve its long-term two-ocean objective (Poon Kim Shee, 2002). As a result, Myanmar and China have developed close relations and, to some extent, Myanmar is economically dependent on China. Yet, Myanmar is aware of the potential danger of being too close to China and hence, is eager to attract other sources of foreign investment. Moreover, as Myanmar is subject to economic sanctions by the U.S. and EU, efforts to diversify foreign investment and economic aid are focused on its Asian neighbors. In this regard, the environment for closer economic cooperation between Myanmar and South Korea is positive.

From a South Korean economic standpoint, aside from Myanmar's resource endowment, increased economic cooperation with Myanmar can have positive effects on the South Korean economy.

First, South Korea is a country with limited natural and energy resources and relatively weak economic power compared to China and Japan. In order to procure resource sources and elevate its relative power in the region, scholars and strategists in South Korea have suggested building a so called Asian Crescent of Peace and Prosperity, spreading Korean cultural and economic cooperation throughout Central and Southeast Asia in order to increase South Korea's soft power and balance its economic and diplomatic position within a Northeast Asian Triad.⁴ Myanmar's geographic position in Southeast Asia holds potential benefits for both China and South Korea, though cooperation with South Korea holds greater long-term benefits for Myanmar and South Korea in gaining leverage against China's often overwhelming regional influence.

Second, Myanmar's geographic location has another advantage to South Korea as Myanmar could be an expansion base for reaching larger consumer markets: China and India.

Finally, China's low-cost labor force has lured South Korean firms for decades, however, as China's cost of labor has risen, its low-cost advantage has greatly diminished. In this respect, Myanmar could offer an alternative to Chinese labor. Myanmar's labor cost is lower than that of its neighbors, such as Vietnam and Indonesia, not to mention that of China as well. Specifically, it is said that in the garment industry, Myanmar's labor cost is about half that of Vietnam's and yet its productivity is still about 80 percent that of Vietnamese labor (KOTRA 2008).

2. Direction of Cooperation between Myanmar and South Korea

Both Myanmar and South Korea stand to gain from increased economic cooperation. For Myanmar, its current investment structure only offers short-term benefits. Current FDI is largely targeted to resource extraction, such as natural gas or timber. In the long-run, however, Myanmar needs to attract greater FDI that and economic assistance for industrial and agricultural development, in order to establish the structural foundations for sustainable economic development. At the same time, South Korea, by focusing FDI and ODA largely on resource-extraction industries in Myanmar as well, is missing out on opportunities to capitalize on Myanmar's geostrategic position in Asia; a partnership that could help South Korea balance its relative power among the Northeast Asian powerhouses: China and Japan.

Both Myanmar and South Korea agree on the need for economic cooperation, as was revealed at the ministry-level meeting held in March 2009. Going forward, this meeting should be held on a regular basis and should discuss ways in which to foster mutual benefits. These discussions should address ways to improve the business climate in Myanmar to attract and facilitate greater FDI and private sector investment. Provisions should provide for greater investment in the manufacturing sector; technology transfers in agriculture and IT; and the elimination of barriers to FDI. Greater cooperation should also be en-

couraged. This includes the mutual exchange of economic data as well as personal exchanges, such as the transfer of South Korean economic development planning experience, expert exchanges, and trainee and joint development research projects in various sectors.

CONCLUSION

If getting short-term benefits from Myanmar is the main purpose for South Korean-Myanmar relations, then South Korea should continue to invest in Myanmar's extraction industries. However, from a long-term perspective, this type of investment does not enhance Myanmar's economic stability or development. It also limits the nature of South Korea's influence and partnership with Myanmar, leaving the door open to China to capitalize on key strategic benefits associated with Myanmar's location in Asia. Therefore, the expansion of South Korean-Myanmar bilateral relations into a long-term economic partnership has the potential to deliver important economic and strategic benefits to both countries.

Myanmar is a resource rich country and has the potential to emerge as a substantial consumer market. Moreover, its geographic location makes it an ideal base for reaching larger consumer markets, such as India and China, and for gaining access to the Indian Ocean from mainland Asia. Greater investment does not come without reform, however. In order for Myanmar to increase its attractiveness to FDI from South Korea or other countries, it must first provide a safer environment for private sector investment and foreign entrepreneurs. Furthermore, investment in the manufacturing and agricultural sectors needs to be encouraged, along with technology and skill transfers. South Korea has the means to provide these programs and human networks to spur the development and growth of Myanmar's economy, and will find that in doing so, it will gain significant soft power in Asia through this alliance.

¹The FAO estimated that milled rice supply per capita was essentially constant over the decade (210 kg milled rice per capita in 1990 and 208 kg per capita in 2000).

²Many reports say that the official statistics produced by the Myanmar government are unreliable. As an example, David Dapice argues that there is a tendency to overstate growth in Myanmar's official data in his report, "Navigating in the Fog: Comments on the Economy in Myanmar."

³The project is the "Tasang Project" which became an international joint venture with China. It is known that China has owned more than half the shares since September 2008. As noted earlier, statistics from Myanmar authorities should be read with caution.

⁴For discussion of the Northeast Asian Triad and the Asian Crescent of Peace and Prosperity, see Hyug Baeg Im, "How Could Korea Be a Regional Power in East Asia?: Building a Northeast Asian Triad." Working Paper Series No. 08-4. U.S.-Korea Institute, October 2008. http://www.uski.org/pdf/WP-Regional_Diplomacy/USKI-WP4.pdf.

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