



STUDY ON THE TRADE EFFECT OF CHINA'S DIRECT INVESTMENT IN MYANMAR

Lu Diying

PhD student of the National University of Uzbekistan, Tashkent, Uzbekistan; Inner Mongolia University of Finance and Economics, China.

ABSTRACT

China and Myanmar established diplomatic relations in 1950. The friendship between the two countries has a long history, and investment and trade cooperation is in good condition. China is Myanmar's largest trading partner and most important source of foreign investment. The article first summarizes and analyzes the state of direct investment and the overall level of bilateral trade. Secondly, based on the investment and trade data between China and Myanmar from 2006 to 2019, using the volume of imports and exports as the explanatory variables, the volume of China's direct investment in Myanmar as the explanatory variables, two unilinear regression models are constructed. Through empirical analysis, it is concluded that the trade effect of Chinese direct investment in Myanmar is additive, that is, direct investment promotes trade between two countries, and this additional effect of direct investment on trade between two countries has a greater impact on imports than on exports. Finally, based on the findings, appropriate countermeasures and suggestions are put forward.

KEYWORDS: direct external investment, trade effect. linear regression model, investment.

I. INTRODUCTION

BACKGROUND AND SIGNIFICANCE OF THE STUDY

China and Myanmar are friendly neighbors. The special “brotherly” friendship between countries has remained strong for thousands of years. 70 years have passed since the official establishment of diplomatic relations on June 8, 1950. Since the establishment of the China-Myanmar Comprehensive Strategic Partnership in 2011, China has gradually become Myanmar's largest trading partner, major export destination, and largest source of foreign capital. In 2021, the total trade volume between China and Myanmar reached 120.24 billion yuan. Of this, 52.15 billion yuan comes from Myanmar's exports to China, mainly agricultural products such as rice and corn. Imports from China amounted to more than 68.09 billion yuan, mainly mechanical products, plastic raw materials and other raw materials. From an investment point of view, Based on the joint implementation of the Belt and Road Initiative and the achievement of important consensus on the China-Myanmar Economic Corridor, by the end of 2020, China's direct investment in Myanmar reached a total of US\$3.81 billion. In recent years, Myanmar has also successively introduced new regulations such as the Investment Law and the Investment Promotion Law, which aim to improve the business environment and attract more Chinese companies to invest in Myanmar.

Trade and investment are important links between the two countries. At the same time, a large number of theoretical studies have shown that foreign direct investment and foreign trade are inextricably linked. The key question is whether the relationship between foreign direct investment and foreign trade is substitutable or complementary.. This paper analyzes the relationship between direct investment and bilateral trade between China and Myanmar through theoretical and empirical analyses. It is concluded that the trade effect of China's direct investment in Myanmar is complementary, that is, foreign investment and foreign trade complement each other, and based on this conclusion, proposals are put forward to further strengthen the economic interests of China and Myanmar.

LITERATURE REVIEW

Domestic scholars' research on the trade effects of China's foreign direct investment has mainly focused on countries along the route of the Belt and Road Initiative, especially some ASEAN countries. Teng Tanwei, Shi Jianying, Hu Senlin (2020) selected 56 countries along the route of the Belt and Road Initiative as research subjects and used gravity models to study the effects of export trade and the influence mechanisms of China's foreign direct investment (FDI). The conclusion was that China's direct investment in countries along the Belt and Road



Initiative has a significant effect on boosting export trade, and the two tend to have complementary and synergistic relationships. Wang Meng (2018) studied the relationship between China's direct investment in four new ASEAN countries (Cambodia, Laos, Myanmar and Vietnam) and bilateral trade and concluded that direct investment significantly promotes imports and exports between China and these countries, expanding export trade China. Li Hongmei (2020) used a trade gravity model to test the impact of Chinese foreign direct investment on the trade structure of five countries in the Lancang-Mekong Basin (Myanmar, Laos, Thailand, Cambodia and Vietnam) in terms of both exports and imports, and concluded Relevant conclusions: In terms of exports, China's foreign direct investment in the five countries in the Lancang-Mekong Basin promotes the export of capital-intensive products in the home country, which leads to export substitution of resource-intensive products, but does not have a significant impact on labor-intensive products; In terms of imports, FDI has a substitution effect on the import of capital-intensive goods and a trade creation effect on the import of resource-intensive and labor-intensive goods. Guo Xiyin (2019) used a gravity model to empirically analyze the trade effects of China's direct investment in ASEAN and concluded that the export trade creation effect of China's direct investment in ASEAN is greater than the effect of import trade creation, and the impact on trade of the stock of direct investment exceeds the flow of direct investment. investments. Moreover, the significance of the export creation effect exhibited by direct investment is proportional to the level of economic development of ASEAN countries. 5 Ren Xuemei and Chen Hanlin (2020) used the trade gravity model to empirically analyze the trade effects of China's investment in the Belt and Road Initiative region. The results show that the trade effect of China's investment in the region is a substitution effect, which is more pronounced in the export of industrial products, than commodities; on exporting capital-intensive products than labor-intensive products. Zhi Tianyue (2020) used a quantitative model to analyze the dynamic development of direct investment and trade with China in the Mekong River subregion in the short and long term. The conclusion was that, in the short term, China's direct investment in Mekong countries has a significant stimulating effect on imports and exports, which is a trade creation effect; In the long run, Chinese direct investment has a positive stimulating effect on both exports and imports. That is, in the long term they also have the effect of creating trade. Chang Fucheng (2017) conducted an empirical analysis of China's direct investment and bilateral trade data with Southeast Asia and South Asia from 2004 to 2014 to examine the trade implications of China's direct investment in Southeast Asia and South Asia. He concluded that Chinese direct investment has a complementary effect on exports and a substitution effect on imports⁷.

