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SHAN STATE INVESTMENT OPPORTUNITY















Survey Report

March, 2017

Prepared by

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Myanmar Marketing Research & Development Co., Ltd.

SHAN STATE
INVESTMENT OPPORTUNITY SURVEY REPORT 2017





SHAN STATE

INVESTMENT OPPORTUNITY

SURVEY REPORT 2017



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Preface

Shan State is the largest state in area among states and regions of Myanmar, which has 155,796 km2 (23% of the Myanmar land size) of vast and diversified land that enables huge potential for agriculture, food processing, tourism and other industries. It also shares long border line with neighbouring countries and acts as the most active gateway for border trade through Muse and Tachileik. In addition, appropriate climate at highlands encourages wide variety of income generating crops and agro-products such as vegetables, fruits, tea, coffee and other cash crops. It also brings growing number of tourists to the State's well-known touristic destinations such as Inle Lake.

In order to capture such potential more effectively, Shan State Investment Opportunity Survey has been conducted by Myanmar Investment Commission (MIC) and its secretariat Directorate of Investment and Company Administration (DICA), supported by Japan International Cooperation Agency (JICA) under its technical cooperation programme with DICA and implemented by Myanmar Marketing Research & Development (MMRD) from November 2016 to January 2017 in Shan State.

The Shan State Investment Opportunity Survey is simultaneously conducted with the Shan State Investment Fair, which was held on 10-11 February 2017 in Taunggyi, co-organized by MIC, JICA and Shan State Government, with the support of the Southern Shan State Chamber of Commerce and Industry (SSCCI), Japan External Trade Organization (JETRO) and MMRD. The Shan State Investment Fair, which was composed of Investment Seminar, Exhibition, Business Matching Event and Site Visit Tour, attracted 450 participants and shared various untapped potential investment opportunity information. Draft outcome of the Survey was presented in the Investment Seminar of the Fair.



Based on the Economic Policy issued in July 2016 under the new government, "Investment Policy" was formulated and issued in November 2016, which identifies foreign investment is incredibly crucial for national development and promises to improve investment climate for attracting responsible foreign investment. The Investment Policy welcomes 8 types of businesses including, Agro-based industries with productivity- enhanced and value-added, and Tourism related investment, both of which exactly Shan State has maximum potential. Furthermore, our new Myanmar Investment Law enacted on 18 October 2016 will provide potential investors with better investment climate and streamlined regulatory framework, as well as enhancing investment in less developed but developing area such as Shan State.

We hope this Shan State Investment Opportunity Survey Report helps investors to consider investment in Myanmar in particular Shan State.

With best wishes,

U Aung Naing Oo
Secretary
Myanmar Investment Commission
Director-General
Directorate of Investment and Company Administration

Background of the Shan State Investment Opportunity Survey

Foreign Direct Investment (FDI) is considered as an engine of growth and highly prioritized in Myanmar. The Myanmar Investment Commission (MIC) is responsible for Promotion of investment.

In order to achieve balanced economic development as the national agenda, regional investment promotion is considered to be important but its strategy and implementation have not been fully materialized. With an agenda to address these issues, "Mandalay Investment Opportunity Survey and Investment Fair" was successfully conducted in 2015.

Building on the results of "Mandalay Investment Opportunity Survey and Investment Fair 2015", MIC and the Japan International Cooperation Agency (JICA), which currently dispatches a JICA Expert as an advisor on investment promotion in Directorate of Investment and Company Administration (DICA) of Ministry of Planning and Finance jointly organizes the "Shan State Investment Opportunity Survey and Investment Fair 2017".

Located in north eastern part of Myanmar, Shan State is bordered by Kachin State to the north, Sagaing and Mandalay Regions to the west, Kayin State and Kayah to the south while sharing border with Laos to the east, Thailand to south-east and China to the north-east, which acts as the most active gateway for border trade through Muse' in particular and Tachilek. With the area of over 60,155 sq. miles, Shan State is the largest constituent unit of Myanmar with 23% of total land area.

Apart from being the trading hub of Myanmar, Shan State offers various types of investment opportunities due to its location in Myanmar and strategic linkages as the regional hub between China and Thailand. The region also provides raw materials for different industries including food processing and agro-based products. Therefore, providing linkage between the potential investors and the local business partners can trigger unprecedented economic developments to the region.





For this purpose, Myanmar Marketing Research and Development Co., Ltd. (MMRD) was contracted with JICA and conducted the Survey and Fair in order to identify untapped opportunities for investment in Shan State area with evidence, to promote the identified investment opportunities in and Shan State for potential investors, and to enhance linkages between Shan State local business and foreign/domestic investors.

Executive Summary

One of the largest states in Myanmar (in area), Shan State occupies a strategic geographic location in the country. It is an active gateway for border trade and a high potential area for investments in sectors such as tourism and hotels, trading and manufacturing. Other sectors which also carry a lot of potential include agriculture, cement and mineral processing. Agri-products such as maize, fruits, garlic from the State have been exported to China, Thailand, and coffee, tea to the U.S and Europe.

Shan State also has large acres of land which could be extended to develop agriculture zone, industrial zones, entertainment, recreation and leisure centers, and resorts, among others.



Despite the abundant opportunities, there has been limited foreign and local investment in the state. According to Directorate of Investment and Company Administration (DICA), as of January 2017, US$ 735 million had been invested in the state from 13 FDIs, mostly in electrical power generation, and MMK 627 billion had been invested by 59 Myanmar citizens, mostly in the hotel and tourism sector. According to the notification under the new Investment Law 2016, 55 townships in Shan State have been designated as the Development Zone (1) and (2) which can enjoy tax exemptions for seven (7) years and five (5) years respectively.



According to business perspective of the investment opportunity survey, 45% answered that Shan State has attractiveness for investment incentives currently. Responses on investment environment on Macro-economy, regulatory framework, infrastructure, labour, land and access to finance are fair. Better respond was made on Logistics. Current situation of the respondents' businesses is slow but 60% of them expected that there will be good business prospects in the next three years. Most have the opinion that high potential businesses for investment are agro-based value-added products production, hotels and tourism sector and agri business.

Shan State has experienced electricity and labour shortages, as well as security concerns which have hindered its development. The region must prioritize on the following:

1) Improvement in peace and stability situation in the state
2) Expansion and development of existing industrial zones, and further development zones to create job opportunities
3) Transformation of the production of primary agricultural products into food processing
4) Local and international investment in regional electrification

The Shan State Government is encouraging investments in Shan State by allowing land, supplying electricity, managing infrastructure development and quick investment permit to attract foreign and local investment. DICA (Taunggyi Branch) and other line departments are improving their services to investors. Generally investment environment in Shan State is found better prospect.

Abbreviations

ASEAN	Association of Southeast Asian Nation
AH	Asia Highway
B2B	Business - to - business
BOT	build, operate and transfer
CSO	Central Statistical Organization
DICA	Directorate of Investment and Company Administration
FDI	Foreign Direct Investment
FIL	Foreign Investment Law
FY	Fiscal Year
GDP	Gross Domestic Product
JICA	Japan International Cooperation Agency
IZ	Industrial Zone
JETRO	Japan External Trade Organization
KII	Key Informant Interview
MCDV	Myanmar Comprehensive Development Vision
MIC	Myanmar Investment Commission
MMK	Myanmar Kyat
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MMRD	Myanmar Marketing Research and Development Ltd
MPT	Myanmar Posts and Telecommunications
SEZ	Special Economic Zone
SMEs	Small and Medium Enterprises
UMFCCI	Union of Myanmar Federation of Chambers of Commerce and Industry
US	United States

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1

Macroeconomic Overview of Shan State





1. MACROECONOMIC OVERVIEW OF SHAN STATE

This section provides a brief overview of Shan State's economy. The information is presented from the perspective of government officials interviewed for this research.

1.1 Brief Profile of Shan State

Figure 1: Map Shown Shan State in Myanmar



Source: MMRD Business Insight

Table 1: Key Facts and Figures of Shan State

Size	60,155.23 Square Mile (155,801.33 Square Kilometer)
Population	5,960,000 (2015 - 16) 4th populated state (11.56% of union population) Population density - 37/km^2
Number of households	1,169,569
Number of districts	13
Number of townships	55
Capital	Taunggyi
Gross Domestic Product	7.5% of overall GDP (FY2015 - 16)
Major industries	● Agriculture and agro based processing ● Trading and logistics ● Minerals and mining ● Tourism

Located in the north eastern part of Myanmar, Shan State is bordered by Kachin State to the north, Sagaing and Mandalay Regions to the west, and Kayin and Kayah States to the south. Shan State borders Laos to the east, Thailand to the south - east and China to the north - east. Shan State is the largest constituent unit by geography of Myanmar with an area that covers over 60,155.23 square miles (155,801.33 Square Kilometer) - 23% of the total land area. According to the 2014 Myanmar Population and Housing Census, Shan State is largely rural by 76% and 24% urban.

Major cities in Shan State include Lashio city (Northern Shan) which has a population of 174,335, Keng Tung city (Eastern Shan) which has a population of 44,289 and Taunggyi city (Southern Shan) which has a population of 264,804. Taunggyi is the capital of Shan State, located 456 miles (716 km) north of Yangon.

Shan State generally has a tropical climate with low temperatures as it falls in the hilly region. In the coldest months of December and January, the average temperature of the region is 21°C (70°F) to 26°C (80°F). The highest temperature in Konglung, Lashio, Hsipaw and Nyaung Shwe towns in low valleys is 37°C (100°F) at daylight. Rainfall is over 60 inches in the hills and over 40 inches in the valleys. South - west monsoon brings rainfall into the state and waves of whirlwind from the South China Sea produce rainfall in late monsoon.

Shan State is the trading hub of Upper Myanmar, connecting the country with China and Thailand, both of which are major trading partners. The distance to the China border is 778.9 km from Taunggyi to Muse, and 698.5 km to the Thai border from Taunggyi to Tachileik.

1.2 Administrative Structure

On account of its large geographical area and ethnic complexities, the administrative structure of Shan State is different from that of other states/ regions in the country. The state is divided into three regions - Southern, Northern and Eastern Shan - with 13 districts and 55 townships in total. Southern Shan where the capital city located is divided into 22 townships, 35 towns, 240 wards, 419 village tracts and 4893 villages. Shan State has the largest number of ethnicities in the country by 34 which are being home to Shan, Burma, Han-Chinese, Wa, Lisu, Danu, Intha, Lahu, Ta'ang, Pa-O, Taungyo, Ahkha ethnics etc.

Table 2: Administrative Structure of Shan State

Shan State	District	Township	Town	Ward	Village Track	Village
Southern	3	22	35	240	419	4,893
Northern	7	23	32	180	707	4,724
Eastern	3	10	18	77	193	2,912
Total	**13**	**55**	**85**	**497**	**1,319**	**12,529**

Source: Shan State Government documents

Figure 2: Map of Administrative Structure of Shan State



Source: MMRD Business Insight

1.2.1 Self - Administered Regions

There are five self - administered zones and one self - administered division in Myanmar. The self - administered zones and divisions, which are overseen by governments known as leading bodies, and sit below the regional governments. Under the constitution of 2008, these leading bodies have legislative power over 10 areas, including development affairs, public health, water and electricity but none have yet promulgated a law.

Four self - administered zones and one self - administered division are situated in Shan State and one self - administered zone is located in Sagaing Region.

The location of self - administered zones in Shan State is shown in Figure 1. Danu self - administered zone is located Pindaya, Kokang self - administered zone is located in Laukkai, Pa-O self - administered zone is located in Hopong, Pa Laung self - administered zone is located in Namhsan and Wa self - administered division is in Hopang in Shan State. Naga self - administered zone is located in Lahe Township in Sagaing Region.

Figure 3: Shan State Map with Districts and Self - Administered Areas



Source: MMRD Business Insight

Table 3: Brief of Shan State by Three Regions (2015 - 16)

	Southern Shan	Northern Shan	Eastern Shan
Size (Sq ml)	21,652.97	23,655.70	14825.64
Population	2,405,983	2,520,258	898,191
Per Capital GDP (Kyats)	629,414 (USD 524)	612,682 (USD 510)	552,249 (USD 460)
Overall GDP share	43 %	43 %	14 %
Major industries	● Agriculture and agro based processing ● Trading and logistics ● Minerals and mining ● Tourism	● Electricity ● Road construction ● Hotel tourism ● Agriculture and livestock	● Agriculture ● Livestock ● Hotel & tourism ● Mining

Source: Shan State Government

1.3 Economy

Shan State is strategically located in Myanmar - it is among the country's main centers of trade with the largest trade zone, Muse, accounting for 75% of total border trade and 20% of total trade. Shan State also contributes to employment generation and economic development in Myanmar. The economy of Shan State is primarily based on agricultural production for most of the population along with industrial manufacturing, trading and tourism.

The region is endowed with agricultural and forest products - the primary crops grown in Shan State are peas, corn, tomatoes, cabbage, garlic, oranges and avocados. Livestock and fresh water fisheries are also important to the region's economy. Shan State is an important storage, processing and distribution hub for agriculture and livestock products. The region is also home to wineries, sugar mills and food processing factories. Minerals and precious materials are also produced in some areas including Wa and Pa-O' self - administrative regions.

36.6% of Shan State's GDP is from services sector. Tourism also forms a substantial part of Shan State's economy. The picturesque Inle Lake, the ancient Kakku pagodas, the Pindaya limestone caves and trekking spots in Kalaw are popular with tourists. The Inle Phaungdaw Oo Pagoda Festival is famous and there are boat race competitions of one - legged rowers.

Due to its strategic location in the east of Myanmar, Shan State has strong border trade with China and Thailand, transporting primary goods such as rice, corn, fermented peas, cigarettes, sesame, green tea, black tea and minerals.

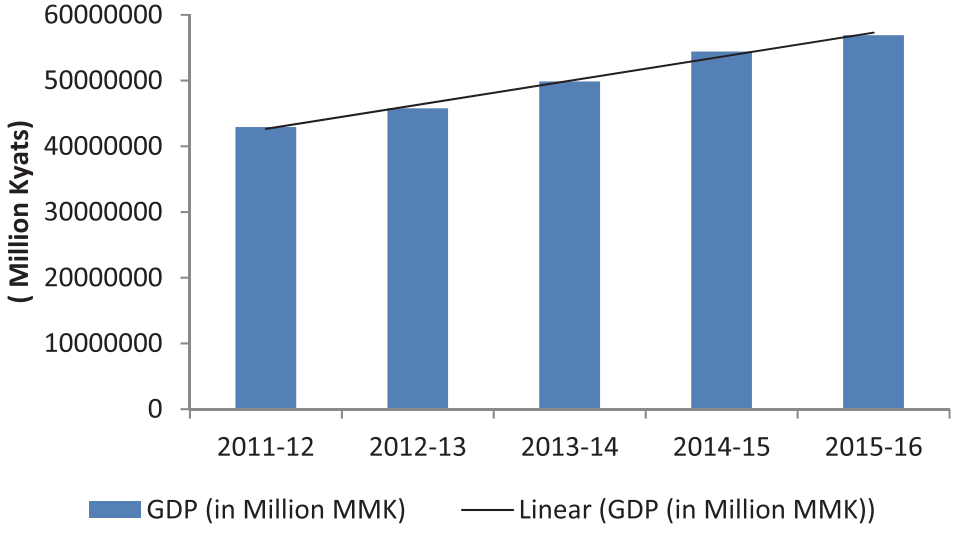
With thriving agricultural exports, trade and transportation as well as tourist destinations, Shan State contributes significantly to Myanmar's economy. The region contributes around 7.5% of Myanmar's GDP, behind Yangon Region (22%) and Sagaing Region (11.6%) and Mandalay Region (11.4%) in during FY2015-16. The regional government plans to achieve an average growth of 5.3% during its five - years term (FY2011-12 to FY2015-16) with regional GDP per capita of MMK 726,659 for FY2015-16.

Table 4: Contribution of Shan State

Fiscal Year	FY2011-12	FY2012-13	FY2013-14	FY2014-15	FY2015-16
Contribution to Myanmar's GDP (In Current Prices)	7.3%	7.3%	7.5%	7.4%	7.7%

Source: Ministry of Planning and Finance

Figure 4: GDP of Shan State



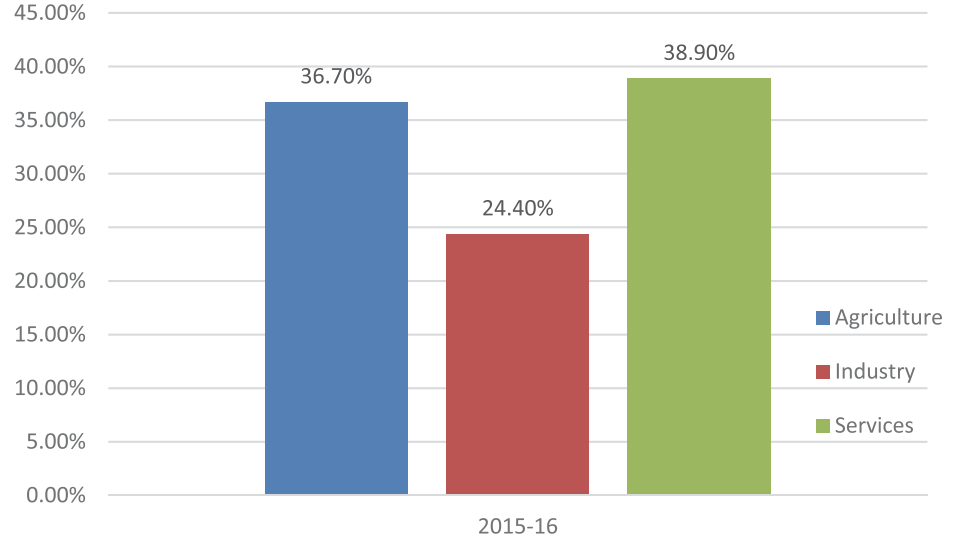
Source: Ministry of Planning and Finance

The key sectors which contribute to Shan States GDP include agriculture, industries and services. Agriculture includes agriculture farming, livestock, and fishery and forestry sectors. Industry includes energy, mining, processing and manufacturing, electric power and construction. Services cover tourism, transportation, communication, financial institutions, social and administrative services, rentals and other services including trade.

The region's GDP used to be mainly derived from primary products such as agriculture and forestry. During FY 2001 - 2002, for instance, agriculture accounted for 39.53% of Shan State's GDP. However, it was reduced to 36.68% in FY 2015 - 16, with increasing contribution from the industry and service sectors. The industry and service sectors could become important contributors to Shan State's GDP by nurturing and enabling the unutilized and young labor force in labor - intensive industries, increasing technical assistance in food processing and developing tourism destinations. Furthermore, foreign investors will potentially be more attracted by the industry and service sectors as they could develop the untapped market as well as providing employment to the local community.

