

URBAN DEVELOPMENT IN LASHIO, NORTHERN SHAN STATE/MYANMAR: TRADE FLOWS AND TRADE CONNECTIONS

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Abstract

Lashio is a largest trading town of northern Shan State. It is located on the main trading road connecting with China and Central Myanmar. Most of the traded commodities come from China, Yangon, Mandalay, Thailand and near townships. Most customers are from Lashio town and nearby village tracts. The paper investigates the main trade flows and connections, including seven main commodities: rice, corn, vegetables, grocery, clothes, electronic goods and car accessories. As the urban area expands, trading activities gradually expand from the town centre into urban expansion areas. Small shops and wholesale centres and their connections have been investigated. The paper is based on quantitative and qualitative fieldwork in Lashio. First a literature review took place and secondary data (numbers and types of shops) was collected from General Administrative Department of Lashio, Lashio City Development Committee and Lashio Trade Organization. Then key actors were asked in qualitative open interviews with local experts (retailers and wholesalers). Finally, a SWOT analysis comes to a comprehensive assessment.

Keyword: trade flows, trade connections, wholesalers, retailers, Lashio town, urban development, SWOT analysis

Introduction

Lashio as administrative, political, economic and cultural centre of Northern Shan State is located in key position on the major trade route from Myanmar to China. Its strategic linkage position in respect to its economic and geopolitical importance has developed during the last decades in connection with the gradual upgrading process of road infrastructure (especially the National Highway No. 3 (NR3) = Asian Highway No. 14 (NH14)) and in conjunction with the growing trade volume between Myanmar and China.

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Lashio Town is embedded in a large administrative area in the northeast of Shan State, south of the border between Myanmar and China. Northern Shan State comprises seven districts, namely Kyaukme District (in the west), Muse District (in the north), Laukkaing, Hopang and Matman Districts (in the east) and Lashio District (in the centre). Lashio District is composed of four townships, namely: Lashio (in the west), Theinni (in the north, also written: Hseni), Mineye (in the southwest, also written: Mongyai) and Tanyan (in the southeast, also written: Tangyan). Lashio Town comprises twelve wards: Lashio Gyi, Myanmar Khayo, Nampachi, Myowan, Aungthidar, Aungmyitta, Shwebonthar, Shweli, Thanlwin, Thirimahar, Aryondaw and Aungmingalar Wards.

Recent transformation processes in Northern Shan State

The recent political and economic processes in Northern Shan State have to be judged upon the long, distinctively different and very complicated history of Shan State (in terms of area the biggest amongst Myanmar's States and Regions, covering 23.2% of Myanmar's territory). Shan State is amongst the areas in Myanmar with the greatest ethnic diversity: Of the officially recognised 135 ethnic groups, 33 different groups reside in Shan State. In respect to the diversity of languages, at least eight different languages from different language families can be found, adding upon the ethnic diversity.

Lashio Township and Town

As statistical data on Lashio Township and Lashio Town are scarce, it is not possible to analyse comprehensively the current state of their demographic, economic and social development in detail, but based on the results of the 2014 Myanmar Population and Housing Census, at least an analysis of the general state of development on township basis is possible.

The entire Shan State comprises in total 5,824,432 inhabitants (MoIP 2015: 10); 76% of the persons live in rural areas. So the level of urbanisation in Shan State is still relatively low – which implies that Lashio Town is of relatively high importance within the urban and settlement network of Northern Shan State, being the only larger town with a surplus of urban centrality.

The *demographic situation* can be characterised as follows: Lashio Township is by far the most populous within Lashio District, which holds true also for its centrality and urban functionality. Lashio Township has 174,335 urban population (84,331 male and 90,004 female; sex ratio: 93.7) and 149,070 rural population; thus 53.9% are urban (MoIP 2015: 25). The total dependency ratio of Lashio Township is 57.5 (child dependency ratio: 50.4, old dependency ratio: 7.1) (MoIP 2015: 48). The substantial female surplus gives indication to the fact that the government and service sector is more developed here than in the neighbouring townships (i.e. government, education and trade sectors are comparatively active).