Zhu Yaping (2019) applied measurement methods to empirically analyze the trade impacts of China's direct investment in the Indochina Peninsula subregion as a whole and in countries in the region. I came to the conclusion that: at the regional level, as well as at the country level, China's direct investment in the Indochina Peninsula has a creative effect on bilateral trade; Also at the country level, the trade effect of Chinese direct investment in Laos, Myanmar, Cambodia and Vietnam is constructive, the impact on Thailand is negligible. Wu Lingling (2017) selected relevant economic data from 2004 to 2015 and used a multivariate regression analysis model to study the impact of trade with China on ten ASEAN countries. China's direct investment in ASEAN has been found to promote both imports and exports and have a trade creation effect, although country differences influence the size of this effect

Domestic scholars' research on the trade impact of China's direct investment in Myanmar mainly focuses on the economic and trade relations between China and Myanmar and the analysis of China's direct investment in Myanmar. Yan Xiaodan (2017) conducted a study on the relationship between trade and direct investment between China and Myanmar, and analyzed the effectiveness of China's direct investment in Myanmar for trade in the long and short term through empirical testing. The bottom line is that, in the long term, China's direct investment in Myanmar plays a role in promoting bilateral trade.. Qin Yanan (2019) used gravity model and time series analysis methods to empirically study the trade impacts of China's direct investment in Myanmar. Conclusion: The long-term impact of foreign direct investment is significantly greater than short-term investment. In the long term, China's direct investment in Myanmar greatly promotes bilateral trade, has a more obvious impact on China's import trade

To summarize, the general conclusions of domestic scholars are that the trade effects of China's FDI represent a complementary or creative effect on trade, but specific analyzes focus on different aspects. Fewer studies have examined the impact of Chinese direct investment on trade with Myanmar. For empirical analysis, classical gravity models were used. This paper uses the total export and import volumes of China and Myanmar as the explanatory variables Y1 and Y2, and the volume of China's direct investment in Myanmar is used as the explanatory variable X. To analyze the trade impact of China's direct investment in Myanmar from a macroeconomic perspective, two models are created unilinear regression.



Trade effects theories of foreign direct investment mainly include Mundell's trade investment substitution theory, Kiyoshi Kojima's model, Vernon's product life cycle theory, and Dunning's international eclectic theory. The theoretical basis of the article is the Kiyoshi Kojima model. In his Theory of Foreign Trade, Kiyoshi Kojima put forward the idea of a complementary relationship between trade and investment, which was called the Kiyoshi Kojima model. In his opinion, direct investment is not only a flow of capital, it includes the overall transfer of capital, technology and entrepreneurial knowledge. Advanced technology and advanced management are the source of profit. Thus, in the theoretical model, direct investment is viewed as the transfer of advanced production functions covering marketing issues. According to this premise, foreign direct investment stimulates the export of technology and labor, and optimizes the combination of production factors. In the case of different production functions between two countries, investment will bring a higher return on capital, which promotes the international division of labor and the development of the world economy, expands the scope of international trade, investment and trade complement each other, investment leads to the development of trade.

II. ANALYSIS OF THE CURRENT SITUATION OF INVESTMENT AND TRADE BETWEEN CHINA AND MYANMAR

CURRENT SITUATION OF CHINA'S DIRECT INVESTMENT IN MYANMAR

Myanmar borders China's Yunnan Province, and its unique geographical advantages make it convenient for China to make direct investments in Myanmar. In 2013, President Xi Jinping put forward the Belt and Road strategic vision, under which China and Myanmar established closer economic and trade cooperation. According to the China Foreign Direct Investment Statistical Bulletin, China's direct investment in Myanmar in 2006 was only US\$163 million, while in 2020 the figure reached US\$3.81 billion, more than 23 times more than in 2006. If Myanmar's investment space expands further in the future, China's direct investment in Myanmar will increase.



Figure 1. Volume of Chinese direct investment in Myanmar from 2006 to 2020

Data source: China Foreign Direct Investment Statistical Bulletin, 2006-2020.

Myanmar is one of the top ten ASEAN countries. Regional economic integration has had a positive impact on ASEAN countries in terms of attracting foreign investment, however, individually, the attractiveness of developed economies within ASEAN to foreign investment is significantly higher than that of less developed members. According to 2020 statistics, Myanmar's GDP ranks 7th in ASEAN. As shown in Figure 2, in 2020, Myanmar ranked 8th in China's ASEAN investment reserves ranking; Myanmar is separated from Singapore, which ranks first, by \$56 billion.