A) Southern Shan State

Figure 5: GDP Contribution of the Southern Shan State by Sector in 2015 - 16



Source: Planning Department, Ministry of Planning and Finance

Taunggyi is the capital of Shan State and Southern Shan State has an estimated population of 2,405,983 as per the 2014 Myanmar Population and Housing Census. It is the region with the second largest population among the three regions. The per capita GDP in Southern state is 629,414 kyat in 2015 - 16 which is also the second largest amount of income by per person comparing to the rest of two regions. But, it is the fifth largest city in Myanmar and the name of districts included in this region are Taunggyi, Loi Lum and Lin Ke plus two self - administered zones and Da Nu. According to the 2015 - 16 GDP data in Southern Shan State by Planning Department, the agricultural sector has the highest share with 40 % while the industrial sector has 26 % and services sector contributes 33.8 %.

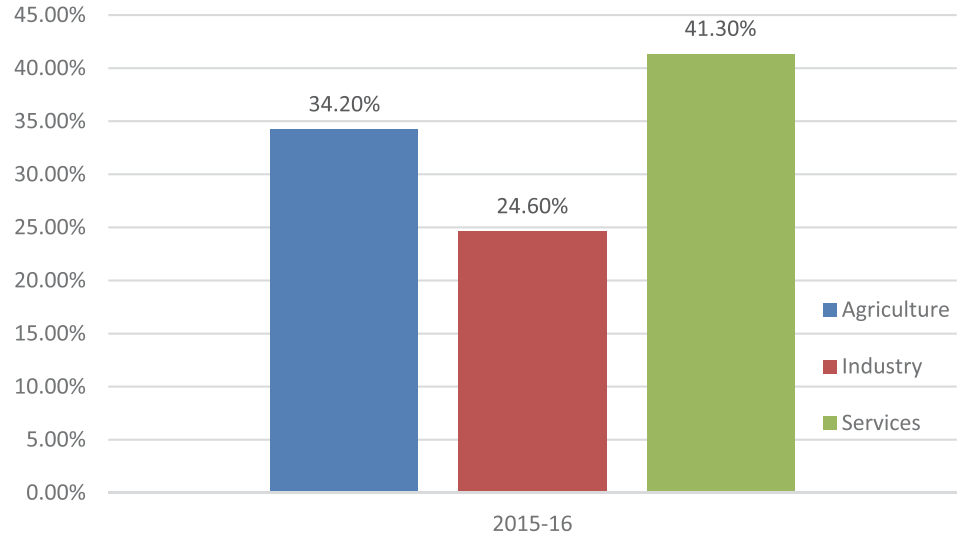
Southern Shan State mainly focuses on the agricultural sector. The Aye Thar Yar Industrial Zone in this region is not that developed as the land area for this industry is quite small. The challenges of this region are water scarcity and ground water is getting deeper and sustainability of Inle Lake.

The main contribution of Aye Thar Yar industrial zone is creating employment opportunities for about 2,000 workers. The potential businesses in Shan State are cement factories, mineral purifying factories, sugar factories, food processing of mango, tea leaves, coffee, and the production of grapes wine.

The potential businesses are the value added businesses of tea leaves, mango, avocado, potato, tomato, cabbage, garlics, and sunflowers (rainy and winter season), with proper quality control, it is possible to export them to neighboring countries where there is demand. The garlic harvested in Shan State is exported to Thailand mainly. The existing orange farm has challenges related to seed quality, the size of the fruits and the production rate has been decreasing and the expenses have been increasing. The local fruits cannot compete with the imported fruits from China. Therefore, since 2010, mango trees are replaced by orange trees. The farmers do not have knowledge about the market, they only have experience on how to plant and harvest. It is essential to make farmers aware of the products that are demanded in the market which will make them profitable. Myanmar is required to pay high tax to China on imports. There is a lack of cold storage facilities and vehicles, which has led to challenges such as high logistic cost and perishable. The potential businesses include 1) avocado farming for the Japan, China, and Thailand markets, 2) the production of oil from corn (CP), 3) mass production corn milling 4) the production of oil from fermented peas and 5) the production of value added dry tea leaves. In Ywar Ngan, an American firm produces and exports value added dry tea leaves which are processed with American machines.

B) Northern Shan State

Figure 6: GDP Contribution of the Northern Shan State by Sector in 2015 - 16



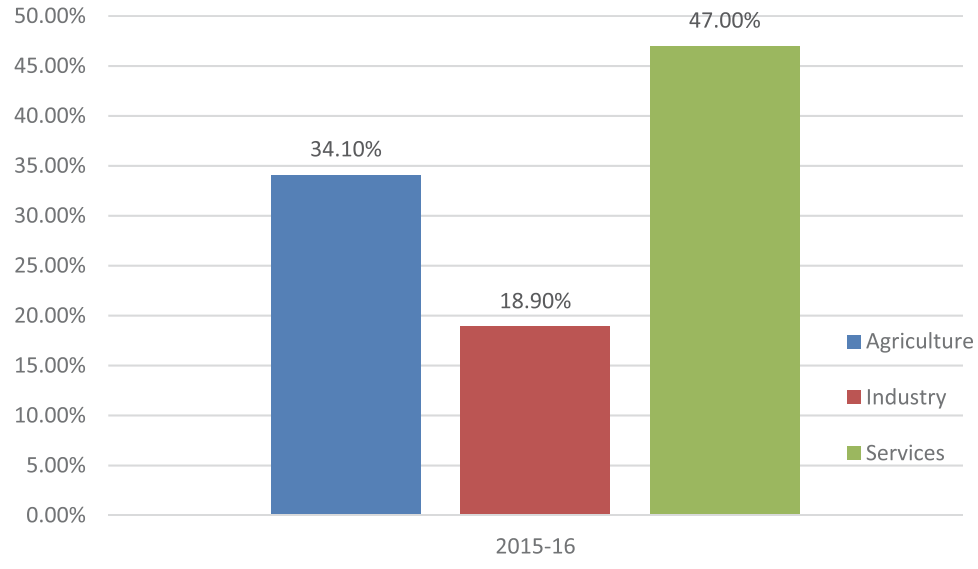
Source: Planning Department, Ministry of Planning and Finance

Northern Shan State has a population of 2,520,258, the capital being Lashio. The per capita GDP of this region is 612,682 kyats which is the second highest amount compares to Eastern region. The major economic contribution of Northern Shan State is in the services sector which accounted for 41.3% of the state's GDP in the fiscal year 2015 - 2016. The highest total production within the services sector in this region comes from transportation.

In the agricultural sector of Northern Shan State, in terms of production volume, rice has the largest contribution of total GDP, followed by tea leaves plantations and maze plantations. The cash crop of maize is mainly exported to China while the production of tea leaves in this region is mainly consumed in the domestic market. Although the exports of maize and tea leaves are currently profitable for the local market, there are environmental concerns such as declination of soil quality and soil fertility in the area, if farmers in Northern Shan continue to practice slash and burn cultivation for these cash crops. According to the local businesses, the production of meat, dairy and a variety of eggs in this region present potential opportunity to transform the value added food processing industrial zones so as to promote exportable products and create jobs in the region.

C) Eastern Shan State

Figure 7: GDP Contribution of the Eastern Shan State by Sector in 2015 - 16



Source: Planning Department, Ministry of Planning and Finance

The capital city of Eastern Shan State is Keng Tung and the total area of its region is 14825.64 sq. miles. Total population of the region is 228,015 in 2015 - 16. The total GDP of this region was 3,554,500 billion kyat in the fiscal year 2015 - 2016 which makes up to 13.95% of the whole Shan State GDP. The per capita GDP of this region is 552,249 kyats. Gardening, cultivation of perennial crops and terrace farming are significant in this region. Border trade at Muse and Tachileik has strengthened the service sector, which contributes 47% of the state's GDP.

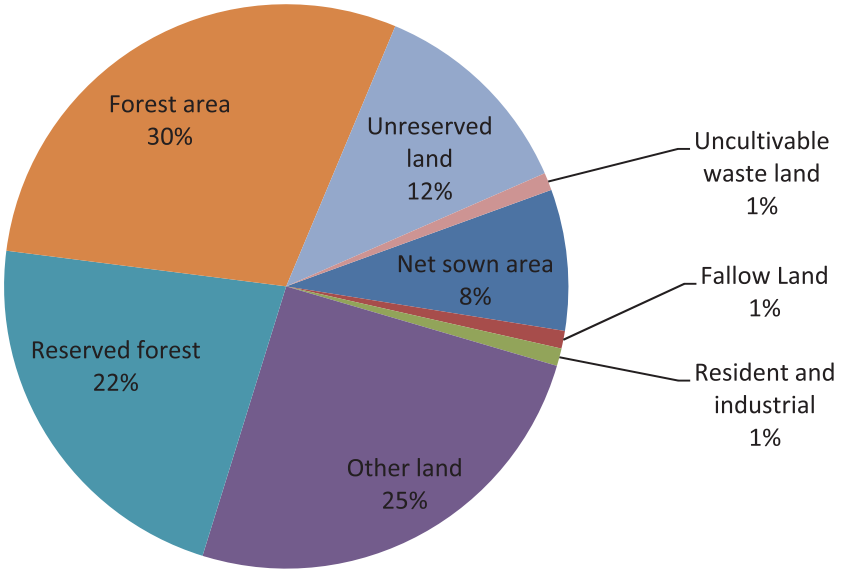
The main agricultural product of this region is rice, which is traded largely through Mong - La Township to China. The diversity of crops grown in this region has contributed to the wealth of the farmers and their livelihoods in the agricultural sector. Star beans, rubber and tea leaves are high potential crops in Keng Tung in Southern Shan - the process from primary production into production using high production techniques can help create job opportunities for local people.

Other crops grown in this region include maize, ground nuts, sesame, beans, potatoes, onions and chili. Livestock, mining and tourism sectors are also significant contributors to the region's economy. As the region is connected to the Thai and Chinese borders, tourism in particular could boost the local economy. Although China is a key country for the region in relation to border trade, difficulties in transportation, high toll costs, ethnic insurgencies which affect political stability and closing of border gates create significant challenges.

In Tachileik, mining purification is a promising enterprise. However, expensive and insufficient supply of electricity purchased from Thailand and labor migration to the same has created bottlenecks. Labor shortage in the area is likely to persist as Thailand's economy, high wages and peaceful environment are a major draw. Even though the region has an industrial zone, factories have been importing goods from Thailand due to which there is almost no production in factories. This has contributed to the collapse of manufacturing in the area, along with inadequate electricity and Myanmar goods not being comparable to Thai products. Transforming the agricultural food processing sector could potentially improve the industrial sector and create job opportunities.

1.4 Land Utilization

Figure 8: Land Utilization in Shan State



Source: Department of Agriculture, Ministry of Agriculture, Livestock and Irrigation

Table 5: Land Utilization of Shan State (acre) in 2015 - 16

Sr.	Type of Land	Southern Shan	Northern Shan	Eastern Shan	Total
1	Net Sown areas	1,310,878	1,230,784	475,569	3,017,231
2	Fallow land	91,229	344,087	25,383	460,699
3	Cultivable Waste Land	15,374,265	494,549	35,439	15,904,253
4	Reserved Forests	4,902,896	1,579,958	2,055,400	8,538,254
5	Other Forests	4,235,662	628,873	5,714,373	10,578,908
6	Other	12,618,098	3,282	3,354,439	15,975,819
	Total	28,209,730	4,281,533	9,997,90	38,207,420

Source: Department of Agriculture, Ministry of Agriculture, Livestock and Irrigation

There are six types of land classified under agricultural land utilization in Shan State, namely Net Sown Areas, Fallow Land, Cultural Waste Land, Reserved Forest, Other Forests and Other. The total net sown area in Shan State is 3 million acres. Among the three regions, Southern Shan State has the largest amount of land at 1.3 million acres, followed by 1.2 million acres in Northern Shan and 475,569 acres in Eastern Shan. Cultivable waste land areas are big as well - Southern Shan State has 15.3 million acres, Northern Shan State has 494,549 acres and Eastern Shan State has 35,439 acres. Presumably, other forest land can be used as agricultural land, but the soil will need to be tested for use as cultivable land. Nonetheless, fallow land and cultivable waste land can potentially be used as industrial land for new investors in particular regions of Shan State.

1.5 Agriculture

Table 6: Major Crop Cultivations in Shan State (Acre) 2015 - 2016

Sr.	Name of Crops	Unit	Shan (South)	Shan (North)	Shan (East)	Total
1	Rice	Acre	574,260	443,864	313,201	1331,325
2	Wheat	Acre	21,224	17,498		38,722
3	Corn	Acre	3,371	28		3,399
4	Oil Crops	Acre	255,485	168,895	29,983	454,363
5	Ground Nut	Acre	66,251	46,065	18,621	130,937
6	Sesame	Acre	23,026	10,095	5,858	38,979
7	Sun Flower	Acre	26,045	4,574	2,861	33,480
8	Bug wheat	Acre	124,290	80,956	2,409	207,655
9	Mustard	Acre	3,487	2,227		5,714
10	Rubber	Acre	1,128	81,382	100,884	183,394
11	Potatoes	Acre	43,511	7,699	3,475	54,685
12	Maize	Acre	251,611	335,928	49,321	636,860
13	Mango	Acre	15,179	2,382	2,760	20,321
14	Pulses and Beans	Acre	226,436	131,921	52,853	411,210
15	Coffee	Acre	10,691	15,061	1,883	27,635
16	Mandarin Orange	Acre	11,060	7,477	1,912	20,449
17	Tea	Acre	58,146	137,660	4,699	200,505

Source: Department of Agriculture, Ministry of Agriculture, Livestock and Irrigation

Shan State has had different varieties of major crops across regions; although some of the crops are common to all regions, they have been diverted into different crop types. Rice is grown in all three regions - Southern Shan has cultivated 574260 acres, Northern Shan has cultivated 443864 acres, while Eastern Shan has cultivated 313,201 acres according to the 2015 - 2016 data. Similarly, paddy, maize, pulses and beans, oil seeds, ground nuts, sesame, sunflower and other oil seeds, and rubber crops are common to all three regions in the state. Oil seeds and rubber in particular are grown extensively and are advantageous for investment - these commodities are mainly sold as primary crops in the domestic and international market, but could potentially be transformed towards value added food processing outputs with local and international investment. This would create job opportunities and pull communities out of poverty in the region, possibly even spilling over wealth to other regions.

Table 7: Production of Major Crops in 2015 - 16

Sr.	Crop	Unit	Production from Shan State			
			Shan (South)	Shan (North)	Shan (East)	Total
1	Potatoes	Ton	319,937	30,817	14,386	365,140
2	Maize	Ton	15,140,616	14,939,467	9,154,930	39,235,013
3	Mango	Nos. (000)	133,938	29,040	31,058	19,4036
4	Pulses and Beans	Ton	107,315	79,692	25,945	212,951
5	Coffee	Ton	1,561	3,591	88	5,241
6	Mandarin Orange	Ton	179,605	41,190	30,742	251,538
7	Tea	Ton	25,786	59,994	1,325	87,105

Source: Department of Agriculture, Ministry of Agriculture, Livestock and Irrigation

Fruits and vegetables are key produce of Shan State. The Myanmar Fruits and Vegetables Producers and Exporters Association (MFVPA)(Shan State) is based in Taunggyi and works with grower cluster groups. The nine key cluster groups include producers of avocados, cabbage, coffee, wheat flour, tomatoes, mangos, tea leaves, and potatoes in 12 townships. The association aims to build the capacity of the producers in terms of production, technology, and farm management to match standards in Asia and the world. The association provides marketing support, organizes national and state - level trade fairs, participates in international trade fairs showing Southern Shan's products, and provides business linkages and services for members and potential partners.

Tea consumption in domestic and international markets has increased - 1.5 tons of tea is exported to Germany and there is significant potential in the EU market in general. The Myanmar Fruits and Vegetables Producers and Exporters Association (MFVPA) organized the Avocado trade fair was held in Hopone Township from 9 to 12 of February 2017. Tea farmers are also capable and been certified as organic. The coffee grown in the state is regarded as world class; Ywa Ngan coffee for instance has been given Geographical Indication (GI), the same designation that protects if some other company want to produce and sell coffee products under the name of Ywangan coffee will now be charged a fee. However, a bulk of the product is sold in the domestic market; exports are challenging because semi - processing techniques are required and producers need more inputs such as fertilizers, pesticides and seeds. There is potentially an investment opportunity in the provision of fertilizers for fruits and vegetables.

Each sub - sector has capable, trained farmers and farmers' leaders; they have received technology support from USAID, FAO and GIZ. Local agribusinesses such as KBZ and Shwe Yaung Linn coffee, as well as agribusinesses in Heho, are looking for partnerships and joint ventures. The vegetables and seeds agribusinesses need investors as well; for instance, 4500 tons of potato seeds are required every year. Value added products like mango, potato and potato chips need investment. Vegetables production in general is a good investment opportunity - approximately 60% of the vegetable supplies coming from Southern Shan State are for local consumption. Investment opportunities also exist in the tourism sector, green technology, and solar driers for food processing and irrigation for trees, which are all important issues in the state.

Agriculture Zone in Shan State

Of the 3.5 million acres of vacant land available in Shan State, over 1.3 million acres are used to plant paddy, which accounts for over 37% of the total crop area. Seedless corn accounts for 16% of total crops, cultivated over 500,000 acres. The third most - grown crops are fermented beans and tea leaves. To support agricultural sector development, initiatives such as drawing up crop plans, development of agricultural zones by type of crop, exemplary plots for educating farmers, conducting research and establishing media and archive departments have been implemented. Marketing activities based on crop types and agricultural zones for paddy, seedless corn, wheat, rubber and vegetables are being developed local distribution and foreign export.

Table 8: Agricultural Zone in Shan State

Sr.	Crop Name	Unit	Shan South	Shan (North)	Shan (East)	Total
1.	Paddy	Acre	200	500	300	1,000
2.	Maize	Acre	100	300	100	500
3.	Wheat	Acre		100		100
4.	Rubber	Acre		100		100
5.	Vegetable	Acre	100			100
	Total	**Acre**	**400**	**1,000**	**400**	**1,800**

Source: Department of Agriculture, Ministry of Agriculture, Livestock and Irrigation

1.6 Water Resources

In Shan State, water from dams, lakes and reservoirs has been used for agricultural purposes. Embankments, drains and water gates are being constructed for flood prevention. According to Shan State government documents, there are a total of 695 dams/reservoirs in Shan State of which 115 dams are maintained by village tracts, 20 dams have been constructed by the Department of Progress of Border Areas and National Races, 129 dams have been constructed with village development funds and the remaining 391 are private dams. These dams benefit a total area of 229,060 acres. The 40 dams maintained by the Department of Irrigation have benefited areas spanning 58,241 acres. Moreover, 36 dams which support less than 5,000 acres of agricultural land have been transferred to the regional government and will be maintained by the Department of Irrigation. It was also found that 4 dams - the Zawgyi dam, the Nantpaung - lin water transfer dam, the Nant - kot dam, and the Nant - tabat dam - have been maintained with national funds. Although 114 village dams/lakes have been transferred to the Department of Irrigation, minor maintenance will require technology support and the major maintenance operations will need authorization from superior officials.