Table 1: Total population, sex and sex ratio in Lashio District (2014)

	Total population				Population in conventional households			Population in institutions		
	Both sexes	Male	Female	Sex ratio	Both sexes	Male	Female	Both sexes	Male	Female
LASHIO District	612,248	299,530	312,718	95.8	583,342	276,528	306,814	28,906	23,002	5,904
Lashio Township	323,405	158,512	164,893	96.1	305,923	145,840	160,083	17,482	12,672	4,810
Theinni Township	56,662	28,604	28,058	101.9	54,190	26,414	27,776	2,472	2,190	282
Mineye Township	59,376	28,391	30,985	91.6	56,768	25,914	30,854	2,608	2,477	131
Tantyan Township	172,805	84,023	88,782	94.6	166,461	78,360	88,101	6,344	5,663	681

Source: MoIP 2015: 16

Lashio Township is subject to certain, but not yet larger migration flows, partly in-migration, partly out-migration (see Table 2). Obviously, labour migration at least contributes to increased food security for the respective households. Even though the contribution from remittances from labour migrants does not seem to be significant, it contribute to improve the food security of the households. About 23% of the households asked in a study reported at least one household member was working outside the community. Compared to other townships, labour out-migration is not so

common in Lashio (all figures: WFP 2011: 14). About 11% of the labour migrants chose Myanmar, 12.6% other countries as destination (WFP 2011: 15).

Table 2: Former conventional household members of Lashio Township living abroad by country of residence (2014)

	Total	Thailand	Malaysia	Singapore	China	Japan	Korea	India	USA	Other
LASHIO	23,713	14,939	1,146	597	6,325	72	18	19	161	436
Male	11,472	7,591	587	173	2,786	30	13	8	84	200
Female	12,241	7,348	559	424	3,539	42	5	11	77	236

Source: MoIP 2015: 73

The *economic situation* in and around Lashio Town is, first, based on local agriculture which produces mainly rice and maize; crop yields in the flat areas near Shweli River are higher than in the mountainous areas. Maize comprised about 31% of the yields in the larger area of Lashio Township and the townships north of Lashio to the Chinese border (2008/9; WFP 2011: 5). Local agricultural products and minerals are mostly exported to Yunnan Province/China. Commodities from other parts of Myanmar - e.g. timber, fish and sea foods, rice, pulses and rubber as well as non-food items - are transported through Lashio to China (WFP 2011: 5). Second, the economy is based on trade, which flourishes particularly within Lashio Town. In recent years, with rising trade volumes and values, trade activities on the international and national scale has grown substantially – which is reflected on local level in the growing numbers of retail and individual shops of different sizes. The trade flows are obviously multidirectional, depending on the type of goods, but cannot be further quantified due to the lack of reliable statistical data on trade. As Shan State is belonging to the so-called Golden Triangle, an important, yet illegal and not quantifiable contribution to the state's economy is generated by the production and trade of opium, heroin and meth-amphetamine (yaba) synthetic drugs (UNDP 2015: 7).

In respect to labour force and thus the economic basis for the households, Lashio Township shows the typical characteristics of a regionally important centre, as town with higher administrative, educational and health-related functions and economic powerhouse for a wider area. This becomes obvious in regards to the usual activity status: Relatively high amounts of people are working as government employees. Also the numbers of private employees (i.e. those owning and running own businesses) and the numbers of full-time students are comparatively high.

Table 3: Usual Activity Status in Lashio Township (2014)

	Total	Employee (government)	Employee (private)	Employer	Own account worker	Unpaid family worker	Sought work	Did not seek work
Lashio	261,728	10,358	36,640	3,308	68,953	22,130	4,488	1,378
Male	127,228	6,522	25,332	2,317	41,888	9,990	2,834	895
Female	134,500	3,836	11,308	991	27,065	12,140	1,654	483

	Total	Full time student	Household worker	Pensioner, retired, elderly	Ill, disabled	Other
Lashio	261,728	43,102	43,874	16,784	1,725	8,988
Male	127,228	20,704	3,096	6,813	931	5,904
Female	134,500	22,398	40,776	9,971	794	3,084

Source: MoIP 2015: 194

Indirect indication about the economic prosperity of Lashio Township can be drawn from the level of available infrastructure. First and foremost the existing road network and its upgrade level are a key indicator: As the National Highway No. 3 has been frequently and recently upgraded and widened over the last years, this reflects the status of economic prioritisation for the country (*here we should in detail describe its state of development). Second, the

statistical indicator ‘source of lighting’ for the households in Lashio Township are a strong indicator for the level of available infrastructure supply: From 64,932 households in total, 34,468 used electricity, 1,501 kerosene, 8,572 candles, 1,822 battery, 447 private generators, 1,991 private water mills, 15,548 solar systems/energy and 583 other sources (MoIP 2015: 275); this indirectly reflects a high urban standard in comparison with other regional cities.