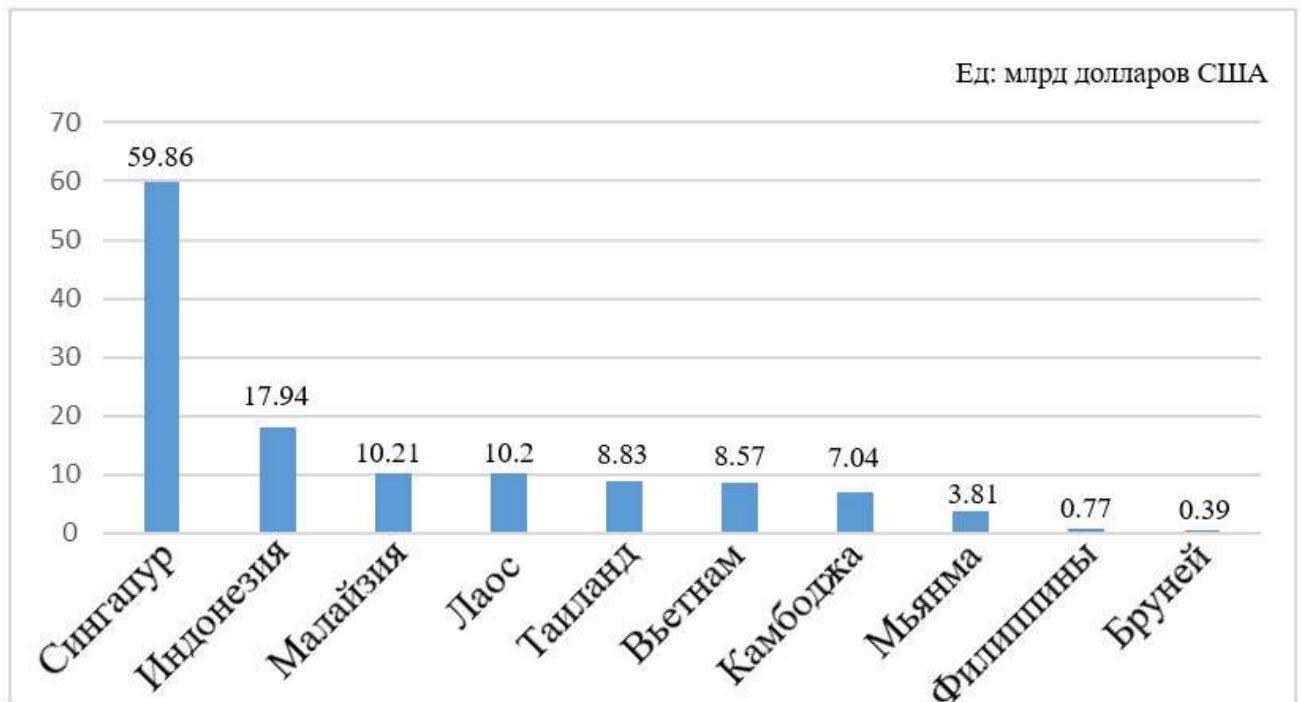


Figure 2. The volume of Chinese direct investment in ASEAN countries at the end of 2020

Data source: China Foreign Direct Investment Statistical Bulletin 2020

As shown in Figure 3, China's investment flow to Myanmar fluctuated greatly from 2006 to 2020, with rapid growth until 2010. In 2010, investment flows exceeded US\$800 million, the highest in almost 15 years. In 2011, after Myanmar's first democratically elected president came to power, the country's internal politics underwent major changes. A number of Chinese investment projects in Myanmar have undergone severe adjustments, leading to a significant decline in Chinese investment in Myanmar in 2011. Although Chinese investment in Myanmar has increased since 2012, due to the influence of international economic conditions and the political situation in Myanmar, the annual flow of Chinese investment into Myanmar has no longer exceeded US\$500 million.