1.7 Livestock

There are three main purposes of livestock breeding in Shan State - agricultural farming, obtaining meat, dairy, eggs and animal skin, and the use of animal manure as an organic fertilizer.

Table 9: Livestock in Shan State in 2015 - 16

Sr.	Type of Animals	Southern Shan	Northern Shan	Eastern Shan	Total
1	Buffalo	370,811	353,961	76,079	900,851
2	Cow	982,630	618,372	160,498	1,761,500
3	Pig	655,030	1,497,102	381,901	2,534,033
4	Goat	32,443	63,600	28,997	125,040
5	Chicken	13,644,914	18,857,285	2,536,330	35,038,529
6	Duck	167,265	114,068	230,413	511,746
Total		**15,853,093**	**21,504,388**	**3,514,218**	**40,871,699**

Source: Planning Department, Ministry of Planning and Finance

Myanmar produces about 600 million kg of milk a year. The population of dairy cow is estimated at about 500,000 heads In Myanmar. There are opportunities in chicken, pork, sheep breeding and fisheries for export. The demand for fresh milk is much higher than the production in Myanmar. In Shan State, the climate is favourable for dairy cow.

Dairy imports are valued at about US$ 100 million per year and the population of dairy cow is estimated at about 3,205 heads in Shan State. Investment opportunity includes dairy Industry, dairy Processing Factories, multi - purpose packaging and outfit.

Demand for milk and dairy products is growing with rising incomes, population growth, urbanization and changes in diets. Per capita consumption of milk is as follows:

- High (> 150 kg/capita/year) in Argentina, Armenia, Australia, Costa Rica, Europe, Israel, Kyrgyzstan, North America and Pakistan;
- Medium (30 to 150 kg/capita/year) in India, Islamic Republic of Iran, Japan, Kenya, Mexico, Mongolia, New Zealand, North and Southern Africa, most of the Near East and most of Latin America and the Caribbean
- Low (< 30 kg/capita/year) in Viet Nam, Senegal, most of Central Africa and most of East and Southeast Asia
- Myanmar - 26.3 kg/capita/year of milk and dairy products

Compared to other countries, Myanmar consumption level is in Low consumption category

Regarding Poultry farming, most of the farms in Shan State are small scale i.e. *Kyaukme* Livestock Breeding Zone 78 acres, 138 Farms and *Shan Yoma* Livestock Breeding Zone (1) with 429.67 acres, 165 Farms.

1.8 Mining

Minerals such as zinc, coal, lead and an assortment of ore, tungsten, antimony, gold, barite, gypsum, quartz, manganese dioxide and lime stone are being explored in Shan State.

However, Shan State is also lagging behind in terms of technology for mineral exploration, purification and production; there is a need for assistance in final goods and consumer goods production, export and marketing of minerals.

Figure 9: Major Mining Industries in Shan State



Source: Department of Mining, Ministry of Electricity and Energy

SHAN STATE
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2

Infrastructure





2. INFRASTRUCTURE

Sustainable infrastructure development in Shan State is important to contribute effectively to the country's development. Currently, both government and private organizations have participated in various projects to improve infrastructure in the region.

The Shan State government has detailed plans for regional development to reduce the gaps between regions and improve the overall living standards of the people. Detailed development plans include a Regional Development Plan, a City Development Plan, a Township Development Plan and a Village Development Plan, initiated by respective government councils.

2.1 Road

2.1.1 Road Condition in Shan State

Table 10: Number of Roads and Distance in 2015 - 16

Name of the Road	Total No. of Highway Road	The distance in Mile
Road Department	238	4,897
Township - to - Township	393	6,370

Source: Road Department, Ministry of Construction

Most of the highways in Shan State connect townships. Approximately 238 highway roads have been completed by the Road Department under the Ministry of Construction, with a 4,897 distance mile. The roads connecting townships have a 6,370 mile distance. In the region, there are 100 roads over a length of 1,334.8 miles in Southern Shan, followed by 97 roads with the length of 1824.1 miles in Northern Shan and 41 roads with the length of 872.52 miles in Eastern Shan. It is essential to improve road infrastructure in the transportation sector, especially parts which remain inaccessible. A few potential investments in Shan State include tourism businesses in Pyadar Lin Cave which is in Ywa - ngan and the sky cable business in the transportation sector.

Table 11: Number of Roads and Distance in 2015 - 16

Sr.	Region	Road	Length (Mile)
1.	Southern Shan	100	1,334.8
2.	Northern Shan	97	1,824.1
3.	Eastern Shan	41	872.52
Total		**238**	**4,897/3**

Source: Road Department, Ministry of Construction

2.1.2 Muse Road

The Mandalay - Muse road is a strategic union highway integrated into the national road network, gaining importance not only for national development, but also for the GMS region, ASEAN region and the ASEAN Economic Community. In constructing highways and main roads, Myanmar adheres to basic principles of road construction such as highway design, road geometric design standards, and road maintenance. However, due to financial, technical and time constraints, there are some issues in the establishment of roads and bridges. The Mandalay - Muse road, which is 280 - miles long, used to be treacherous in parts but is now in good condition. It is a hilly road passing through the Shan mountain ranges, but is constructed managed and maintained by a private construction group which collects motor - toll fees to keep the road accessible for passengers and cargo vehicles all year.

Figure 10: Mandalay to Muse Road (Gote Twin)



2.1.3 Asia Highway Routes in Myanmar

Myanmar shares borders with Bangladesh, China, India, Lao PDR and Thailand, and is strategically located at the crossroads of China, South Asia and Southeast Asia. Being in the Eastern part of the country, Shan State is in close proximity to Asia's largest and fastest growing markets which offers a great opportunity for the region to become the land link between China and the ASEAN countries. Regarding the Intergovernmental Agreement on the Asian Highway Network, Myanmar signed an agreement with China on 26th April, 2004, in Shanghai. The road follows the ASEAN standard of classification. Agreements have been signed by 32 countries to allow the highway to cross the continent and reaches as far as Europe. The Asian Highway Network is going to take over 2 projects, one is the AH 45 and the other is the new AH 45A. AH 45A is the new highway all over Asia from Tonghua to Sana'a. AH2 and AH 14 are in the Shan State. The Asian Highway roads that pass through Myanmar are as follows:

a) AH1 - Maesod (Thai), Myawaddy, Payagyi, Yangon, Meikhtilar, Mandalay, Tamu, Moray (India)

b) AH2 - Maesai (Thai), Tachilaik, Kyanington, Meikhtilar, Mandalay, Tamu, Moray (India)

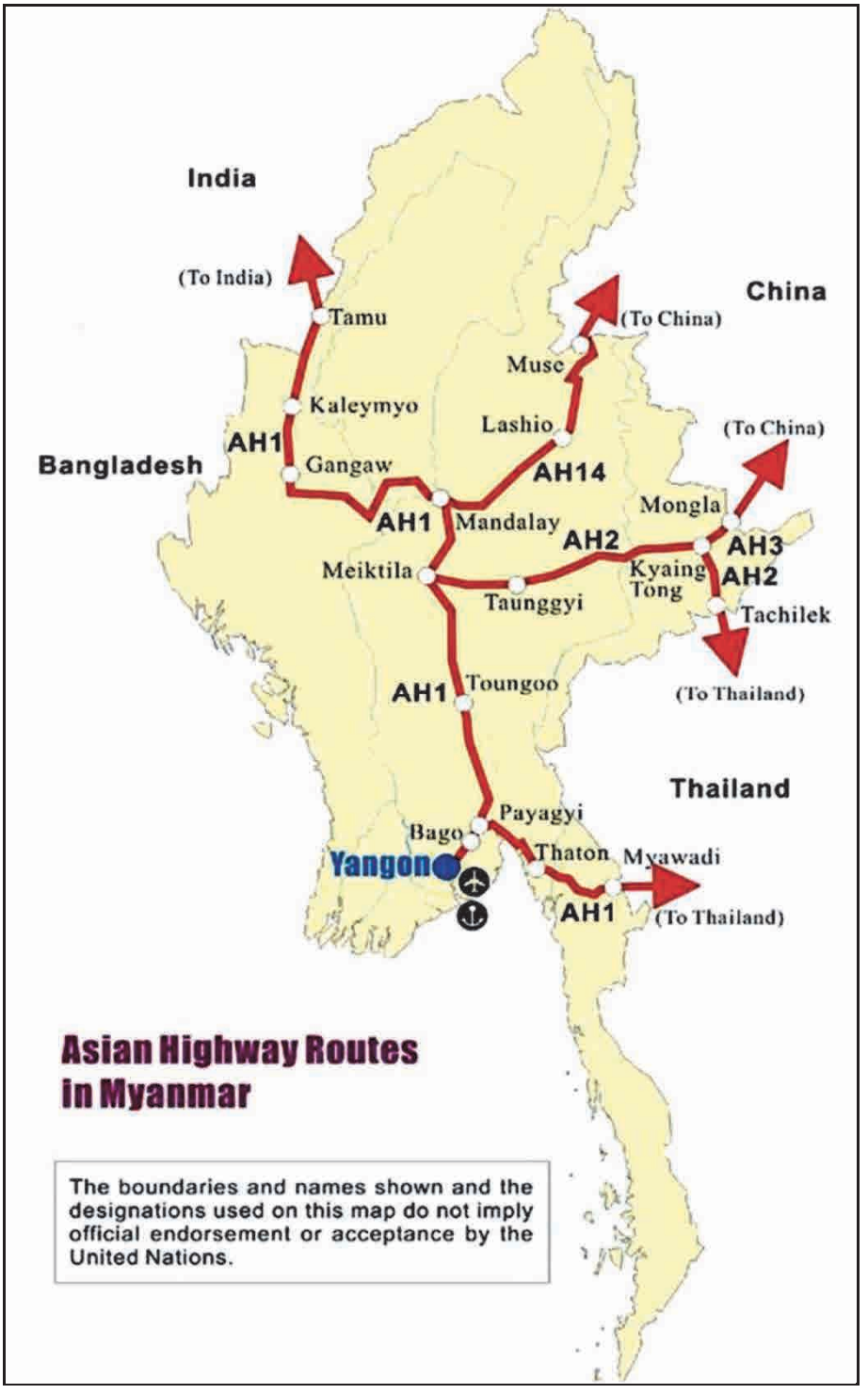
c) AH14 - Kunming, Ruili (China), Muse, Lashio, Mandalay

AH2 and AH 14 are in the Shan State.

AH2 - This highway runs from the Eastern highland of the country and passes through the middle low lands and ends in the northwestern mountainous area to connect India and Myanmar. From Tachileik on the Thai - Myanmar border to Meikthila which is situated on AH1, the total length is 807 Km. Three companies operate a length of 505 km till Meikhtila, which is about 62 % of the total length.

AH14 - This is the main trade route between Myanmar and China, with a length of 453 km between Muse on China - Myanmar border to Mandalay on AH1/AH2. Most of the route is situated on the northEastern highland. The existing condition of the roadways is Class III standard; it is operated by local companies on a Build - Operate - Transfer basis.

Figure 11: Asia Highway Routes in Myanmar



Source: Asia Highway Routes

2.2 Railway

Table 12: Railway Line and Stations in Shan State

Sr.	Region	Number of line	Length (Mile)	Number of Station	District
1.	Southern Shan	14	407	26	Taunggyi, Loilin, Linke
2.	Northern Shan	5	293	9	Lashio, Kyaukme
3.	Eastern Shan	1	66	1	Mong Nai - Keng Tung Railway plan
Total		**20**	**756**	**36**	

Source: Shan State Government

Shan State is hilly and the construction of railway lines and train stations is important for the development of transportation infrastructure in the region. There are currently 20 railway lines in Shan State, the largest number being in Southern Shan with 14 lines and 26 stations. There is a new railway line plan which will connect Southern and Eastern State from Mong Nai to Keng Tung. Northern Shan State has 5 lines and 9 stations. The railways cover a total length of 706.6 miles.

It is important to upgrade the Shwe Nyaung - Kalaw - Tharsi railroad, the Mandalay - Pyinoolwin - Hsipaw - Lashio railroad and the Katku - Taunggyi railroad to operate train schedules in a timely manner. The popular bridges along railroads include Gote - Hteik Bridge in Northern Shan State and Bawathantayar (Life circle) Bridge in Southern Shan State.

Figure 12: Gote - Hteik Bridge in Northern Shan State

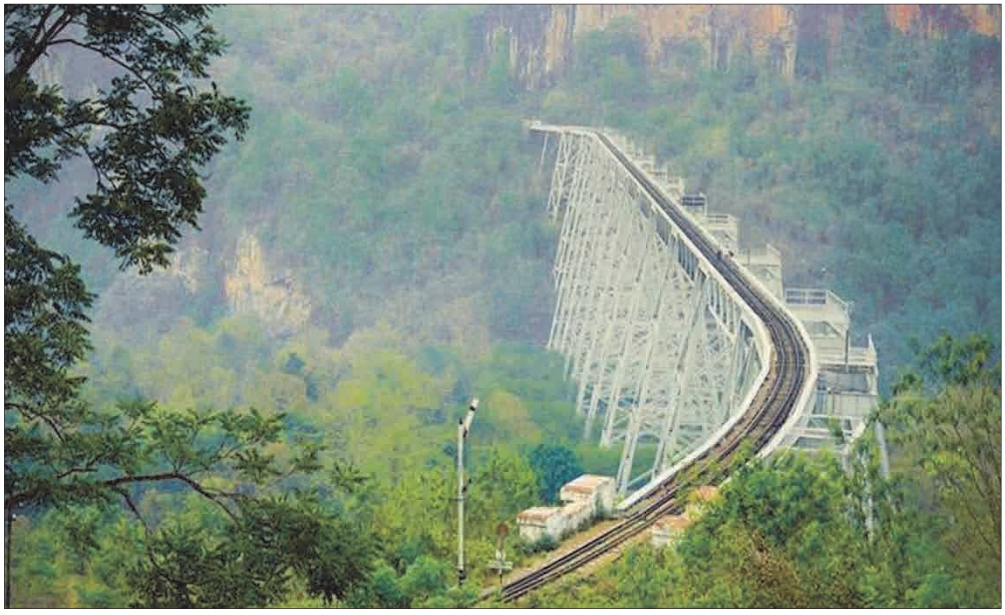


Figure 13: Railway Station in Hsibaw, Northern Shan State



2.3 Airport

Table 13: Airport in Shan State

No.	Region	District	Airport
1	Southern Shan	Taunggyi	1
2	Northern Shan	Lashio	1
3	Eastern Shan	Keng Tung	1
4		Mong Hsat	1
5		Tarchiliek	1
	Total		5

Source: Ministry of Transport and Communication

There are five major airports in Shan State - three major airports are located in Eastern Shan, one in Southern Shan and one in Northern Shan.

2.3.1 Heho Airport

According to Regional Comprehensive Development Plan for Shan State, the airport resides at an elevation of 3,858 feet (1,176 m) above mean sea level. It has one runway designated 18/36 with an asphalt surface measuring 8,500 by 100 feet (2,591 m × 30 m). The original airport had a runway length of 5,500 feet. It was recently expanded to accommodate jet aircraft. The volume of tourists could potentially increase if Heho airport met international standards. The waiting time for passengers has been increasing and the airport should be enlarged since there are eight airlines operating there and the daily air flight turnover is 30 times. Heho airport is now under expansion. (Department of Civil Aviation)

Figure 14: Heho Airport



Figure 15: Heho Airport Under Expansion

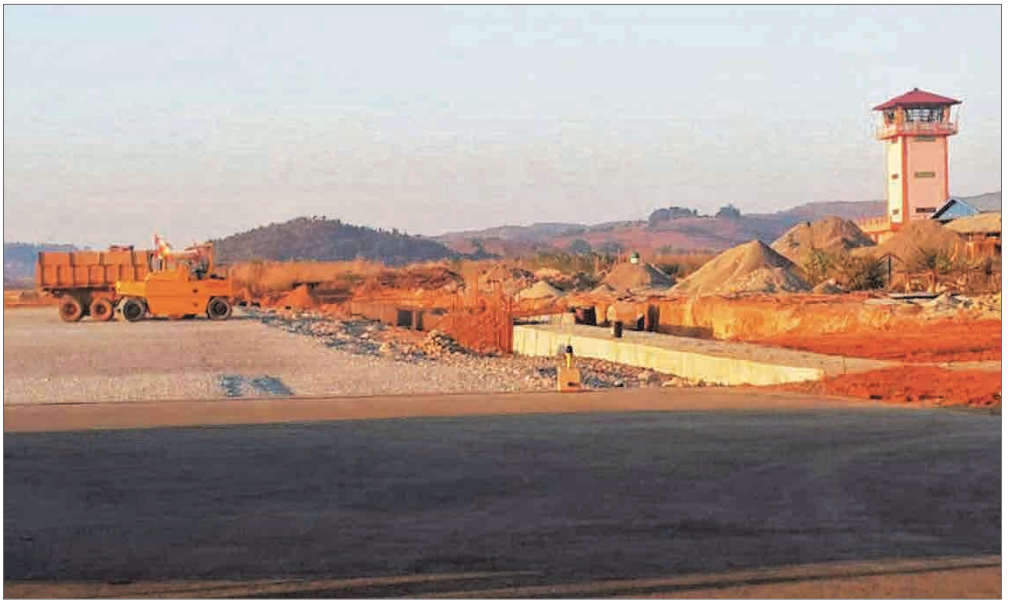


Table 14: Airlines at Heho Airport

Airlines	Destinations	Route
Air Bagan	Mandalay, Thandwe, Yangon	Domestic
Air KBZ	Mandalay, Yangon	Domestic
Asian Wings Airways	Mandalay, Yangon	Domestic
Mann Yatanarpon Airlines	Mandalay, Yangon, Bagan, Thandwe, Keng Tung, Tachilek, Myitkyina	Domestic
Myanmar National Airlines	Keng Tung, Lashio, Mong Hsat, Nyaung U, Tachilek, Yangon	Domestic
Yangon Airways	Mandalay, Yangon	Domestic

Source: Department of Civil Aviation, Ministry of Transport and Communication

2.3.2 Lashio Airport

The Lashio airport building has one level and is 2,540 sq feet. The new airport building measuring 200x8 feet has been extended to accommodate 200 passengers at the same time.

Figure 16: Lashio Airport



Table 15: Airlines at Lashio Airport

Airlines	Destinations	Route
Air KBZ	Heho, Yangon	Domestic
Asian Wings Airways	Heho, Tachilek, Yangon	Domestic
Golden Myanmar Airlines	Mandalay, Tachilek	Domestic

Source: Department of Civil Aviation, Ministry of Transport and Communication

2.3.3 Keng Tung Airport

The Keng Tung airport is situated in Keng Tung township and provides connections to two domestic destinations conducted by Myanmar National Airlines (public) and Golden Myanmar Airlines (private). These two destinations are Heho - Mandalay and Mandalay only.