Lashio as trade town: Trade connections between Central Myanmar and China

As reliable figures on the trade volume and flows are yet lacking.

Research Questions

Against this background, which illustrates the importance of Lashio as trade town between Central Myanmar, Northern Shan State and China, the aim of the study is to look deeper into the trade flows and trade connectivity of Lashio within the frame of the recent socio-economic development of Myanmar and Northern Shan State. The guiding research questions are:

- (a) How did the general situation of trade in Northern Shan State and Lashio develop and which are the challenges and prospects of local, regional and international trade connections?
- (b) Which are the major trade flows in Lashio and how does trade develop for selected commodities?
- (c) How can the major challenges and future prospects of trade in Lashio be evaluated?
- (d) Which suggestions can be given in order to support an improved development of trade from which the entire area and society can benefit?

Material and Methods

The research project is part of the joint Myanmar-German research project ‘81+ Urban Network System of Myanmar’; fieldwork was conducted in February/March 2017. The research design is based on a mixed-methods approach which used systematic literature search, secondary data collection,

unsystematic talks, in-depth interviews, mapping methodologies and field observations in Lashio in order to understand and evaluate the local, regional and international trade flows and connections. Literature search included reviewed articles, published documents and unpublished studies, as far as it could be retrieved from international libraries. Secondary data include statistical data from the local administration. During the empirical fieldwork, mapping and field observation, 3 unsystematic talks, 19 in-depth qualitative talks with shop owners and wholesale shops and 6 in-depth interviews with experts on the general socio-economic development of Lashio were conducted. Based on the findings, a synthesising SWOT analysis allowed to assess the trade situation.

Trade and Economic Development

In the study area Trade sector is becoming more developed recently. According to Win Maung et al 2005, Myanmar has always been trade - oriented. This was the case in the colonial period, but it is equally true of the present. The commodities composition of Myanmar exports was changed during the last two decades. Rice has become relatively less significant over time. The decline in the relative importance of rice has been eclipsed by the emergence of other exports, especially different kinds of pulses.

Nowadays the trade comes out of peoples or governments sector is compared to private sector since there is open market economy. There are six people's corporations in Northern Shan State that take the responsibility of trade and commerce for both wholesale and retail provided by the Ministry of Trade.

The Township Co-operative Society also carries out the distribution and sale of the consumer goods, textile goods, garments, agricultural implements and tools, domestic household good, medicine and drugs, and electrical appliances (Mya Min, 2010).

Trade flows and markets in Lashio Town

There is one big market under the Lashio administration serve the town, namely Myoma Zaygyi .There are 18 blocs and 1860 shops. Three medium bazaars: Mansu, railway station (Butaryone) and Aungmingalar bazaars and 11 small bazaars are opening in Lashio Town. But there are only

small bazaars that open in the morning only. Within the Mansu bazaar has 143 shops (Lashio City Development Committee, 2017). Within the big market foodstuff, edibles and clothes are mainly sold. The exports of Lashio Township are mostly agricultural products and the main imports are consumer's goods, medicine, electrical appliances, agricultural implements and tools and building and construction materials.

Transportation is an important factor for trade flows and regional development. Padauk, Shwe Kankaw and Cherry blocs are near main roads which Lanmataw, Hanthawaddy, Theinni and Bogyoke roads. Thus, well accessible trade facilities for buyers and sellers (Table 4).

Table 4: Number of blocs and shops in Myoma Zaygyi, Lashio town, 2017

Sr No.	Bloc	Shop
1	Padauk	258
2	Shwe Kankaw	349
3	Cherry	382
4	Aung Thapye	182
5	Shwe Withmone	48
6	Shwe Bontha	25
7	Myat Lay	84
8	Kan Baw Za	8
9	Nay Yee Yee (Thazin)	139
10	Bogyoke Lane Zayyone	41
11	Han Thar Waddy Lane Zayyone	14
12	Swel Taw Yone	22
13	Grocery block	176
14	Near grocery block	9
15	Hnin Si	49
16	No. 2 Bank Lane	18
17	Inn Waa Bank	13
18	Fish and Meat	43
Total		1860

Source: Lashio City Development Committee, 2017

Major trade flows in Lashio and connections

There are numerous influencing factors on trade flows. These are: price of goods, population, fluctuation of price, infrastructure, and changes of climatic conditions, transport cost and the nature of town (depends on Chinese customers).