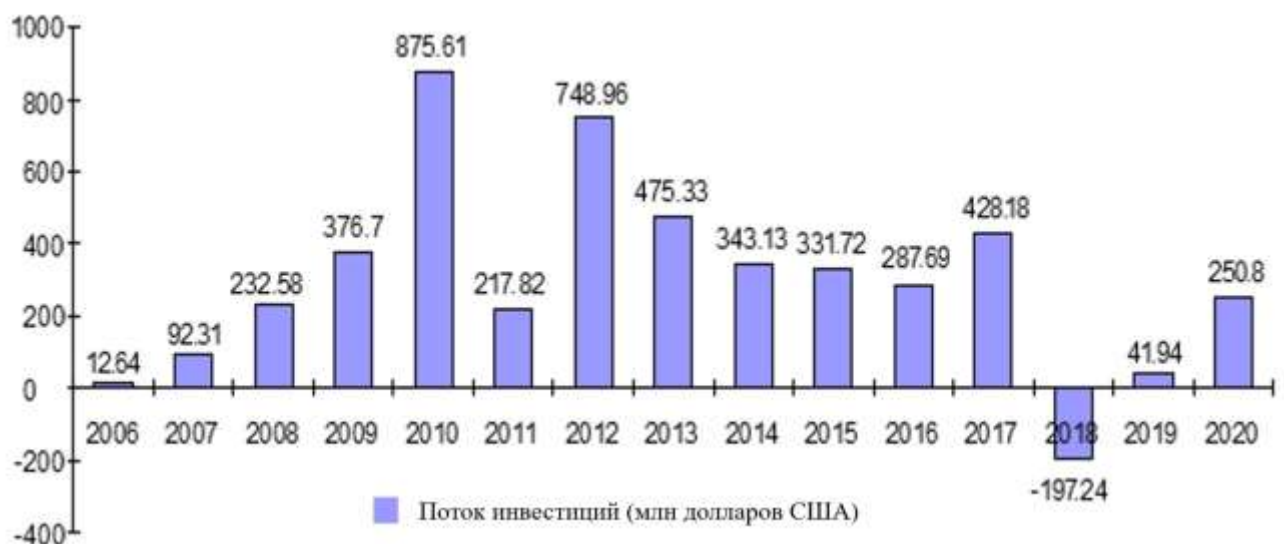


Figure 3. Pattern of Chinese direct investment flows into Myanmar from 2006 to 2020

Data source: China Foreign Direct Investment Statistical Bulletin, 2006-2020.



To make Myanmar more attractive to foreign investment, the government launched the Myanmar Investment Promotion Plan (MIPP) in 2018 to help improve the country's business environment. The plan is to transform Myanmar into a middle-income country by 2030. Thus, although the coronavirus epidemic has affected Myanmar, domestic and foreign investment have maintained an upward trend in recent years, and China's investment in Myanmar has turned from negative to positive.

1. Investment areas are concentrated in infrastructure, minerals and energy

Myanmar's main natural resources are mineral resources, petroleum, natural gas, forest resources, water resources, fisheries and marine resources. Its unique advantages in the field of natural resources have attracted the attention of many foreign investors.

China and Singapore are Myanmar's two main sources of investment. China's main investment areas in Myanmar are concentrated in electricity, mining, oil and gas, manufacturing, agriculture and other fields. In recent years, due to the continuous growth of Myanmar's real estate market and its great attractiveness for foreign investment, China has become the third largest investor in this area. Due to Myanmar's limited domestic funds and technology, infrastructure is poorly developed. Due to the long investment cycle and low return on capital, Western countries are reluctant to invest in this area, however, China has long been actively involved in investing and building infrastructure in Myanmar. In 2020, China and Myanmar reached an investment intention to build a deep-sea port in Rakhine State in western Myanmar, the most important project in the Myanmar Economic Corridor Plan. The total investment in the project was about 1.3 billion US dollars (about 9 billion yuan), which could create 400,000 jobs. In addition, Chinese companies will also participate in the high-speed railway project connecting Yunnan province to the west coast of Myanmar (costing about 61.3 billion yuan) and the Myitsone hydroelectric power project (costing 24.8 billion yuan) with a capacity of 6,000 megawatts. Once completed, these projects will greatly alleviate current challenges hampering economic development, including poor transport communications and power shortages in Myanmar.

CURRENT SITUATION OF BILATERAL TRADE BETWEEN CHINA AND MYANMAR

1. Trade with China accounts for more than a third of Myanmar's total trade

To this day, China is Myanmar's main export destination: from 2018 to 2019, Chinese exports accounted for 29.7% of Myanmar's total imports and exports, and from 2017 to 2018 - 37.2%. At the same time, China is also Myanmar's largest import trading partner: from 2018 to 2019, imports from China accounted for 35% of Myanmar's total imports^{Error! Reference source not found.}. According to a report by the New World of Myanmar newspaper, bilateral trade between Myanmar and China grew rapidly from 2018 to 2019, a growth rate second only to regional trade between Myanmar and ASEAN countries.¹³. From 2017 to 2018, ASEAN accounted for 31.6% of Myanmar's total imports. The next four main import sources are Singapore (17.5%), Thailand (12.1%), Indonesia (5%) and Malaysia (4.5%). Collectively, bilateral trade between China and Myanmar accounts for more than a third of Myanmar's total trade.

Table 1. Share of trade with China in total trade volume of Myanmar from 2006 to 2019

Year	Share of trade with China in Myanmar's total trade	Year	Share of trade with China in Myanmar's total trade
2006	26.55%	2013	43.76%
2007	21.86%	2014	89.49%
2008	23.69%	2015	53.36%
2009	35.45%	2016	44.65%
2010	33.13%	2017	40.91%
2011	35.52%	2018	41.98%
2012	38.51%	2019	50.95%
Average value		41.42%	

Data source: Compiled from Myanmar Central Bureau of Statistics

Myanmar has always been one of China's important trading partners. Yunnan province, which borders Myanmar, accounts for about half of total trade between China and Myanmar each year. From 2016 to 2017, cross-border trade between China and Myanmar accounted for 55% of total trade between China and Myanmar; 58% – from 2017 to 2018; 52% – from 2018 to 2019; 48% – from 2019 to 2020. As shown in Table 1, between 2006 and 2019, the share of trade with China in Myanmar's total trade volume peaked in 2014 at 84.49%. And from 2012 to 2019, China was Myanmar's largest trading partner, with trade with China accounting for an average of 41.42% of Myanmar's total trade, accounting for more than a third of Myanmar's total trade.