Figure 17: Keng Tung Airport



Table 16: Airlines at Kung Tong Airport

Airlines	Destinations	Route
Air Bagan	Mandalay	Domestic
Myanmar National Airlines	Heho, Mandalay	Domestic
Golden Myanmar Airlines	Mandalay	Domestic

Source: Department of Civil Aviation, Ministry of Transport and Communication

2.3.4 Mong Hsat Airport

There are no commercial flights operating at Mong Hsat airport; it has landed only charter flights. Myanmar National Airline flights fly to Mong Hsat sometimes.

2.3.5 Tachileik Airport

Tachileik Airport is the second busiest airport in Shan State. There are four private airlines operating domestically in the region - Mann Yadanarpon airline to Heho, Keng Tung, Mandalay, Lashio and Myitkyina; Golden Myanmar Airlines to Heho and Mandalay; Asia Wings Airways to Heho, Keng Tung, Lashio; and Air KBZ to Heho and Yangon.

Figure 18: Tachileik Airport



Table 17: Airlines at Tachileik Airport

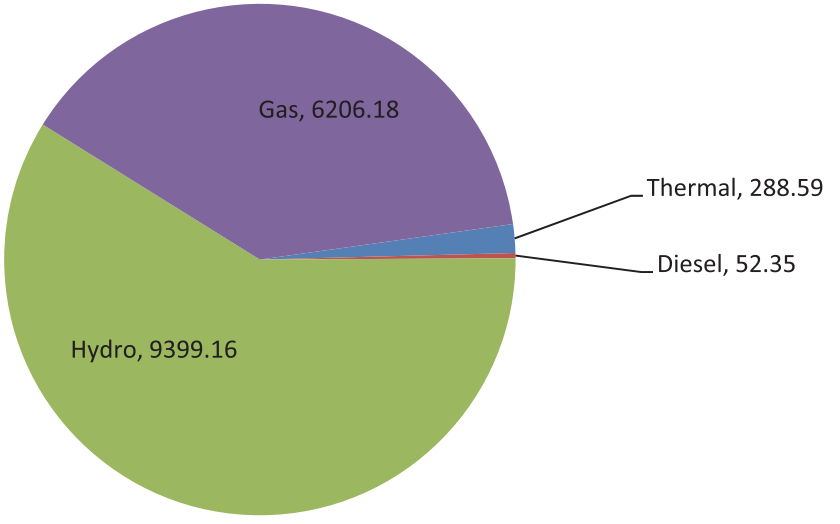
Airlines	Destinations	Route
Air KBZ	Heho, Yangon	Domestic
Asian Wings Airways	Heho, Keng Tung, Lashio	Domestic
Golden Myanmar Airlines	Heho, Mandalay	Domestic
Mann Yadanarpon Airlines	Heho, Keng Tung, Mandalay, Lashio, Myitkyina	Domestic

Source: Department of Civil Aviation, Ministry of Transport and Communication

2.4 Electricity

The provision of adequate electricity is essential for investment promotion. In Myanmar, clean coal technology is required to substitute hydropower; solar power and fossil fuel are also encouraged as other options for electricity supply.

Figure 19: Primary Fuel Used for Electricity Production in Myanmar (Million Kwh)



Source: Ministry of Electricity and Energy

As rural areas in Shan State are located at a distance from the capital and national grid, electricity is mainly supplied privately. Towns along Thai border typically purchase electricity from Thailand at a high cost. Development of electricity in the region will facilitate the growth of the industrial sector and alleviate reliance on imports, particularly as industrial parks come up in the state. There are currently 18 hydropower plants and one coal plant in Shan State. A total of 1,901 MW from Shan State's installed capacity have been distributed on the National Grid Line. In Shan State, the total consumption of household electricity per hour is 2,188,673 KWH.

Table 18: Hydropower Plants in Shan State

Power Station	Source	Year	Installed Capacity (MW)	Firm Capacity (MW)
Zawgyi (1)	Hydro	1995	18	6
Zawgyi (2)	Hydro	1998	12	6
Keng Tawng	Hydro	2008	54	18
Shweli (1)	Hydro	2008	600	100
Tigyit*	Coal	2005	74	70
Man Aung Hydropower				
Nant Hu Mon Hydropower	Mini Hydropower Plants			
Mun San Hydropower	Mini Hydropower Plants			
Mant Mhyaw Hydropower	Mini Hydropower Plants			
Nant Saung Ngawn Hydropower	Mini Hydropower Plants			
Nant Saung Chaung Hydropower	Mini Hydropower Plants			
Kyat Haw Hydropower	Mini Hydropower Plants			

Source: Asian Development Bank Report on Power Sector Development in Myanmar

Figure 20: Shweli (1) Hydro Power Plant

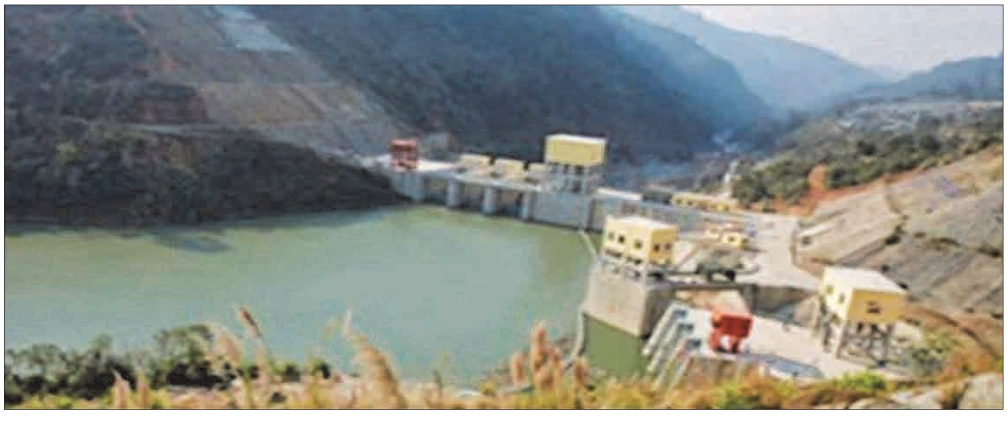


Figure 21: Zawgyi Hydro Power Plant



Figure 22: Tigyit Coal - Fired Power Plant



Table 19: Upcoming Hydro Power Plant Projects in Shan State 2017 - 2022

No.	Name of The Plant	Installed capacity		For Local Use MW	Planned Production (MWh/a)	Anticipated Construction Period		Location
		Total MW	Unit MW			Start Year	End Year	Town
1	Shweli - 3	1,050	210	1050	3,400,000	2011	2020	Moemate
2	Upper Yeywa	280	70	280	1,409,000	2011	2019	Kyaukme
3	Upper Keng Tawng	51	17	51	267,000	2009		Keng Tawng
4	Mong Wa	50		50	183,960			Minewa
5	Ngot Chaung	16.6		17	61,075			Nyaung Shwe
6	Kaingkan	6		6	22,075		2020	Kaingkan
7	Upper Baluchaung	30.4		30	134,600		2020	Nyaung Shwe
8	Middle Yeywa	320		320	1,438,080		2023	
9	Upper Thanlwin (Kunlong)	1,400		700	7,142,000		2025	Kunlong
10	Naopha	1,200	200	600	6,182,000		2025	Larshio
11	Mantong	225	75	225	992,000		2022	Larshio
12	So Lue	160		80				Nam Lwe
13	Keng Yang	40		20				Nam Lwe
14	He Kou	138		50				Nam Lwe
15	Nam Kha	210		100				
16	Namtu (Hsipaw)	100		50				Hsipaw
17	Naopha	1,200						
18	Upper Thanlwin (Mongton)	7,000						
19	Upper Kengtawn	51						

Source: Electric Power Generation Enterprise (Generation)

Table 20: Potential Number of Hydro Power Plant Projects and Potential Capacity

Area	Number of Potential Projects		
	Projects >10MW ≤50 MW	Projects >50 MW	Potential Capacity (MW)
Shan State (South)	3	5	7,569.50
Shan State (North)	_	5	4,000.00
Shan State (East)	1	3	719.8

Source: Electric Power Generation Enterprise (Generation)

There are ten hydropower plant projects that are upcoming, two of which are being constructed in Shan State. The two hydropower projects under construction in Southern Shan include the upper Kyine Taung Hydropower project (51 MW) and the upper Bilu Chaung Hydropower project (30.4 MW). In Northern Shan State, the upper Ye Ywar Hydropower project (1050 MW) and the Shwe Li 3 Hydropower project (275 MW) are also under construction for the fiscal year 2015 - 2016. In the upper Ye Ywar project in Kyauk Me district, 275 MW of hydro - electricity generation has stopped as the government budget is not sufficient; there is a need for foreign investment. In Northern Shan State, there are Shwe Li 1 and Shwe Li 3 hydropower projects. Naopha Hydropower plant project was given green light despite local community objection subject to EIA SIA assessments.

Under the current tariff system, a tariff of 35 kyats per unit for households is cheaper than industry tariffs which are 75 kyats per unit. The Ministry of Electricity and Energy would incur losses if the policy were to focus on household usage instead of industry and business usage; the Ministry is therefore keen to increase electricity supplies for businesses.

Figure 23: Map of Hydro Power Plant Project in Shan State



Source: Ministry of Electricity and Energy

In the first stage of the rural electrification project in Shan State, villages within two miles will receive power from the National Grid. According to the National Grid Plan, 275 villages will receive electricity in Southern Shan for 24,571 households and a population of 113,832 people, distributed through 317 distribution transformers (total 35,550 KVA) for which a 33 KV and an 11 KV line will be used for 313 miles. In Southern Shan, 186 villages, 12,866 households and 61,342 people will receive electricity distributed through 221 distribution transformers (total 15,400 KVA) for which a 33 KV and an 11 KV line will be used for 144.60 miles. In Eastern Shan, 22 villages, 1,913 households and 7351 people will receive electricity distributed through 24 distribution transformers (total 2,430 KVA) for which a 33 KV and an 11 KV line will be used for 19.24 miles. Investment can be made in generating under 30 MW and rural electrification programme in Shan State.

2.5 Telecommunication

The telecommunication sector in Shan State is progressing. Development of the telecommunication sector is become one of the government's top priorities. Telephone networks were established and extended in urban and rural areas; mobile penetration and internet usage increased by 14.41% in cooperation with foreign telecom service providers.

Three major telecom companies - Telenor, Ooredoo and MPT - are operating in Shan State; they have issued 3.4 million sim cards. According to 2015 - 2016 data from General Administration Department, every 715 of 1000 people in Southern Shan State have access to mobile phones. In Northern Shan, 553 people in every 1,000 people have access to mobile phones, followed by 422 people in every 1,000 people in Eastern Shan.

Table 21: Status of Telecommunication in Shan State

Regions	Mobile Phone				Auto phone	Total Population	Mobile Density
	Telenor	Ooredoo	MPT	Total			
Southern Shan	573,493	191,760	954,255	1,719,508	21,160	2,405,983	715
Northern Shan	516,433	172,678	705,822	1,394,933	16,471	2,520,258	553
Eastern Shan	211,074	70572	97,336	378,982	6,836	898,191	422
Total	**1,301,000**	**435,010**	**1,757,413**	**3,493,423**	**44,467**	**5,824,432**	**563**

Source: Myanmar Post and Telecommunication

2.6 Public Investment (Government Project)

The regional government has been focusing on the development of rural areas while upgrading the infrastructure and facilities of urban townships so that inclusive development will be achieved within the region. For rural area development, the government is focused on building more clinics, primary schools, roads and bridges. The government has also implemented rural electrification projects in all districts.

2.7 Private Investment

Table 22: Business in Shan State

Sr.	Particulars	Numbers
1	Business Associations	64
2	Firms under Foreign Investment Law	13
3	Firms under Myanmar Citizen Investment Law	59
4	Locally registered companies	210
5	MOU/MOA registered companies	31

Source: Shan State Government

Private investment in Shan State has expanded - there are 64 business associations operating in the state. There are 210 locally registered companies that have started operations. Many private investors are waiting to expand - 13 business firms are under the Foreign Investment Law and 59 firms have been approved under the Myanmar Citizen Investment Law. An additional 31 companies are registered through MOU/MOA.

There are tax free zones in Shan State - Zone 1 includes 37 townships, Zone 2 includes 13 townships and 5 townships are not allowed for investment. According to the new Myanmar Investment Law, townships in Zone 1 will enjoy seven years tax exemption and five years for Zone 2. See township list and map below.

Figure 24: Map of Promoting Zone in Shan State



Source: DICA, Ministry of Planning and Finance

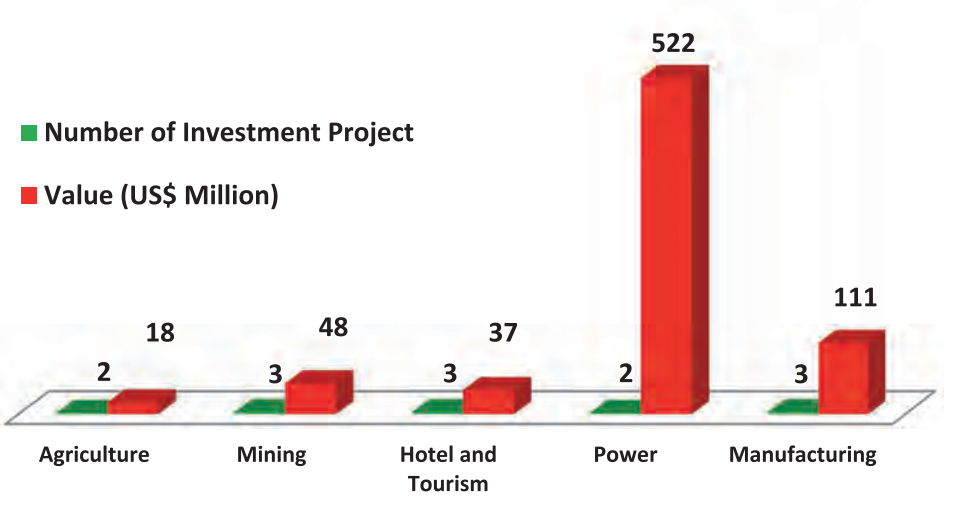
Table 23: List of Income Tax Free Zones in Shan State

Sr.	District Name	Sr.	Township Name	Tax Free Zone		Remark
				1 (7 yrs)	2 (5yrs)	
1	Taunggyi	1	Taunggyi		√	
		2	Nyaung - Shwe	√		
		3	Ho - pone	√		
		4	Se - Sai	√		
		5	Kalaw		√	
		6	Pin - taya	√		
		7	Ywa - Ngai	√		
		8	Yat - Sauk	√		
		9	Pin - Laung	√		
		10	Phae - Khone	√		
2		11	Loi - Lin		√	
		12	Lae - Char		√	
		13	Nant - San		√	
		14	Kon - Hein	√		
		15	Kyae - Thee	√		
		16	Mong - Kai	√		
		17	Mong - Shu	√		
3	Lin - Ke	18	Lin - Ke	√		
		19	Moe - Nae	√		
		20	Mauk - Mae	√		
		21	Mong - Pan	√		
4	Keng -	22	Kyain - Tone		√	
		23	Mong - Khat	√		
		24	Mong - Yan	√		
		25	Mong - Lar			not allow for investment
		26	Mong - Pyin	√		
5	Mong -	27	Mong - Sat	√		
		28	Mong - Tone	√		
6	Tachileik	29	Tachileik	√		
		30	Mong - Phat	√		
		31	Mong - Yaung	√		
		32	Lashio		√	
		33	Thein Ni	√		
		34	Tantyan		√	
		35	Mong - Yae	√		
		36	Kone - Lone		√	

7	Muse	37	Muse		√	
		38	Nam - Kham	√		
		39	Kut - Kai	√		
8	Kyauk -	40	Kyauk - Me		√	
		41	Hsipaw		√	
		42	Naung Cho		√	
		43	Nan Ma Tu	√		
		44	Nant San	√		
		45	Man - Tone	√		
9	Moe Mait	46	Moe Mait	√		
		47	Ma Bain	√		
10	Lauk Kai	48	Lauk Kai	√		
		49	Kone Kyan Mae	√		
11	Ho Pan	50	Ho - pan	√		
		51	Mong Maw			not allow for investment
		52	Pan Wine			not allow for investment
12	Mat Man	53	Mat Man	√		
		54	Nar Phan			not allow for investment
		55	Pan Sann			not allow for investment
	Total			37	13	

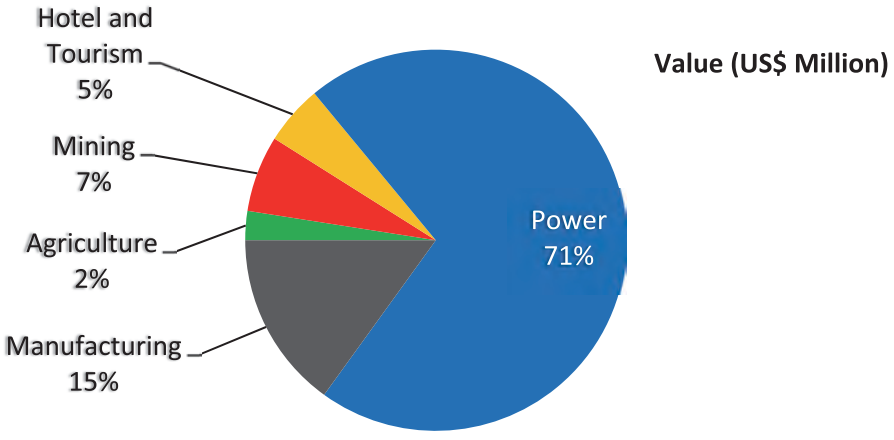
Source: Myanmar Investment Commission

Figure 25: Foreign Direct Investment in Shan State that Approved by Myanmar Investment Commission as of January 2017



Source: DICA, Ministry of Planning and Finance

Figure 26: The Existing Investment in Shan State According to the Foreign Investment Law (From 1-4-1988 to 31-1-2017)