Lashio is the largest city in Northern Shan State of Myanmar and being as a trade town. It is located on the main trading road connecting China and Central Myanmar.

The distribution of goods and services between wholesalers, retailers and consumers is one of the major economic activities of the any town. Growing economic activities due to improved connectivity to central Myanmar and the China border area invests in trade sector. New infrastructural developments are supporting, including the upgrading of the transportation, connecting different parts of the town. Transportation Committee is raised to district status and thus it carries out the transportation and distribute of Trade's Corporation merchandize goods and army foodstuff.

On the other hand, in the central part of the town around the Myoma Zaygyi Area and Lashio University emerge stores, minimart, small food shops and services. Consequently, economic power and trade sector growing not only within the urban area but also in border areas. Trade flows and volume of maize increased from 140,069tons in 2007-08 to 455,240tons in 2015-16. This is due to increase demand from China. Some maize cultivated area were replaced in former poppy cultivated land (Table 5).

Table 5: Increase Trade Volume of Maize by Township (Metric Ton)

Sr. No.	Township	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1	Lashio	33000	34261	53415	41846	92919	100781	116570	138832	150010
2	Tan Yan	10520	12625	15876	17985	19853	20985	22893	24956	25515
3	Mime Yae	3658	3725	3956	4012	4900	4983	5007	5160	5200
4	Thein Ni	7213	7520	7783	7856	7922	8017	8250	8900	9400
5	Kyaukme	10658	12760	14010	13507	14810	21520	42150	53050	61520
6	Thi Paw	48972	49856	54993	79112	60369	61265	62369	62967	63691
7	Naung Cho	24063	25182	26916	58412	42520	49885	50267	98264	120031
8	Nan Ma Tu	1985	2005	2737	3535	1879	5290	17968	18006	19873
	Total	140069	147868	179686	226265	245172	272726	325474	410135	455240

Source: Trade Organization, Mansu Bazar, Lashio 2017

The major trade flows and connections, including seven main commodities: rice, corn, vegetables, grocery, clothes, electronic goods and car accessories. Mapping Categories of Lashio in Figure (1).



Figure 1: Location Map of interviewees regarding trade in Lashio

Source: Own fieldwork, base map: General Administrative, Lashio, 2017

The numbers of selected commodities in nine big blocs in (Table 6). Within this nine blocs the number of grocery shops are 74 and located in Padauk bloc. The number of clothes and shoes shops are 127 in Shwe Kan Kaw and 301 shops in Cheery blocs. The number of shops more than others blocs. Consequently, most of the sellers depend on grocery, clothes and shoes goods.

Table 6: The numbers of selected commodities in nine big blocs

Sr. no	Name of bloc	rice, corn and beans	vegetables (green-grocery)	grocery	clothes and shoes	electrical goods	car accessories
1	Padauk	3	-	74	61	-	
2	Shwe Kant Kaw	2	-	47	127	3	
3	Cheery	-	-	2	301	8	
4	Aung Thapye	14	-	10	98	10	
5	Hnin Si	-	1	-	46	-	
6	Nay Yee Yee (Thazin)	-	4	2	81	-	
7	Western part of Innwa	3	-	2	1	-	
8	Bank street		4	14	-	-	
9	Grocery bloc	7	2	37	24	1	
Total		29	11	188	239	22	

Source: Data derived from LCDC, 2017 and data modified by researchers

The pattern of the trade flows are multidirectional and it's depend on type of goods. Among them, clothes, shoes and grocery shops are more than others. Most of sellers depend on clothes, shoes and grocery goods.

The major trade flows of rice and corn:

The exports of Lashio Township are mostly agricultural products especially, rice and corn. Rice and corn depots are about 30 in Lashio township. Most of the export area is China and others are Tanyan, Naunmon, Nanmatu, Kyaukme and Nantlan.

The imports areas are Yangon, Daik Oo, Pyay, Shwe Bo, Mataya, Oaktwin and Kwanloan area (villages of northern Shan State). These are Myanmar species. Shan species imports from Loikaw, Nyaung Shwe, Lashio, Maiyal, Kyaukme and Maikaw.

The major trade flows of vegetables:

There are six vegetables shops in Myoma Zaygyi and three vegetables shops are in outside of market. The exports area of vegetables shops are neighboring villages of Lashio township.