2. The commodities in bilateral trade between China and Myanmar are basic metals and equipment.

Myanmar is extremely rich in natural resources, yet not many resources are being developed and exploited. Most of the goods traded with China are natural resources. As shown in Figure 3, the main commodities exported by Myanmar to China are base metals, rubber, rice, fish, timber, etc. Basic metals account for the highest share at 79.3%.

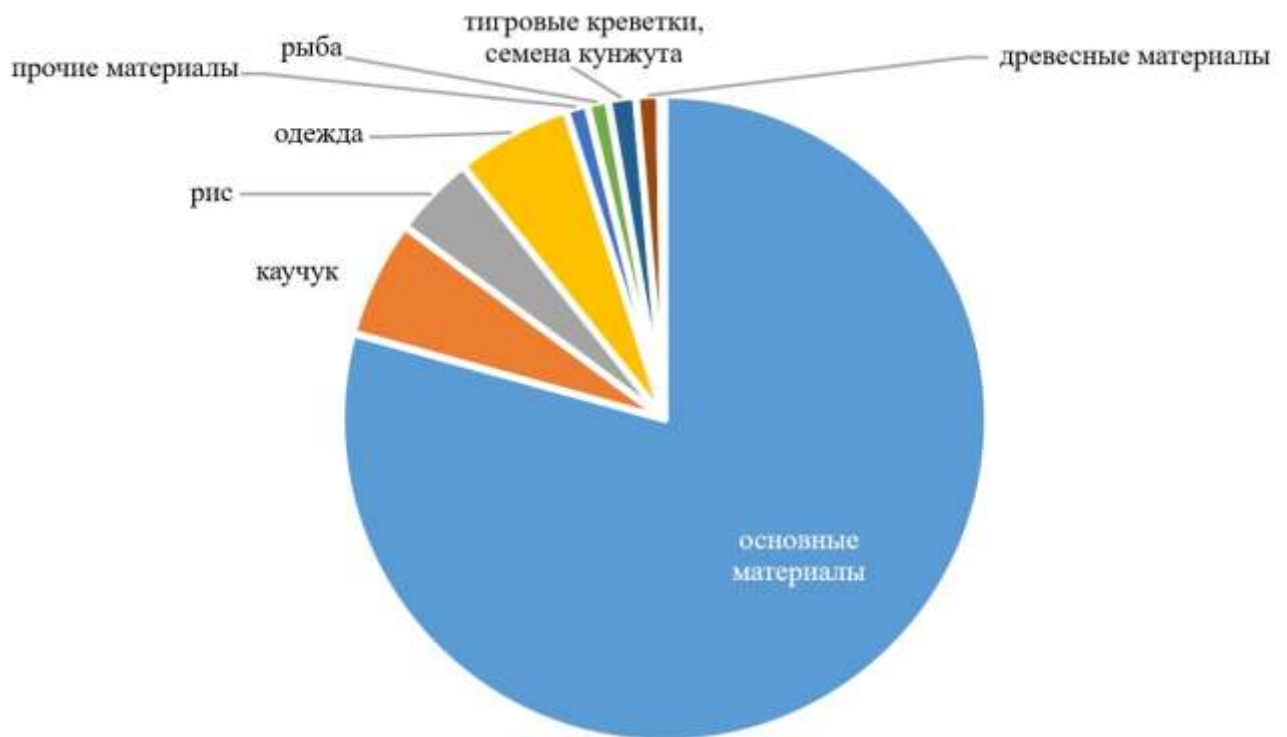


Figure 4. Main goods exported by Myanmar to China

Data source: Compiled from Myanmar Central Bureau of Statistics

Although Myanmar's economy has grown rapidly in recent years, Myanmar's industrial structure remains unbalanced, industrial development is relatively slow, and the industrial foundation is still strengthened. As shown in Figure 4, Myanmar mainly imports machinery, plastic raw materials, medical products, engines, electrical appliances and other products from China.