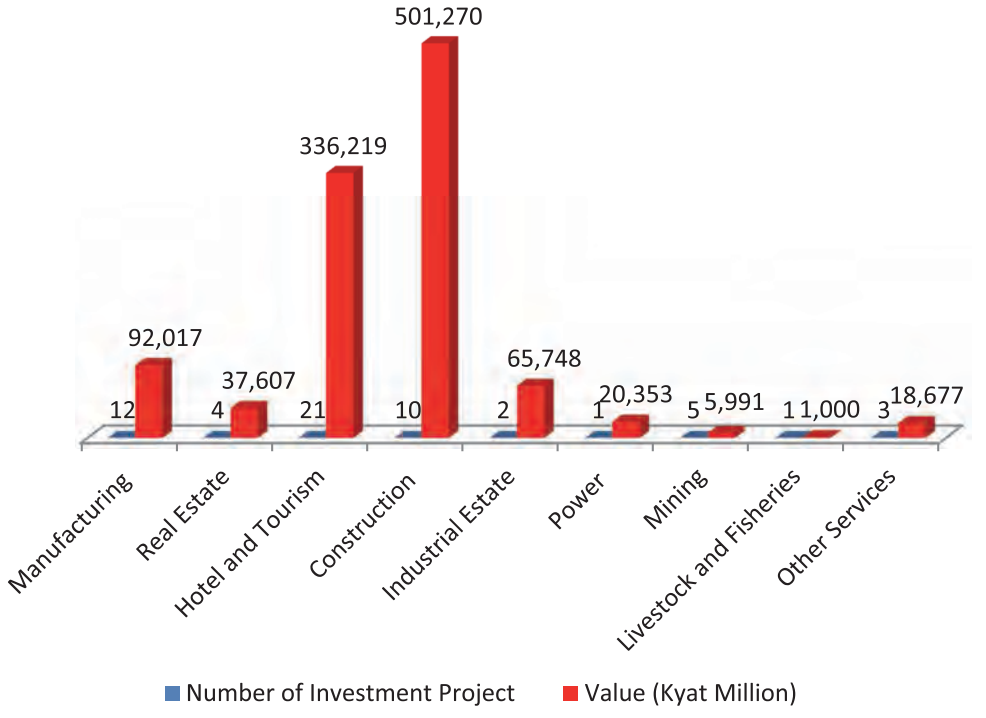
Source: DICA, Ministry of Planning and Finance

Table 24: Myanmar Citizen Enterprises in Shan State that Approved by Myanmar Investment Commission as of 31-January 2017

No.	State/Region	No. of Investment	Investment Value	Percentage
1	Yangon	554	6684,420	53.55
2	Mandalay	130	2,234,837	17.90
3	Mon	24	748,727	6.00
4	Bago	35	636,688	5.10
5	**Shan**	**59**	**627,741**	5.03
6	Nay Pyi Taw	20	558,059	4.47
7	Tanintharyi	42	202,546	1.62
8	Ayeyarwaddy	22	189,562	1.52
9	Kayah	3	181,201	1.45
10	Sagaing	26	150,255	1.20
11	Rakhine	19	111,311	0.89
12	Kachin	14	91,313	0.73
13	Magwe	6	46,931	0.38
14	Kayin	9	19,567	0.16
Total		**963**	**12,483,166**	**100.00**

Source DICA, Ministry of Planning and Finance

Figure 27: The Existing Investment in Shan State According to the Myanmar Citizens Investment Law as of January 2017



Sourc: DICA, Ministry of Planning and Finance

The MIC approved 59 Myanmar enterprises in 2015/2016. The industries are expected to implement 11 building constructions with a capital amount 78,269.11 kyats (million), followed 19 hotel and tourism constructions with a capital amount of 126,974.96 kyats (million). There are 12 industrial enterprises constructed with a capital fund of 93,753.26 kyats (million). There are 4 mining enterprises planned with a capital fund of 5991 kyats (million). In terms of the capital amount, the construction of mining factories may not be large projects. One electricity generating enterprise is planned with a capital amount of 20535.58 kyats (million). The remaining include four housing projects and two Industrial Zone constructions which have obtained approval from MIC.

2.7.1 Private Investment in Southern Shan State

The key projects include:

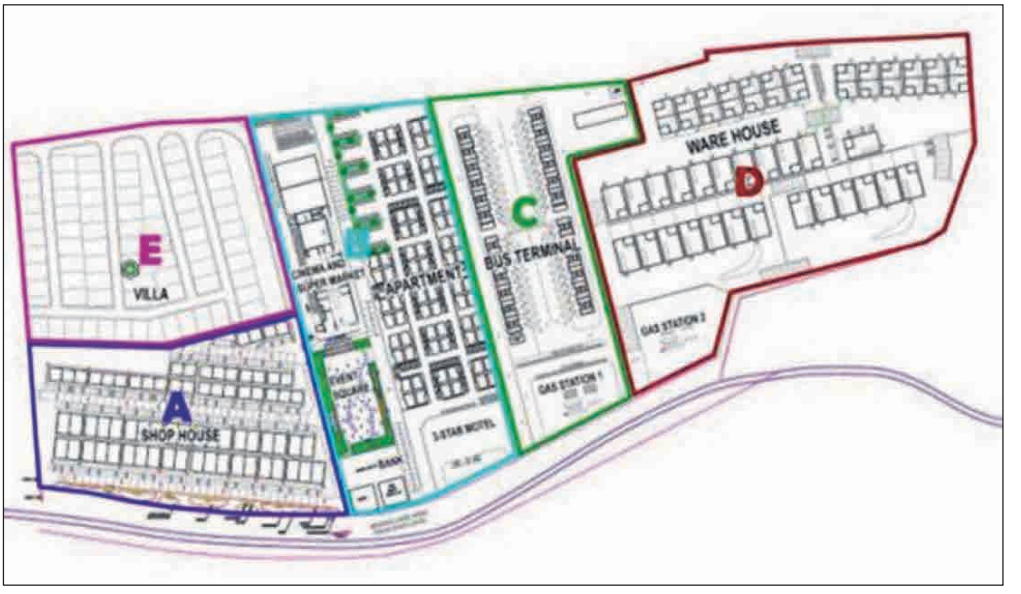
1) Taunggyi No. 4 Myo Ma Market
2) Aye Thar Yar Housing Development Project
3) Taunggyi Business Center
4) Min Kyan Sit Housing Project

The Taunggyi Myo Ma Market has taken a year for construction and is now 90% complete. This market will be moved to Taunggyi Business Center. Aye Thar Yar and Min Kyan sites are still under the construction.

Taunggyi Business Center Project

The Taunggyi Business Center is a commercial and residential complex project in Taunggyi, Southern Shan State, jointly developed by Wa Minn & Phyu Sin Co Ltd. Currently, it is about 90% complete. There are 5 Zones in the project - Zone A includes a food court and restaurants, Zone B is constructed for banks, recreation centers, and residences, Zone C is constructed for highway transportation, Zone D is constructed for commodities storage, and Zone E is constructed for private villas planned at high altitudes for the best view. The project plan also includes 71 shop houses, 288 apartment units, 18 housing, 24 bus terminals, 50 warehouses, Duplex Housing, 4.67 acre car parking, KBZ Bank & commercial zone, hotels, cinemas, supermarkets and a Jupiter petrol station.

Figure 28: Taunggyi Business Center Project Plan



Source: Taunggyi Business Center

2.7.2 Private Investment in Northern Shan State

The key projects include:

1) Mingalar Muse Central Business District
2) Htin Shu Myaing Housing Development Project
3) Cherry Myaing Housing Development Project
4) Namt Paw Hydropower Project
5) Lashio Mansu Market
6) Nar Ma Kaw Highway Bus Terminal

The Mingalar Muse Central Business District is under the construction and is expected to be completed soon. Construction of the Htin Shu Mying Housing Development Project has just started and is now at the land management stage. The Nar Ma Kaw Highway Bus Terminal was completed in 2016 and has been running its activities.

Muse Central Business District Project (PPP) Project Shan State Development & Planning Committee with New Starlight Construction Co., Ltd.

Figure 29: Muse Central Business District Project Plan



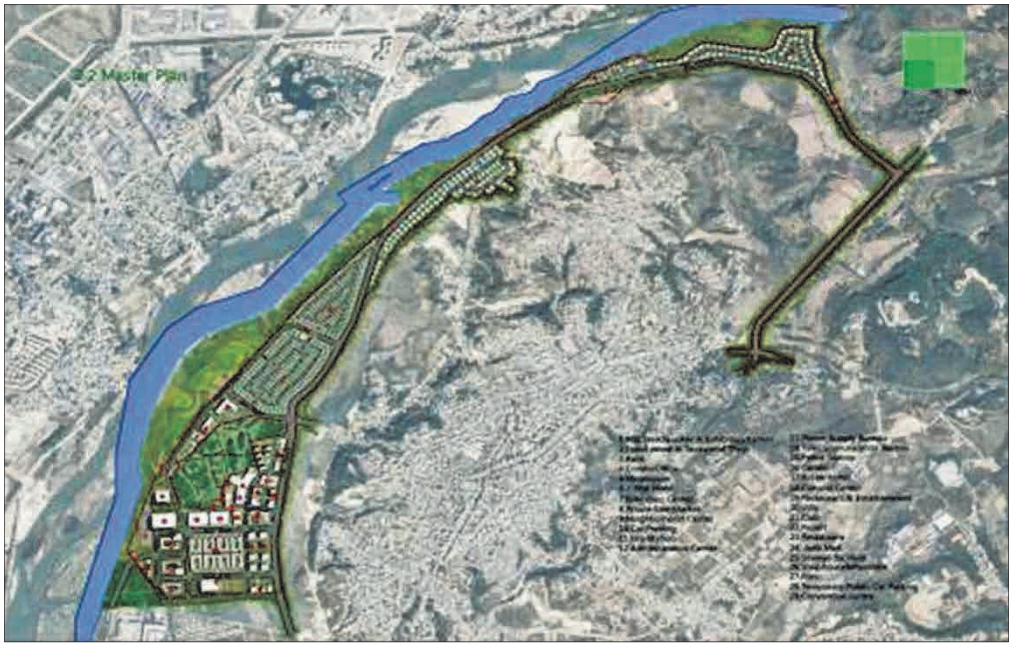
Muse's Central Business District project started development in FY2013-14, jointly handled by the Shan State Regional Development Project Committee and New Star Light Construction Company Ltd.

The Muse Economic Development Zone project is jointly planned by the Shan State Regional Development Project Committee and Maw Shan Development Public Company Ltd. on the China - Myanmar border to strengthen border trade and commercial activities, industrial production, improve logistics, employment opportunities and to enhance the socio - economic situation of the communities. The Memorandum of Understanding for the project has been signed.

Muse Central Economic Industrial Zone and New Star Light Construction Company Ltd have jointly established businesses in the following categories in Muse, on 86,000 acres in the Mong Ko sub - township:

a) Light production industries
b) Commodities trading zone and warehouses
c) Training schools, culture and education university
d) Leisure and entrainment enterprise
e) Administration and banking
f) Hotels and resorts
g) Commodities transportation
h) Environmental protection
i) International travel agency
j) Forestry and gardening
k) Hydropower enterprises

Figure 30: Muse Central Business District



2.7.3 Private Investment in Eastern Shan State

1) Tachileik Water Supply System
2) Tachileik Wang Kaung Market

The market is located in Wang Kaung quarter of Tachileik City. The two story reinforced concrete building is built on 0.921 acre of land. The market consists of 185 stalls on the ground floor, 143 stalls on 1st floor and 86 hawker's stalls. The project was completed on 31st March 2015.

2.8 Industries

There are 4,006 registered private industries in Shan State. There are 263 large industries, 646 medium size industries and 3097 small scale industries. All industries are situated in Southern and Northern Shan State.

2.8.1 Industries in Shan State

Table 25: Registered Private Industries in Industrial Area Shan State (2015 - 16)

Sr.	Commodity Group	Large	Medium	Small	Total
1	Food & Beverages	28	35	52	115
2	Clothing apparel & Wearing	1	2	-	3
3	Constructing materials/Shelter	7	11	7	25
4	Personal goods	6	9	8	23
5	Household goods	2	1	3	6
6	Industrial raw materials	8	6	3	17
7	Mineral & Petroleum Products	6	9	40	55
8	Machinery & equipment	1	-	-	1
9	Agricultural equipment	-	1	-	1
10	Transport Vehicles	2	-	-	2
11	Electrical goods	-	-	1	1
12	Miscellaneous	11	64	234	309
13	Printing and Publishing	-	-	-	-
	Total	**72**	**138**	**348**	**558**

Source: Directorate of Industrial Supervision and Inspection (DISI)

Taunggyi Township

The **Kanbawza Cement Factory** is located in Hopone Township in Southern Shan State. It was established in 2008 and has been in operation since 2014; it produces 1,000 tonnes of cement per day in the dry process. Since the factory has enough raw materials, its capacity can be extended up to 5,000 tonnes per day. Therefore, foreign investors are interested in investing in this factory.

Figure 31: Kanbawza Cement Factory



The **Myanmar Belle Vegetable Dehydrated Factory** started operations in 2013 and produces 1.2 tonnes of varieties of dehydrated vegetables per day. The total capital amount of this factory is 816.27 kyats (million). It has produced only dry cabbage in 2013, but it has plans to produce different types of dry vegetables such as garlic, ginger, red carrots, peppermint and onion leaves. Currently, the company has cooperated with farmers using a mutually benefit approach and its products have been exported to South Korea. In order to have adequate raw commodities, the factory has acquired land to cultivate vegetables as well. There are 253 workers employed by the factory.

Figure 32: Myanmar Belle Vegetable Dehydrated Factory



Myanmar Vineyard Wine Factory (Myanmar 1st Vineyard Estate) - In December 2004 Aythaya wine was first introduce in Myanmar. It all started with an idea of the founder of the company, Bert Morsbach, and his vision to produce a Western - style wine for the first time in Myanmar. It came to fruition in 1999 when he and friends, who shared their common love for the country and for winemaking, established today's winery near Taunggyi in the Southern Shan State. From the outset the company focused its pioneering development work to produce premium wines with the whole country as its market. The slogan was and still is: "A better wine every year". The chances were excellent: 150 days of sunshine, a warm climate and ideal soil conditions.

Figure 33: Myanmar Vineyard Wine Factory's vineyard



In early 2015, the founders can claim that Myanmar by now has definitely become a proud member of the family of wine - producing countries of the world, with the best wines yet to come. That applies especially to AYTHAYA's white wines. In hindsight, it was a hugely challenging time which span from the first viticulture research in 1997, followed by bottling the first wines in 2004 and its first exports in 2009.

The **Two Dragon Juice Factory** produced 800 package, each package containing 70 bottles, in the fiscal year 2015 - 2016 with 60 workers.

Kalaw Township

The **Mya Nadi Dry Crop & Vegetable Factory** was established in 2011 - 2012 and conducts threshing, cleaning and moisturizing of corn seeds. It had an initial capital amount of 1.9 million kyats. The factory also plans to produce raw commodities by buying agricultural land; 60 workers have been employed in the factory.

Nyaung Shwe Township

Red Mountain Estate Vineyards & Winery produces grape wine. Established in 2002, it has been in operation since 2005. Grapes are cultivated on 200 acres to produce nine different types of wines for distribution in the local market. It also has projected that 80,000 bottles of wine will be produced in 2015 - 2016, providing job opportunities for 140 workers.

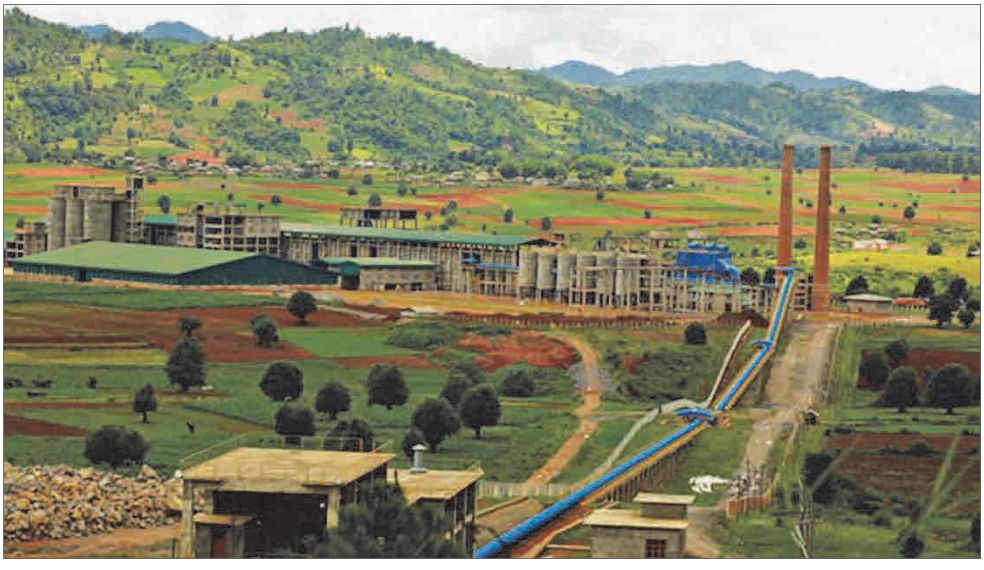
Figure 34: Red Mountain Estate Vineyards & Winery



Pin Laung Township

The **Dragon Cement Factory** has been in operation since 2005. It produced 240,000 tonnes of cement in 2015 - 2016 and employs 200 workers.

Figure 35: Dragon Cement Factory



Nyaung Cho Township

The **Sin Shwe Lee Sugar Mill No (2)** was established in Naung Cho on 154 acres of land in Kone Gyi village tract in the Inn Wine village area in 2012. Sugar cane has been cultivated in order to fulfill the need for raw commodities; it planned to produce 1,000,000 tonnes of sugar cane in 2016.

Kone - Gyan Township

A five - year plan for a **Pulp and Paper Factory** was at its completion stage in 2015 - 2016. This factory is located in Kone Kkyan township, Shinphyinking village tract. Construction was supervised by Kwaw Wathaw Yadanar Shwe Myay Co.,Ltd. Kwae - Wa - Thaw - Yadanar - Shwemyae Company Ltd.

Muse Township

The Nant - Oan Sugar mill will be constructed in Nant - Oan village, located 20 miles from Muse township. The production of sugar will be 8,100 tonnes per day.

2.8.2 Industrial Zones in Shan State

Table 26: Existing Industrial Zone and Areas

Sr.	Location	No. of Business
1.	Aye Thar Yar Industrial Zone	470
2.	Muse Industrial Area	57
3.	Tarchileilk Industrial Area	21
Total		**558**

Source: Shan State Government

1) Implementation Situation of Aye Thar Yar Industrial Zone

Aye Thar Yar Industrial Zone was established to develop the industrial sector in Shan State. Large, medium and small enterprises have operated in sectors such as food and beverages, commodities transportation, and construction of residential areas. General industrial enterprises are primarily operating in the industrial zone and have contributed to jo creation and regional economic development in Shan State. There are total of 468 enterprises operating in Aye Thar Yar Industrial Zone - there are 44 large enterprises, 61 medium enterprise, and 363 small enterprises, in total (468). The total capital invested in the zone is 5,311.08 kyats (million). All enterprises in the zone are already registered and 2,522 workers have been employed in the industrial zone.