The major imports areas are China, Mandalay, Kyaukse, Bhamaw, Kathar, Kyaukme and Chaung Oo.

The major trade flows of Grocery:

The major exports areas are Tantyan, Thepaw, Naungmon and nearly villages. The major imports areas are Muse, Mawthaung and Yemathin.

The following table 7 gives a summery and overview of current weaknesses and strenghts as well as future opportunities and threats as they have pointed out and discussed.

Table 7. Comprehensive SWOT analysis on local interviewees (regarding on selected commodities)

Sr No.	Commodities	Strength	Present	Future	
			Weakness	Opportunities	Threat
1	Rice	-high experiences -depends on local Products -interested on their jobs -can live together with families	-difficulty in beginning -long time high invest -giving loans	-job opportunities for local people -difference between export price and local price	-depends on Chinese customers
2	Corn	-local products -home economy -can export by public transport -replace in pops land	-export problem -reduce selling	-job opportunities for local people -become owner	-needs peaceful -to live
3	Vegetables	-traditional business -regular income -more sale to Chinese customers	-political issue -irregular climatic conditions -needs cold storage -can sell only 6 months	-more sale in special occasion -better chance for family	-transportation problems in Goudetwin area
4	Grocery	-	- even buy expire goods -depends on Kwegaung -needs to grow in local	-can support to family	-don't worry
5	Clothes	-traditional businesses -more sale in winter -skilled	-can sell only Thedingut and water festival -clothes shortage problems -labour shortage	- job opportunity for family -preserve on inherent	-high price for shop -worry for security
6	Electronic Goods	-responsible in concerning company -interested	-unskilled -technological difficult to sell -more competition than others	-more widely society	-don't worry for next 3 years -depends on politics
7	Car accessories	-traditional business	-delay to delivery -narrow street -unsystematic car park	-job opportunities for local people	-don't worry

Source: Khin Khin Soe, Mya Min, Min Mnin Aye, Frauke Kraas, 2017

The major trade flows of Clothes:

The major exports areas are Lashio, Nanmatu, Theinni, Tanyan, Maiyal, Kautkhaing and Mai Shu. The major imports areas are Muse, Mandalay, Yangon, Taunggyi, Kachin (Moehnyi), Thailand and China.

The major trade flows of of Electronic goods:

The major export areas are neighbourings villages of Lashio, Theinni, Namlan, Maiyal and Maiyaw. The major imports areas are Yangon, Mandalay and China.

The major trade flows of of Car accessories:

The major export areas are Yangon, Thailand, India and China. The major imports area are Namlan, kyaukme, Nanpaung and Lashio.

Suggestions for improved development (interview answers):

- Clear rules and regulations – and consequent implementation
- Modernisation of shops and trade areas, but no high rise buildings (as already second floor is not accepted by customers)
- More car and motor cycle parking space
- Cleaner markets and solving of waste problem
- Space for expansion of businesses
- Better education for and better work morale of workers
- Relocation of passenger busses from centre to other place
- Improved roads from/to villages in order to foster trade opportunities
- Improvement of internet connections to support digital trade orders

Discussion: future prospects

- Traders **know very well their situation** and are very responsible and engaged in local economy
- Many traders are **content with the general facilities** (no complaints about water, electricity, little on infrastructure) and with the **administration**

(many underline the improvements in recent years, but sometimes hint lack of participation)#

- Traders **do not worry for labour force** (but complain about high turn-over, frequent drop-outs) and **not for future development**
- **Connection** (information flow, support, exchange) between traders and administration seems good (“they care well”)
- High and **growing international competition** hinders local development (Lashio as transit town only, no benefits)

As currently labour out-migration is not so common: measures for **keeping that important labour force** should be taken

Conclusion and Recommendations

Improvement for trade conditions

- Improvement of **general investment** climate: **real market economic conditions, support for small/medium traders**
- **Diversification** of and **economic support** for local agricultural and handicraft products from the city and its hinterlands
- Improvement of **financing sector**: capital support, longer loans
- Improvement of **transportation**, solving of problems in Goktwin area (currently: delays for trade flows)
- Infrastructure: **cheaper** costs for **transportation**
- Communication: improvement of communication and internet lines
- Establishment of international **product standard system**
- Marketing: establishment of local product and country **brands**
- Implementation of **quality control**
- **Negotiation**: reliable bilateral and multilateral trade agreements

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