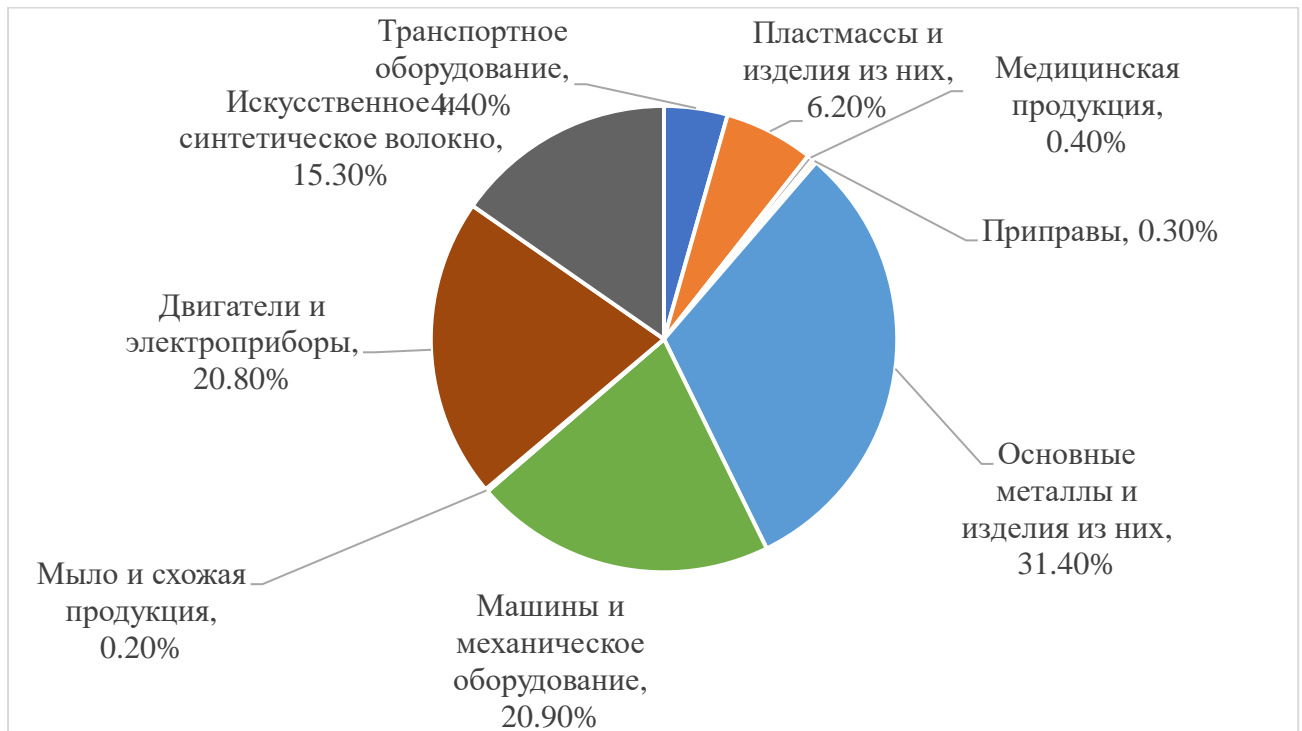


Figure 5. Main goods imported by Myanmar from China

Data source: Compiled from Myanmar Central Bureau of Statistics

III. AN EMPIRICAL ANALYSIS OF THE TRADE IMPACT OF CHINESE DIRECT INVESTMENT IN MYANMAR

BUILDING A MODEL AND DESCRIPTION OF DATA SOURCES

Taking the total export and import volumes of China and Myanmar as the explanatory variables Y_1 and Y_2 , and the volume of Chinese direct investment in Myanmar as the explanatory variable X , two unilinear regression models were created:

$$(1) \ln Y_1 = \beta_1 + \beta_2 \ln X + \mu_1$$

$$(2) \ln Y_2 = \beta_3 + \beta_4 \ln X + \mu_2$$

Where β_1 and β_3 are free terms, β_2 and β_4 are regression coefficients, and μ_1 and μ_2 are random error vectors.

If the regression coefficients $\beta_2 > 0$ and $\beta_4 > 0$, it means that China's direct investment in Myanmar has a complementary effect on trade between the two countries; if the regression coefficients $\beta_2 < 0$ and $\beta_4 < 0$, it means that China's direct investment in Myanmar has a substitution effect on trade between the two countries ^{Error! Reference source not found.}

The selected data represents the total volume of China's imports and exports to Myanmar from 2006 to 2019, as well as the volume of Chinese direct investment in Myanmar. The data is based on the comparable indicators of China Statistical Yearbook 2007-2020 and China Foreign Direct Investment Statistical Bulletin 2006-2019, as shown in Table 2.

Table 2. Research evidence on trade impacts of Chinese direct investment in Myanmar from 2006 to 2019

Year	Myanmar's total exports to China (unit: million dollars) Y_1	Myanmar's total imports from China (unit: million dollars) Y_2	Volume of Chinese direct investment in Myanmar (unit: million dollars) X
2006	1207	253	163
2007	1700	378	262
2008	1978	648	500
2009	2253	646	930
2010	3476	967	1947



2011	4822	1680	2182
2012	5674	1298	3094
2013	7339	2857	3570
2014	9368	15601	3926
2015	9651	5449	4259
2016	8189	4098	4620
2017	8948	4526	5525
2018	10548	4684	4680
2019	12311	6388	4134

Data source: Compiled according to China Statistical Yearbook, China Foreign Direct Investment Statistical Bulletin

STABILITY CHECK AND COINTEGRATION TEST

Using Eviews software, the extended Dickey-Fuller test is performed on the $\ln Y_1$, X_1 and X_2 sequences. The test results are shown in Table 3.

Table 3. Extended Dickey-Fuller test results

Variable	Statistical t value	Statistical t value at 1%	Statistical t value at 5%	Statistical t value at 10%
$\ln Y_1$	-1.273855	-4.992279	-3.875302	-3.388330
$\ln Y_2$	-2.076838	-4.886426	-3.828975	-3.362984
$\ln X$	-0.608806	-4.886426	-3.828975	-3.362984

Judging by the test results, at significance levels of 1%, 5% and 10% statistical values/sequences $\ln Y_1$, $\ln Y_2$ and $\ln X$ exceed the statistical t values at three significance levels, so the initial hypothesis is accepted, that is, the sequences $\ln Y_1$, $\ln Y_2$ and $\ln X$ have unit roots, all of them are non-stationary sequences.

An extended Dickey-Fuller test was performed on the second-order differential sequences $\ln Y_1$, $\ln Y_2$, and $\ln X$ separately, and the results are shown in Table 4.