Figure 36: Aye Thar Yar Industrial Zone



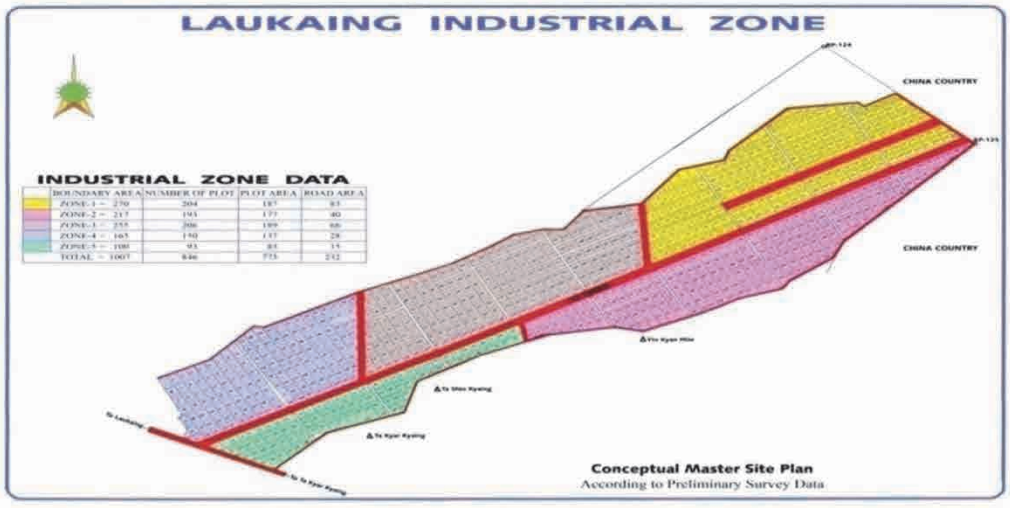
Source: Aye Thar Yar Industrial Zone

2) Lauk Kaing Industrial Zone Project Plan

The Lauk Kaing Industrial Zone is situated at border pillar 125 near the Tar Sin Kyaing and Yin Kyan Htin village on a planned 1140 acres. The following projects have been planned but currently on hold:

1) Garment factories Zone (1) 189 acre, (204) plots
2) Trading Enterprises Zone (2) 177 acres, (193) plots
3) General Enterprises Zone (3) 189 acres, (206) plots
4) Construction Zone (4) 137 acre, (150) plots
5) Agricultural materials Zone (5) 85 acres, (93) plots
6) Land for road 232 acres

Figure 37: Laukaing Industrial Zone Plan



Source: Laukaing Industrial Zone

3) Wan Pone Jetty Development Project in Tachileik Township

The Wan Pone Jetty will be developed on 500 acres near Mong - Phone village, about 20 miles from the Mekong river in east Shan State which known as Golden Traingle. The project will be implemented and supervised by Myanmar Ayeyarmon Jetty and River Development Co. Ltd. At the Wan Pone Jetty, it is expected that only Chinese ships will have access, despite the jetty allowing for ships from Thailand and Laos as well. The construction of the jetty needs to be upgraded.

The following factories will be included in the development of the Wan Pone Jetty:

1) Garment factories
2) Women's wallets and bag factories
3) Shoe factories
4) Solar production factory
5) Mobile phone production factory
6) Microchip factory
7) Tissue & paper factory
8) Toys factory
9) Wire & cable factory
10) Carton box factory
11) Wood - finished goods production factory

2.9 Hotel and Tourism

Table 27: Hotels, Motels, Inns and Guest Houses in Shan State

Sr.	Regions	Number of Hotel	Number of rooms
1	Southern Shan State	180	5,056
2	Northern Shan State	50	1,675
3	Eastern Shan State	53	2,410
Total		**283**	**9,141**

Source: Directorate of Hotel and Tourism

Tourist destinations such as Inle Lake have been attracting more tourists. In Southern Shan State, there are currently 180 hotels and 2,056 rooms welcoming tourists to the region. Additionally, 1,675 rooms and 59 hotels in Northern Shan State have been available for new guests and visitors. A total of 2,410 rooms and 53 hotels are ready to accommodate visitors to Eastern Shan State.

Table 28: Number of Hotel Shan State in 2016 (Under Construction)

Sr.	Regions	Number	Rooms
1	Southern Shan	63	1,923
2	Northern Shan	8	687
3	Eastern Shan	4	175
Total		**75**	**2,785**

Source: Directorate of Hotel and Tourism

As Shan State has high potential in the tourism sector, more rooms and hotels are under construction. In Southern Shan, 1,923 rooms and 63 hotels are under construction, followed by 687 rooms and 8 hotels in Northern Shan and 175 rooms and 4 hotels in Eastern Shan respectively.

Table 29: Number of Domestic and International Guests Entering to Shan State in 2016

Sr.	Regions	Domestic visitors	International tourists	Day Return visitors
1	Southern Shan	400,051	252,750	0
2	Northern Shan	88,564	22,897	228,418
3	Eastern Shan	82,757	62,081	1,369,566
Total		**571,372**	**337,728**	**1,597,984**

Source: Directorate of Hotel and Tourism

Shan State receives 5,71,372 domestic visitors and 337,728 international visitors in 2015 - 16. As Shan State is close to the China, Thailand and Laos borders, there are an increasing number of visitors entering on a daily basis; in 2015 - 16 there were 1.5 million visitors through Muse - Rulli in Myanmar China border and Tachileik - Mae Sai in Myanmar Thai border.

2.9.1 Inle Hotel Zone Project in Southern Shan State

In financial year 2015 - 16, the Inle Hotel Zone project was planned in Inle region, Nyaung Shwe township, Ingyin Gone village, Inle East Circle, within an area of 622 acres, divided into different zones. It is expected that 328.52 acres will be allocated as hotel areas, while the remaining would be designated for hotel and related businesses with local and foreign investment.

Figure 38: Inle Hotel Zone Project Map



Source: Inle Hotel Zone project

2.9.2 Investment in Hotels and Tourism

Eastern Shan has a variety of trekking locations for tourists. Trekking villages include Pin - Tauk village tract in Keng Tung district; In, Ahkha, Lahu national villages; Lwemwe group, Ho - Kyin, Ahkha villages; and Lwemwe, Cane Pagoda (Thai Market) near Mine - Khat city are expected to obtain foreign earnings by developing a new tourism market. Historical locations like Khay - Mar - Yahta Standing Buddha Stupa and Naung - Tone - Kan are famous natural sites. Preservation of natural sites is required. However, high transport costs discourage some visitors.

In Eastern Shan State, the Hotel Business Owners Association has about 50 members. At least one international standard hotel is required. There are over 5,000 schooners on Inle Lake, in which 1,113 schooners are registered. The potential investment is in renewal of engines which are designed for noise reduction and less environmental effects.

2.9.3 Investment in the Tourism Sector of Shan State is Aimed at International Tourists

(1) Ethnic Tourism

Shan State is one of the largest in Myanmar in terms of area; 34 different ethnic groups reside in Shan State. One of the main tourist attractions in Shan State would be the exploration of the lifestyle, traditions and culture of ethnic groups. The scenic views, natural caves, rivers and waterfalls must be preserved and promoted to attract international tourists. See the ethnic photo in Annex.

Table 30: Ethnicities of Shan State

Ethnicity	Township	Region
Li Shan, Lop Shan	Keng Tung, Mong Yawn, Mong La, Mong Pyin	Eastern Shan State
Palaung	Nam San, Nam Khan, Tan Yan and Mong Yal	Northern Shan State
Maw Shan	Thein Ni, Hsi Paw, Kyauk Me, Nam Kham	
Inn Tha	Nyaung Shwe, Phe Khone	Southern Shan State
Danu	Pintaya, Aung Pan, Ywa Ngan, Kalaw, Nong Kio	
Palaung	Yat Sauk, Kalaw	
Padaung	Mong Shu, Pin Laung and Phe Kone	

(2) Pilgrimage Tourism

The large number of famous ancient pagodas and stupas in Shan State attract many pilgrimage tourists. Some of them include the Pindaya Cave Pagoda, Kut Ku Pagoda in Southern Shan State and Baw Kyo Pagoda in Northern Shan State.

Figure 39: Pindaya Carve



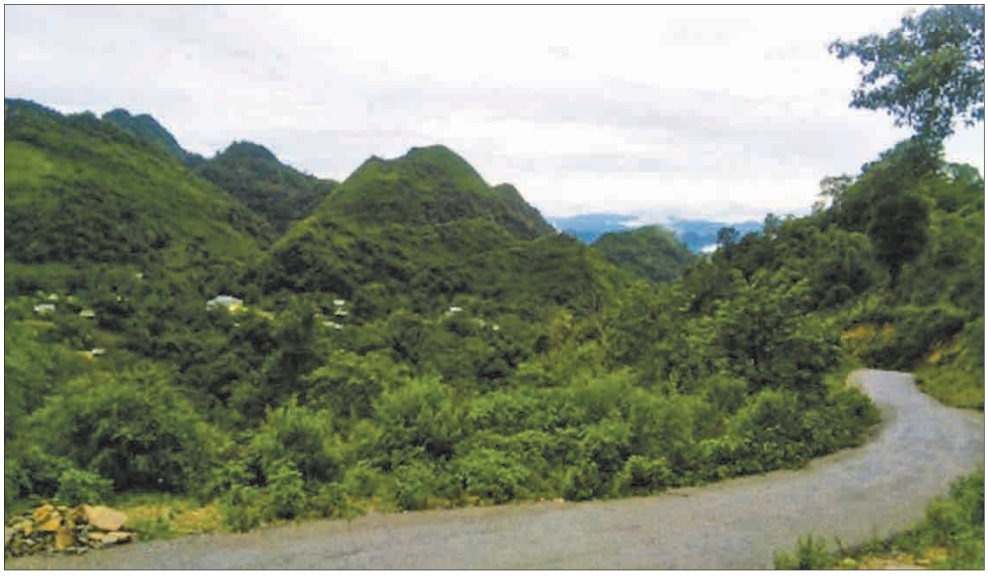
(3) Culture and Community - Based Tourism

Community - based tourism projects are currently under construction in Pa-O and Da Nu regions in Southern Shan. There is an intention to develop such projects in Northern Shan if there is peace in the region.

Figure 40: Culture and Community - Based



Figure 41: Culture and Community - Based_ Ya Za Kyi Village



(4) Ecotourism

There are opportunities for ecotourism in Southern Shan, some of which include bird species in Inle Lake, Pya Dar Lin Cave, Taun Myint Kyee Cave, Yan Dwin Cave, Hat San Cave, and Mong Shu Hyper Waterfall, among others.

Figure 42: Bird Species in Inle Lake (Spot - Billed Duck)

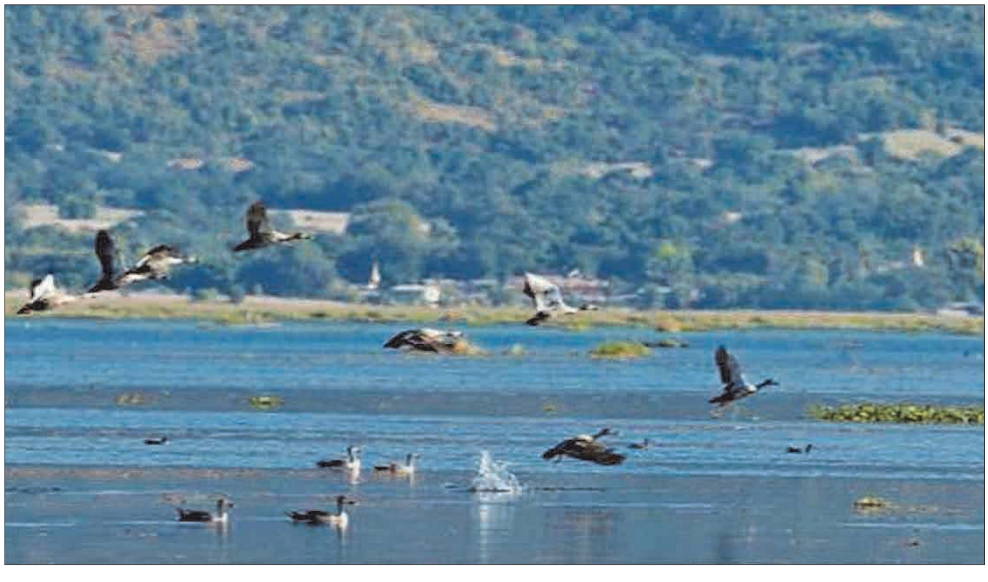


Figure 43: Bird Species in Inle Lake (Oriental Darter)



(5) City Tourism

There are a lot of sightseeing places in Taunggyi, Keng Tung, Lashio, Tachileik and Muse Townships in Shan State. These include Mong Hnone Bamboo Strips Pagoda, Hsibaw Shan Palace, and Keng Tung Naung Ton Lake.

Figure 44: Hsibaw Palace



(6) Border Tourism

Tachileik, Muse, Mong La, and Lauk Kai (Chin Shwe Haw) are the bilateral trade cities and there are a lot of border trade activities in these cities.

Figure 45: Tachileik Border Gate



(7) Adventure Tourism

Adventure tours such as trekking over the hilly regions and river rafting are also possible in Shan State.

Figure 46: Nant Pan Creek



Figure 47: Nant Tane Creek



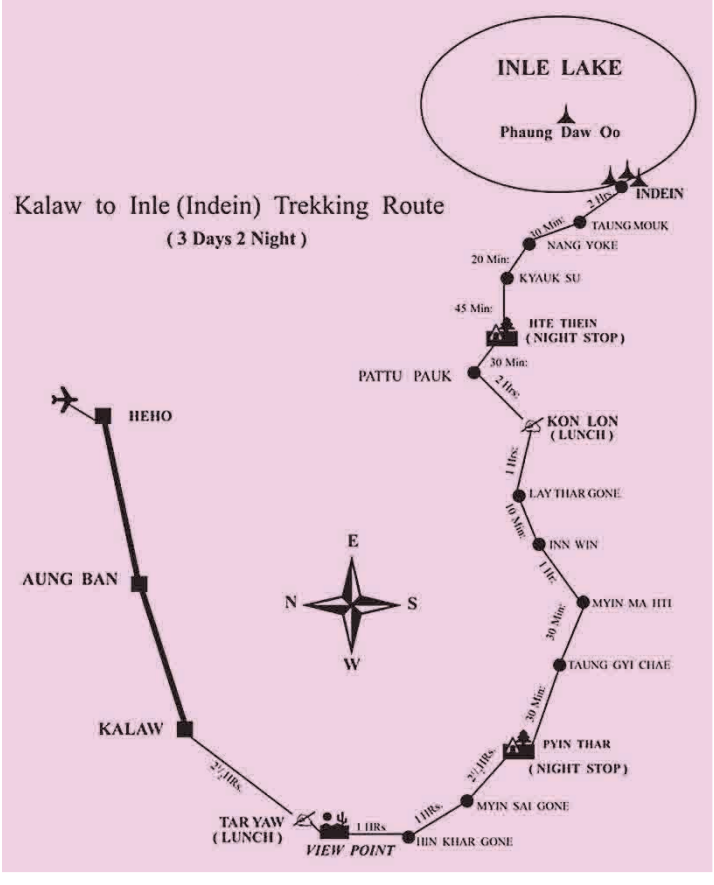
Figure 48: River Rafting in Than Lwin River



Figure 49: Kalaw to Inle Lake Trekking – 3 Day Trekking



Figure 50: Map of Kalaw to Inle Trekking – 3 Day 2 Night



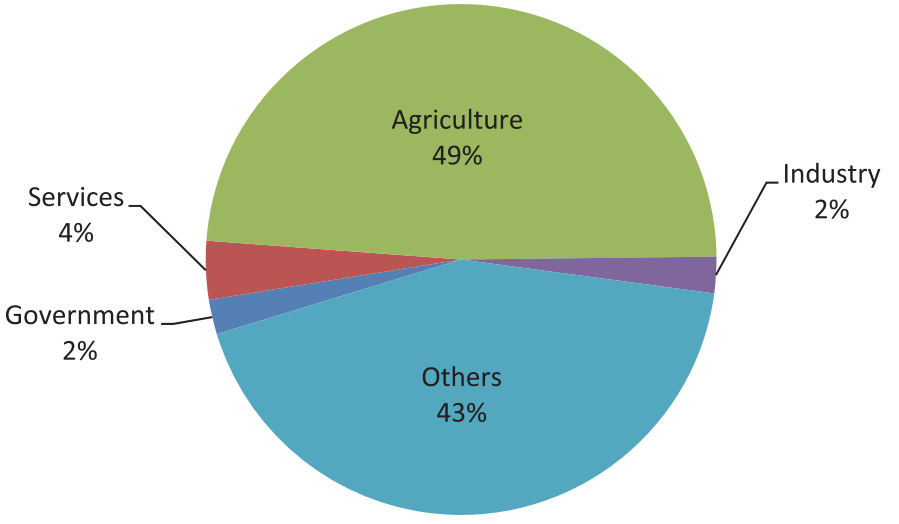
(8) Human Resources Development

There is a need for training centers in the tourism and hospitality sector to provide better services to international tourists and to the sector in Shan State.

2.10 Labour

According to the 2014 Myanmar Population and Housing Census the total population of Shan State is 5,824,432, with 2,910,710 males and 2,413,722 females. In terms of age groups, there is a working population of 3,015,500 people in the range of 15 - 59 years. With a growing working population, it is important to provide employment opportunities and encourage the development of policies and programmes. Thus, the need to provide job opportunities is critical for the government and other stakeholders.

Figure 51: Employment by Sector in 2012 - 13



Source: *Department of Labour (Taunggyi office),* Ministry of Labour*, Immigration and Population*

According to Department of Labour, there are 1,163,427 workers in the agriculture sector and 52,828 government employees in Shan State. The industry sector has the workforce of over 53,931 people. The largest contribution of labor is in the agricultural sector which accounts for 48.7%. The agricultural sector mainly comprises primary production of raw commodities, but there is potential for transforming this towards value added processing. Only 2.3% of the labor force is employed in the industrial sector.

Table 31: Number of Department and Employees in Shan State in 2015 - 16

Sr.	Region Name	Organization				Number of Labor (Domestic/Foreigner)				Total
		Government	Cooperative	Private	Total	Government	Cooperative	Private	Total	
1	Taunggyi	515	74	3216	3805	28056	206	18391	6	46659
2	Loi - Lin	416	1	3961	4378	9105	5	9442	-	14552
3	Lashio	242	53	2619	2914	9139	249	11998	-	21386
4	Muse	167	7	2210	2384	6101	12	10761	-	16874
5	Kyauk Me	219	216	2060	2495	9725	279	11594	-	21598
6	Keng Tung	281	-	972	1253	5294	-	2808	-	8102
7	Tachilaik	80	8	378	466	1385	24	1757	68	3234
Total		**1920**	**359**	**15416**	**17695**	**68805**	**775**	**66751**	**74**	**132405**

Source: Department of Labour (Taunggyi office), Ministry of Labour, Immigration and Population

There are three types of organizations in Shan State, government departments, co - operatives and private sector. The organizations totaling 17,695 employ 132,405 employees according to Department of Labour.

SHAN STATE
INVESTMENT OPPORTUNITY SURVEY REPORT 2017

3

Understanding Businesses in Shan State (Business Owners' Perspectives)





3. UNDERSTANDING BUSINESSES IN SHAN STATE (BUSINESS OWNERS' PERSPECTIVES)

To understand the investment climate in Shan State and identify business opportunities, 62 businesses were interviewed in Shan South, Shan North and Shan East regions. Additionally, key informant interviews were conducted with officials from regional ministries, the Shan State Development Committee, the Shan State Chamber of Commerce and industrial zones, to obtain meaningful contextual information.

3.1 Methodology

MMRD first conducted secondary data collection (desk research) to identify possible industries for the study, and rules and regulations to set up and operate a business.

The second stage of research was primary data collection (field research) where MMRD conducted business - to - business interviews in selected local industries such as agriculture, manufacturing, food processing, hotel and tourism and SMEs to obtain data on the company, the business setup, operations and future business development. Interviews were conducted with owners and management of the companies, manufacturers and distributors. A total of 62 interviews were conducted in four sectors in Shan State. The quantitative data was contextualized using qualitative information obtained through key informant interviews with state authorities and business associations - the topics discussed included investment climate, insights on the economy of the three regions in Shan State, and infrastructure development.

Table 32: Sample Allocation of KII Interview (Government Official and Associations)

Sr.	Type of respondents	Southern Shan	Eastern Shan		Northern Shan	Total
		Taunggyi and Surrounding Area	Keng Tung	Tachi-leik	Lashio	
1	Related administrators under Shan State Government	1	1	1	1	4
2	Chamber of Commerce and Industry (South, North, East)	1	1	1	1	4
3	Industrial zone management committee (Aye Thar Yar)	1				1
Regional offices under line ministries						
4	Myanmar Trade Promotion Organization		1	1		2
5	Planning Department	1	1	1	1	4
6	Department of Consumer Affairs	1	1		1	3
7	Department of Agriculture	1	1		1	3
8	Directorate of Hotel and Tourism	1	1	1	1	4
9	Directorate of Industry Supervision and Inspection	1			1	2
10	Department of Labour	1	1		1	3
11	Directorate of Investment and Company Administration (DICA) Taunggyi Office	1				1
12	Electric Supply Enterprise	1	1	1	1	4
Other related associations						
13	Transportation Services Association	1	1		1	3
14	Commodity Exchange Center	1			1	2
15	Other associations	5	2	2	2	11
Total		**18**	**12**	**8**	**13**	**51**

Table 33: Sample Allocation of B2B Interview

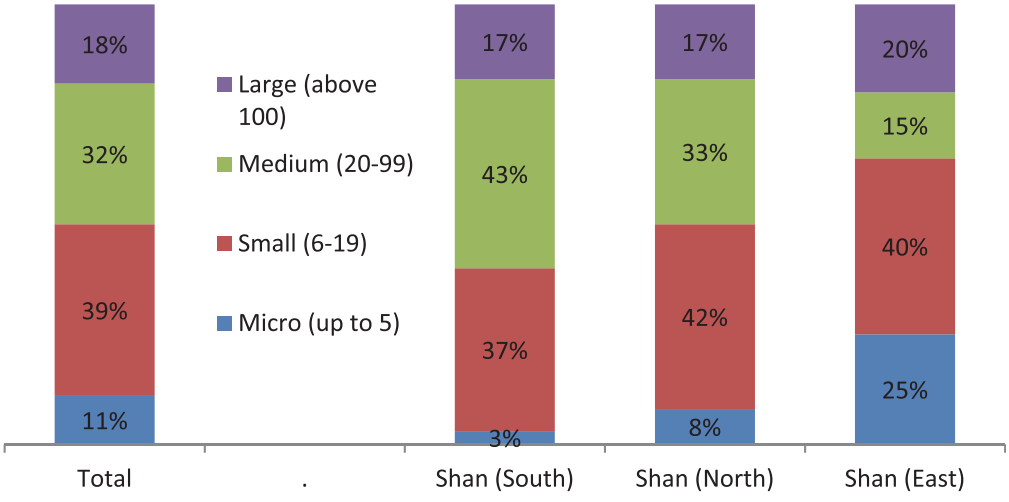
Sr.	Type of respondents	Southern Shan	Eastern Shan		Northern Shan	Total
		Taunggyi and Surrounding Area	Keng Tung	Tachi - leik	Lashio	
1	Food Processing	6	2	2	2	12
2	Manufacturing	5	1	1	3	10
3	Agriculture business Companies	5	2	2	2	11
4	Hotels and Tourism	5	2	2	2	11
5	Others	9	3	3	3	18
Total		**30**	**10**	**10**	**12**	**62**

3.2 Business Profile

According to the study, it was found that 86% of the registered firms In Shan State are SMEs and 16% are large firms. Among the firms which participated in the study, 82% of the businesses were considered SMEs by MMRD as they employed up to 99 workers; 18% were considered large firms as they employed over 100 workers. Of the 62 businesses interviewed, 60 were locally owned while 2 were foreign owned.

75% of all firms were interviewed in their head offices while the remaining 25% were interviewed in branch offices and factories. From the 62 businesses interviewed, 11% operated in the industrial zone, 18% outside of the industrial zone, and 71% operated in residential areas. There is only one industrial zone in Southern Shan State - Aye Thar Yar Industrial Zone - which has limited operations.

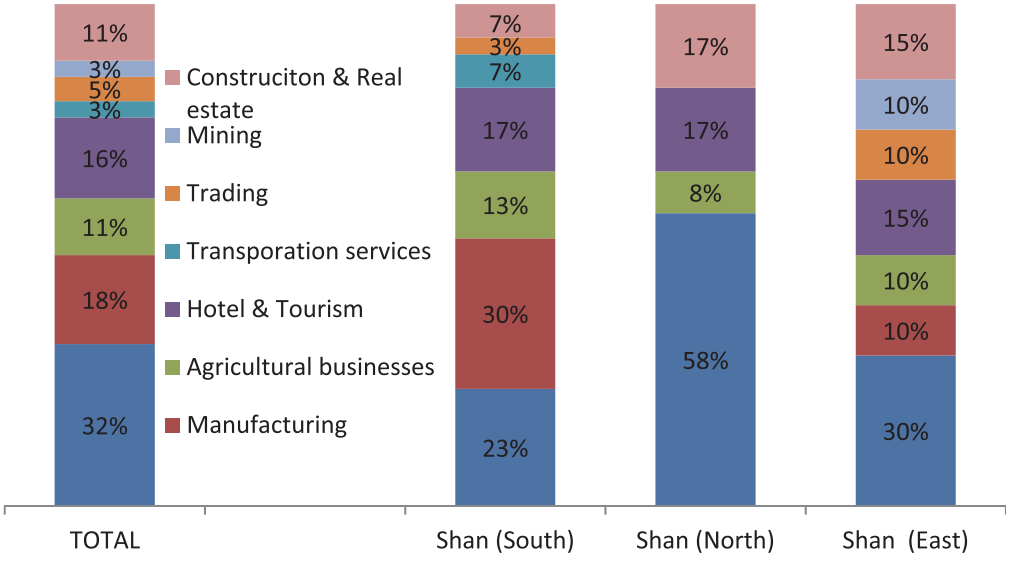
Figure 52: Size of the Business



Source: Shan State Investment Opportunity Survey

While the businesses interviewed belonged to diverse sectors such as food processing, manufacturing, agribusiness, hotel and tourism, transportation and logistics, trading, mining and construction product suppliers, 53% were from food processing and manufacturing up to finished goods while 47% were from services.

Figure 53: Businesses by Sector

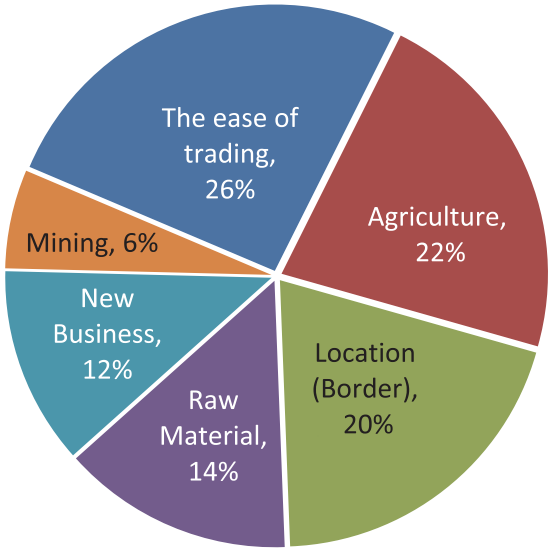


Source: Shan State Investment Opportunity Survey

3.3 Setting up the Business

From the businesses interviewed, 26% expressed that the reason they chose Shan State to set up their business was ease of trading. The second most cited reason for setting up a business in Shan State was agriculture, which indicates that there is a good foundation in place for growth in the sector.

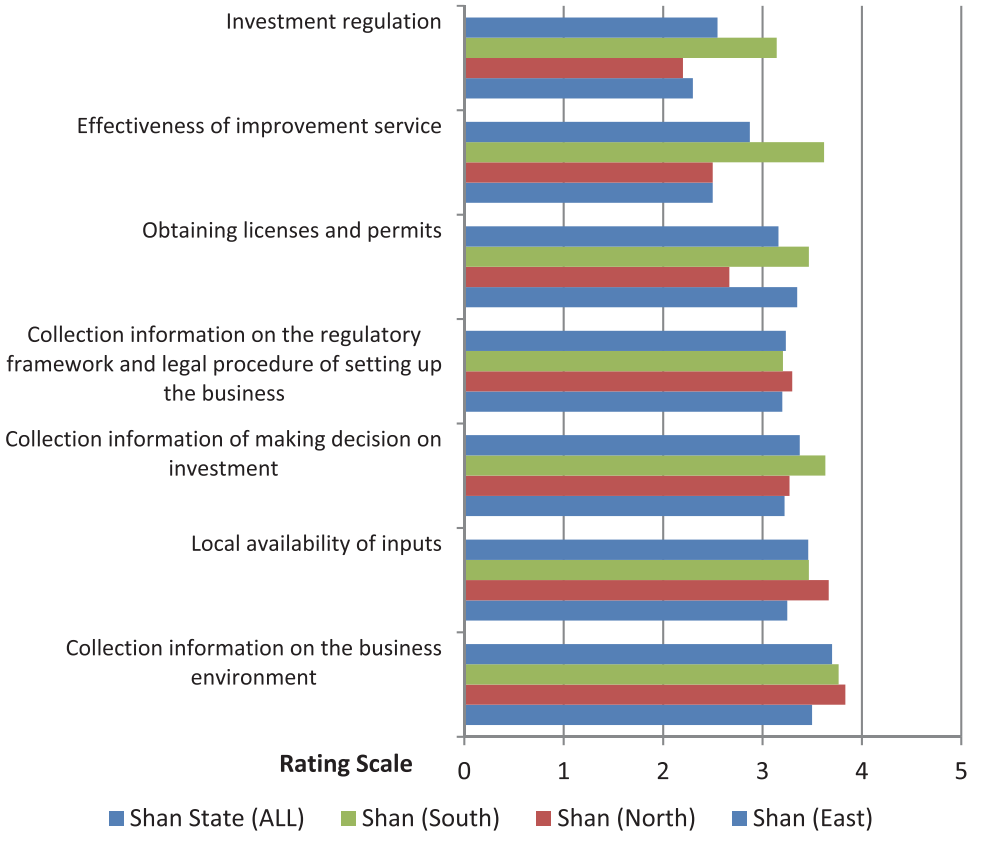
Figure 54: The Reason for Starting up Business in Shan State



Source: Shan State Investment Opportunity Survey

Almost half of the respondents expressed that there was no obstacle in setting up their business. However, infrastructure such as roads and regulatory understanding needs improvement in the state. Participants of the study were asked to rate the conditions and resources for business set up on a scale of 1 to 5 - 1 as very poor, 2 as poor, 3 as fair, 4 as good and 5 as excellent.

Figure 55: Obstacles in Business Setup in Shan State

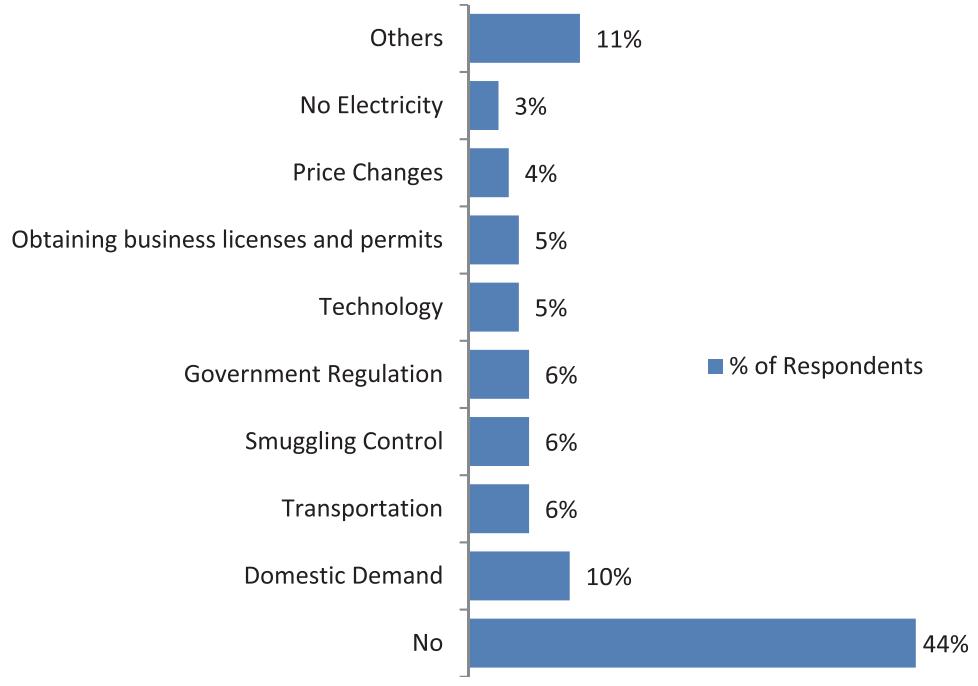


1=Very Poor, 2= Poor, 3=Fair, 4= Good, 5= Excellent

Source: Shan State Investment Opportunity Survey

Overall, businesses in Shan North and East stated that investment regulation is poor. The effectiveness of services in processing investment proposals from the respective government departments is poor in Shan North and East. Collection information on the business environment is good because of the development of the tele - communication sector in Myanmar.

Figure 56: Major Obstacles in Starting up a Business



Source: Shan State Investment Opportunity Survey

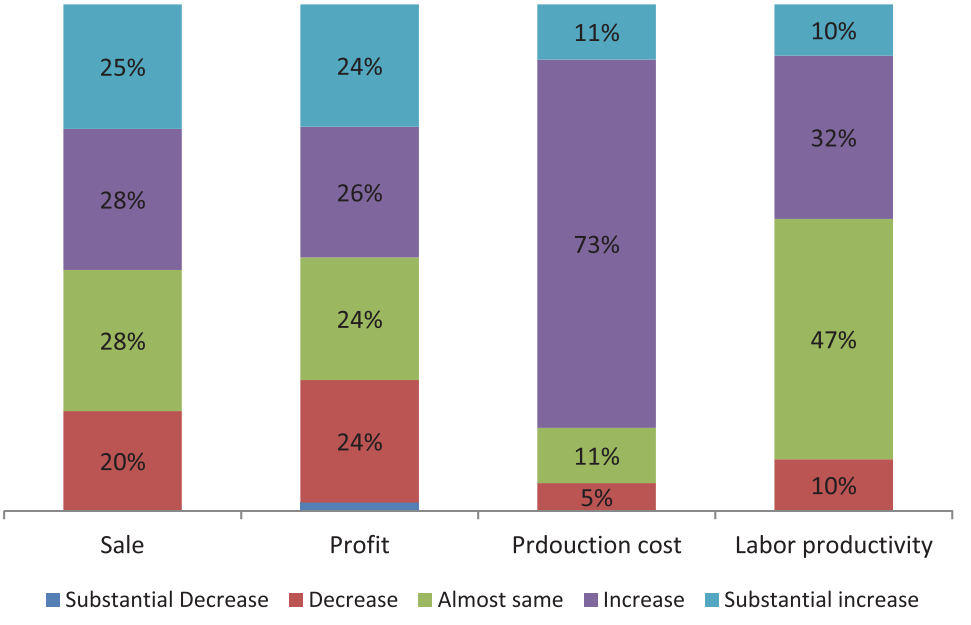
There is little market demand in Shan State to start businesses in the manufacturing sector; hence, it is reliant on whether there is demand from the other regions or not. Businesses in Eastern Shan State like Keng Tung and Tachileik have little knowledge on investment laws, by - laws and regulations, particularly the process to start a business and pay taxes. Challenges are mainly encountered after the business has started - the application procedure to obtain a business license and permits are lengthy and troublesome, including the process to obtain permission from Nay Pyi Taw.

There is a shortage of skilled labour, and employing labourers from other regions or neighbouring countries adds to the production cost. As Shan State is located in close proximity to border areas, it is affected by currency exchange rates in bordering countries. Frequent fluctuations in domestic prices also impacts business operations. In Eastern Shan State, there is limited access to electricity; it mainly relies on electricity generated privately or purchased from Thailand at a high cost.

3.4 Operating the Business

Compared to 2015, 53% of the businesses increased in revenue and 50% of the businesses enjoyed improvements in profits. It was found that 84% of the businesses surveyed incurred higher production costs due to a rise in raw material prices. Labour productivity stayed the same for 47% of businesses, but 42% expressed that they saw an increase in productivity over the past year.

Figure 57: Business Operation

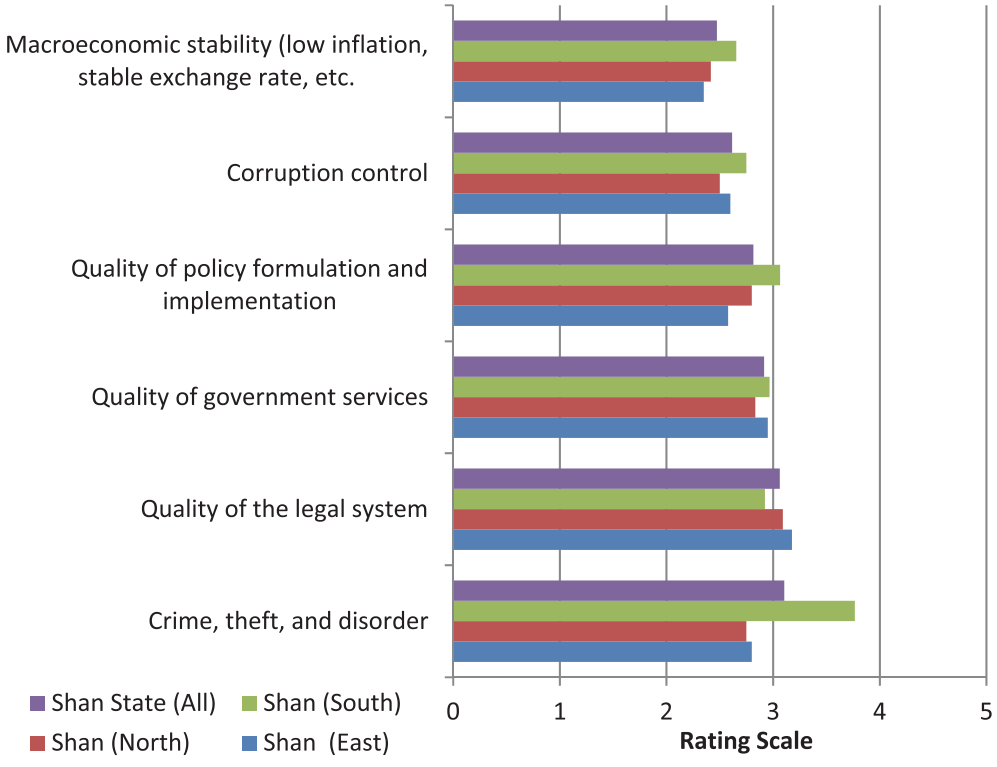


Source: Shan State Investment Opportunity Survey

3.4.1 Microeconomic overview and regulatory framework

Businesses surveyed rated the quality of administration and services provided by the line departments and administrative body as fair.