Table 4. Results of the extended Dickey-Fuller test of second-order differential sequences

Variable	Statistical t value	Statistical t value at 1%	Statistical t value at 5%	Statistical t value at 10%
$D(\ln Y_{1,2})$	-4.424764	-4.297073	-3.212696	-2.747676
$D(\ln Y_{2,2})$	-4.673353	-4.297073	-3.212696	-2.747676
$D(\ln X_{,2})$	-6.096051	-4.200056	-3.175352	-2.728985

From Table 4 it can be seen that at significance levels of 1%, 5% and 10%, the statistical t values of the second-order differential sequences of the sequences $\ln Y_1$, $\ln Y_2$ and $\ln X$ are less than the statistical t values at three significance levels, therefore the original hypothesis is rejected, that is, the differential sequences second-order sequences $\ln Y_1$, $\ln Y_2$ and $\ln X$ do not have unit roots, and they are all stationary sequences.

Taking $\ln Y_1$ and $\ln Y_2$ as explanatory variables and $\ln X$ as the explanatory variable, regression models (1) and (2) are estimated by ordinary least squares, the residual of the above regression is tested for stability. The results are shown in Table 5.

Table 5. Extended Dickey-Fuller residual sequence test results

Variable	Statistical t value	Statistical t value at 1%	Statistical t value at 5%	Statistical t value at 10%	p value
Remaining (1)	-2.415006	-2.771926	-1.974028	-1.602922	0.0208
Remaining (2)	-2.538573	-2.754993	-1.970978	-1.603693	0.0157

From the testing results it is clear that the p value of the residual sequence of model (1) and model (2) is less than the values of three significance levels, so the original hypothesis is rejected, that is, the residual sequence of the two models is a stationary sequence, there is a cointegration relationship between $\ln Y_1$ and $\ln X$, $\ln Y_2$ and $\ln X$.



REGRESSION ANALYSIS AND MODEL TESTING

1. Regression analysis

Regression analysis of model (1) and model (2) was carried out, and the results are shown in Table 6.

Table 6. Results of regression analysis of model (1) and model (2)

	Model (1)	Model (2)
Free member	2.023404	0.245367
Mean square error of the free term	0.172284	0.434657
Statistical value t of the free term	11.74459	0.564507
Regression coefficient	0.639436	0.926089
Mean square error of the regression coefficient	0.054759	0.138151
Statistical value t of the regression coefficient	11.67732	6.703435
Correction determination coefficient	0.912375	0.771674
F statistic	136.3599	44.93604

As can be seen from Table 6, the final regression results of model (1) and model (2):

$$\ln Y_1 = 2.023404 + 0.639436 \ln X + \mu_1$$

$$\ln Y_2 = 0.245367 + 0.926089 \ln X + \mu_2$$

In model (1), for every 1% increase in China's direct investment in Myanmar, Myanmar's total exports to China will increase by about 0.6394%. The coefficient of determination of the adjustment in the regression results is 0.912375, which shows that the model generally fits the sample data well, that is, in the total variation of the observed values of the sample explained variable (the total volume of Myanmar exports to China), the explained variance of the explanatory variable (the volume of Chinese direct investment in Myanmar) is 91.23%.

In model (2), for every 1% increase in China's direct investment in Myanmar, Myanmar's total imports from China will increase by about 0.9261%. The coefficient of determination of the adjustment in the regression results is 0.771674, which shows that the model generally fits the sample data well, that is, in the total variation of the observed values of the sample explained variable (Myanmar's total imports from China), the explained variance of the explanatory variable (the amount of Chinese direct investment in Myanmar) is 77.17%.

2. t-test, heteroscedasticity test and autocorrelation test

From Table 6 it can be seen that the statistical values of the regression coefficients t of model (1) and model (2) are 11.67732 and 6.703435, respectively. Using $\alpha=0.05$, the t distribution table is checked, $t_{0.025}(14) = 2.145$ is obtained. The statistical values of the regression coefficients t of the two models are greater than $t_{0.025}(14)$, so the original hypothesis is rejected, that is, China's direct investment in Myanmar has a significant impact on the import and export trade between China and Myanmar.

Both models were tested and the results are shown in Table 7. The two p-values are 0.4588 and 0.6457, respectively. At the 5% significance level, the original hypothesis is rejected, that is, there is no heteroscedasticity between model (1) and model (2).

Table 7. White test results for model (1) and model (2)

	Obs*R-squared	Prob.Chi-Square(2)
Model (1)	1.571617	0.4588
Model (2)	0.874734	0.6457

Both models were thoroughly tested and the results are shown in Table 8. At the 5% significance level, the p-value of model (2) is 0.3120, which is greater than 5%, so there is no autocorrelation. The P-value of model (1) is 0.0209, which is less than 5%, so there is autocorrelation in model (1). To perform autocorrelation processing of model (1), the Cochran-Orcutt iterative method is used. The processing result is $DW=1.556595$. In the correspondence table, you can get $dL=1.352$, $dU=1.489$, $dU < DW < 4-dU$, which indicates that model (1) does not have autocorrelation under the condition $\alpha=0.05$.

Table 8. Boish-Godfrey test results for model (1) and model (2)

	Obs*R-squared	Prob.Chi-Square(2)
Model (1)	7.734453	0.0209
Model (2)	2.329425	0.3120

CONCLUSION OF THE EMPIRICAL ANALYSIS

Based on the above empirical study, the final conclusion is that China's direct investment in Myanmar has a complementary effect on trade between the two countries, that is, an increase in China's direct investment in Myanmar contributes to the increase in import and export trade between the two countries. Specific indicators:



For every 1% increase in China's direct investment in Myanmar, Myanmar's exports increase by about 0.6394% and its imports by 0.9261%. Moreover, the complementary effect of Chinese direct investment in Myanmar on trade between the two countries has a greater impact on imports than on exports. If China continues to increase its direct investment in Myanmar in the future, direct investment will boost trade between China and Myanmar.

IV. RESEARCH CONCLUSIONS, COUNTERMEASURES AND SUGGESTIONS INCREASING DIRECT INVESTMENT IN MYANMAR

Increased Chinese direct investment in Myanmar will boost import and export trade between the two countries. If China increases its foreign direct investment in Myanmar in the future, under the spillover effects, trade between China and Myanmar will definitely develop vigorously. At present, China's direct investment in Myanmar is mainly concentrated in the fields of electricity, oil and natural gas, especially in the power sector. Currently, Myanmar's electricity demand is growing at about 15%-19% per year. In the future, if Chinese companies continue to increase investment in Myanmar's energy sector, it will not only help Myanmar solve its serious electricity shortage, but also promote the development of Myanmar's rice trade. As one of the world's important rice exporters, Myanmar has a well-developed rice processing industry. Once Myanmar's power supply is stable and sufficient, many of the machines and equipment needed for recycling will be able to operate normally. Most households in Myanmar prefer to engage in rice processing once the power supply problem is resolved. China buys most of Myanmar's rice. In 2019, the country increased Myanmar's rice import quota from the previous 100,000 tons to 400,000 tons. If China increases its investment in Myanmar's energy sector, then according to the complementarity effect, rice trade between China and Myanmar will develop vigorously in the future. Based on empirical evidence, it is concluded that the complementary effect of China's direct investment in Myanmar on trade between the two countries has a greater impact on imports, than for export. As Myanmar's largest rice importer, China takes full advantage of the complementary effect, and energy investment boosts the development of Myanmar's rice trade.

STRENGTHENING POLICY SUPPORT AND STRENGTHENING SILENCER EFFECTS

Long-term friendly cooperation between China and Myanmar will address the risks and challenges that the countries may face in the future during economic and trade cooperation. In early 2021, when China's State Councilor and Foreign Minister Wang Yi visited Myanmar, the two sides reached a series of frameworks for political and economic cooperation. In order to guide the healthy development of Chinese investment in Myanmar in the future, it is important to strengthen support for national policies, especially financial support for Chinese companies to "go abroad" to combat the epidemic, increase Chinese companies' awareness of the risks of the epidemic, help Chinese companies make a good assessment of the risks associated with direct investment in Myanmar during the epidemic, simplify procedures,

IMPROVING THE MECHANISM OF CHINESE-MYANMAR TRADE AND INVESTMENT COOPERATION

Chinese companies in Myanmar must have relatively reliable mechanisms to ensure smooth progress of trade and investment cooperation between the two countries. Fulfilling the "Five Tasks" is the specific requirement of President Xi Jinping in 2013 to create an innovative cooperation model for the Silk Road Economic Belt. With the continuous development of the "One Belt, One Road" strategy, the mechanism of "unhindered trade" between China and Myanmar has been formed, and trade barriers between the two countries have been gradually overcome. The two countries have gradually removed and overcome trade barriers to the export of six Chinese agricultural products, including dried tobacco leaves, apples and pears. In future,

In addition, Chinese companies will face various difficulties when investing in Myanmar. Based on the joint implementation of the "One Belt, One Road" strategy, it is necessary to help Chinese companies carry out trade and investment cooperation, and further expand Myanmar's investment and trade markets. At the same time, more service organizations for China-Myanmar investment and trade relations should be established, which serve to resolve the difficulties and appeals of Chinese companies investing in Myanmar, and promote the good development of China's direct investment and trade with Myanmar.

MAINTAINING POLITICAL STABILITY AND POLICY CONSISTENCY

China's investment in Myanmar lags far behind that in Singapore, Malaysia and even Vietnam. In addition to Myanmar's weak economic base, a very important reason lies in the turbulent political situation. There are many ethnic groups in Myanmar, and due to historical and other reasons, there are many complex disputes and



contradictions between different groups. Myanmar's democratic parties and the military government also check and balance each other. The unstable political situation in Myanmar has reduced the country's attractiveness for foreign investment, causing the trend of foreign investment to fluctuate. In February 2021, a coup d'etat took place in Myanmar and the military seized power, causing turmoil in the domestic political situation. Myanmar is currently going through its most difficult period in 10 years. Due to various concerns, foreign investors have stopped and reduced their investments in Myanmar, including China. Therefore, to enhance Myanmar's investment attractiveness, it is necessary for Myanmar to maintain political stability and policy continuity, reduce the investment risks of foreign investors, and at the same time provide a favorable economic environment for the smooth development of foreign trade.

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