Figure 58: Macroeconomic and Governance Issues that Seriously Affect Business Environment

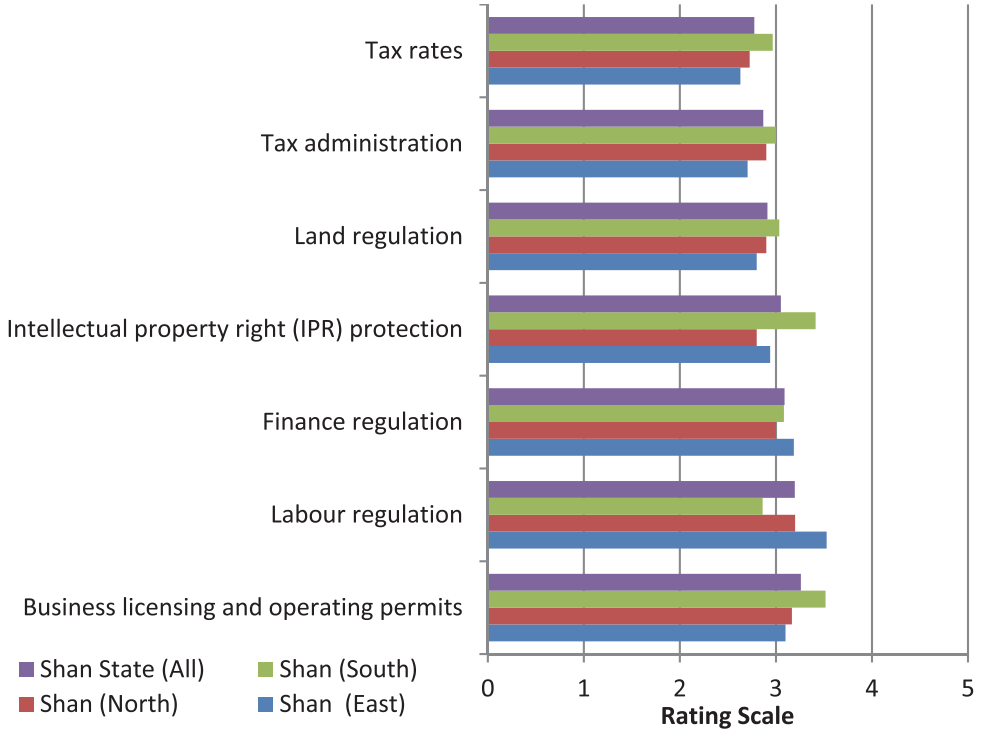


1=Very Poor, 2= Poor, 3=Fair, 4= Good, 5= Excellent

Source: Shan State Investment Opportunity Survey

It is normally relatively easy to obtain licenses and permits to start a business. However, it difficult to have a thorough understanding of the tax structure and some of the businesses expressed that they are paying double taxes. No major employer - employee disputes were reported; however, knowledge of labour regulations inadequate.

Figure 59: Regulatory Framework



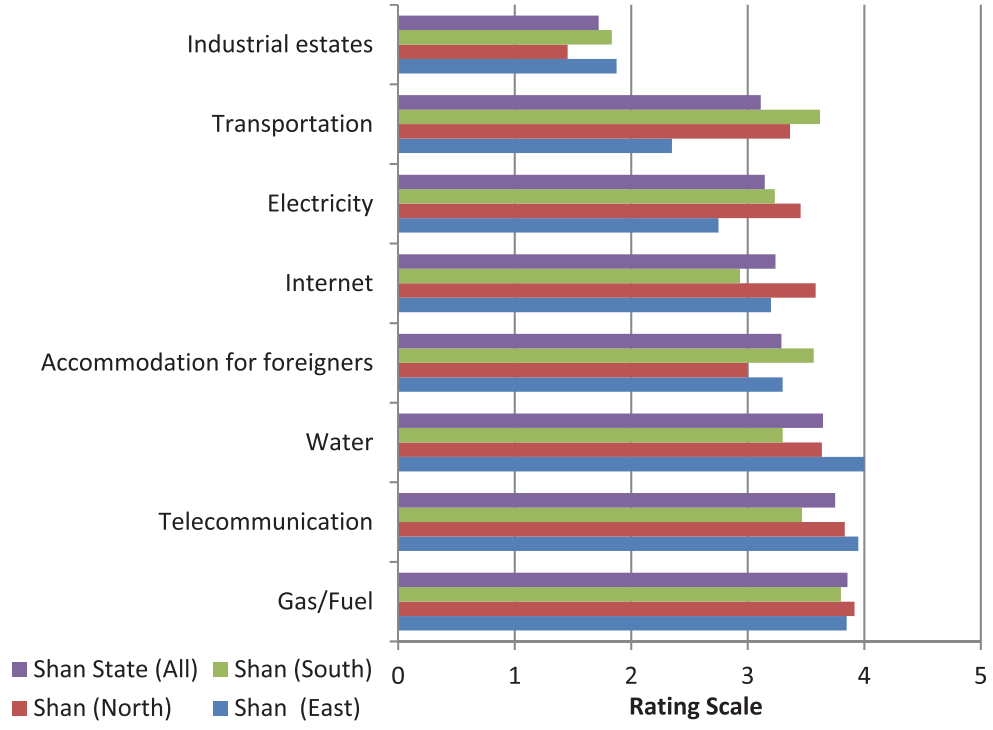
1=Very Poor, 2= Poor, 3=Fair, 4= Good, 5= Excellent

Source: Shan State Investment Opportunity Survey

3.4.2 The Need for Infrastructure

Although Aye Thar Yar industrial zone was established for industrial development, it mainly contained households and retail shops; and has little industrial development. According to 5 years Regional Comprehensive Development Plan data, there are 51 large industries, 61 medium industries and 305 small industries with the total of 417 factories in the Aye Thar Yar Industrial zone. Industrial management committee expressed that further government support was required - for instance, water supply is obtained from private deep tube wells and creeks as municipality supply is poor. Regarding transportation, Shan (East) relies mostly on air travel; land routes are challenging due to the difficult terrain. Shan (North) and Shan (South) are covered by sufficient electricity supply, but Shan (East) does not get the government supply and is reliant on power generated privately or purchased from a neighbouring country.

Figure 60: Current Infrastructure Situation in Shan State



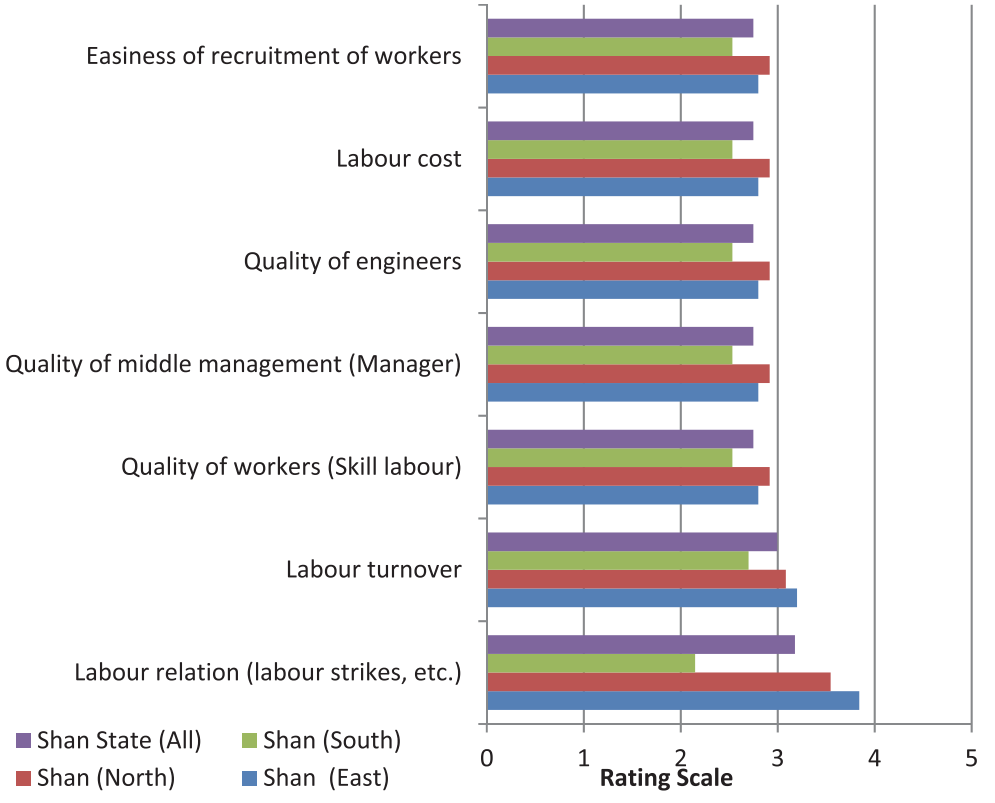
1=Very Poor, 2= Poor, 3=Fair, 4= Good, 5= Excellent

Source: Shan State Investment Opportunity Survey

3.4.3 Quality of Labour

No labour disputes were reporting during this study. However, it was reported that labour migration to neighbouring countries makes it difficult to recruit and retain employees, as the pay in those countries are higher than that is locally for the same skills employed. Most employees are recruited from central Myanmar, or the delta region due to labour migration.

Figure 61: Assessment of Labour Force in Shan State Regarding Key Issues that Affect Business



1=Very Poor, 2= Poor, 3=Fair, 4= Good, 5= Excellent

Source: Shan State Investment Opportunity Survey

3.4.4 Labour Cost in Shan State

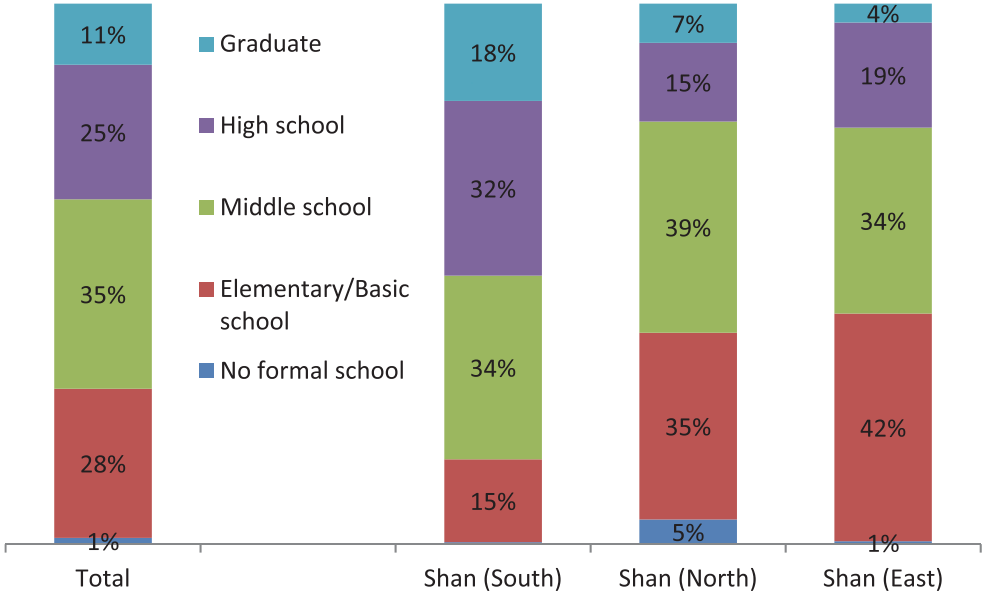
The average monthly salary for semi - skilled workers is 130,000 MMK and for staff level it is around 180,000 MMK. Managers and engineers earn approximately 700,000 MMK on average per month, the maximum being approximately 1,200,000 MMK per month. Wages are determined based on the cost of living in Shan State rather than with any knowledge of minimum wage law or social security schemes. As most employees are from other regions, their accommodation and meals are under the arrangement of the employer.

Table 34: Average Wages in Shan State

Particulars	Response	Shan (South) (Ks)		Shan (North) (Ks)		Shan (East) (Ks)	
		Max	Min	Max	Min	Max	Min
Semi - skilled Worker	55	300,000	80,000	330,000	80,000	400,000	60,000
Staff	22	500,000	80,000		150,000	400,000	60,000
Supervisor	5	1,200,000	150,000	250,000	120,000	-	-
Mid - management	26	2,000,000	150,000	300,000	170,000	1,500,000	500,000
Engineer	8	2,500,000	250,000	400,000	250,000	1,200,000	300,000

Source: Shan State Investment Opportunity Survey

Figure 62: Educational Background of Employee in Shan State



Source: Shan State Investment Opportunity Survey

3.4.5 Land and Financing

Land and retail space rental fee is reasonable in Shan south and north but it is expensive in Shan east. Most business do not use loan capital financing, they normally use their owned resources.

Table 35: Land Lease in Taunggyi[1]

Location	Unit	Price (MMK in millions)
—	1 - acre	0.2

Source: Survey Report 2017 on Cost of Doing Business in Myanmar (DICA - JICA - MSR) Taunggyi Data Excerpts

Table 36: Warehouse for Lease in Taunggyi[2]

Location	Unit	Price (MMK in millions)
Aye Tha Yar Industrial Zone	210 - ft x 52 - ft	2
Aye Tha Yar Industrial Zone	130 - ft x 40 - ft	1
Aye Tha Yar Industrial Zone	125 - ft x 40 - ft	0.6

Source: Survey Report 2017 on Cost of Doing Business in Myanmar (DICA - JICA - MSR) Taunggyi Data Excerpts

Table 37: Office Space for Lease in Taunggyi[3]

Location	Unit	Price (MMK in millions)
-	1sq - ft	0.087
Taunggyi Township	40 - ft x 30 - ft	3.5
Near BEHS 1, Thittaw Ward	13 - ft x 40 - ft	0.7
West Myopat Street	10 - ft x 25 - ft	0.5

Source: Survey Report 2017 on Cost of Doing Business in Myanmar (DICA - JICA - MSR) Taunggyi Data Excerpt

1 U Myint Kyi, Chairman, Industry Supervisory Committee, Aye Tha Yar Industrial Zone

2 Chairman, Industry Supervisory Committee

3 Myoma Tower Condominium, Daw Naw Zar Myint, Dr Sai Aung Kyaw, Chairman, Real Estate Agent

Table 38: Commercial Space for Lease in Taunggyi[4]

Location	Unit	Price (MMK in millions)
West Myopat Street	40 - ft x 30 - ft 20 - ft x 30 - ft	2

Source: *Survey Report 2017 on Cost of Doing Business in Myanmar (DICA - JICA - MSR) Taunggyi Data Excerpts*

Table 39: Residential Space for Lease in Taunggyi[5]

Location	Unit	Price (MMK in millions)
Taunggyi Township	2 - storey building	1 - 2
Pinsin Shwethahtaykone Ward	2 - storey building	0.5
Yayayekwin Ward	2 - storey building	1 - 1.5

Source: Survey Report 2017 on Cost of Doing Business in Myanmar (DICA - JICA - MSR) Taunggyi Data Excerpts

[4] Dr Sai Aung Kyaw, Chairman, Real Estate Agent

[5] Dr Sai Aung Kyaw, Chairman, Real Estate Agent

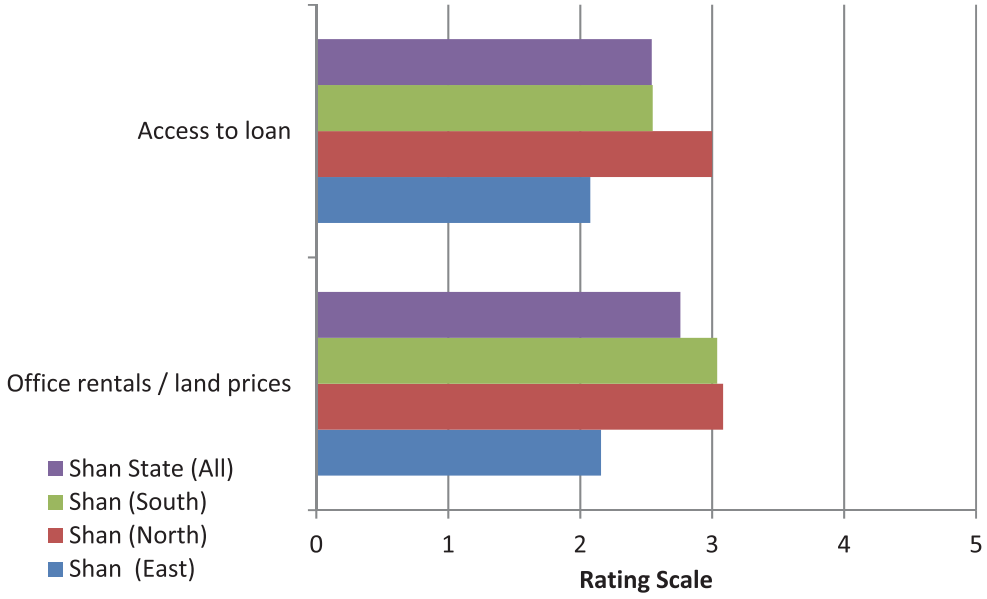
Table 40: Land Prices for Sale in Taunggyi[6]

Location	Unit	Price (MMK in millions)
Infront of Arrkasartheikpan	40 - ft x 60 - ft	30
Infront of Arrkasartheikpan	40 - ft x 60 - ft	25
Infront of Arrkasartheikpan	40 - ft x 60 - ft	20
Near Heho Airport	1 - acre	250
Near Heho Airport	40 - ft x 60 - ft	10
Hopon Township	1 - acre	5.0
Near Inle hotel	1 - acre	100
Kyauktalone Street, Taunggyi Township	1 - acre	20 - 30
Nyaung Shwe Township	1 - acre	30 - 50
Taunggyi Township	1 sq - ft	0.3
-	1 sq - ft	0.2
Between East Myopat Street and West Myopat Street	1 sq - ft	0.1 - 0.2
Aye Tha Yar Industrial Zone, Taunggyi Township	40 - ft x 60 - ft	15 - 50
Aye Tha Yar Industrial Zone, Taunggyi Township	1 - acre	150
	1 - acre	1500

Source: Survey Report 2017 on Cost of Doing Business in Myanmar (DICA - JICA - MSR) Taunggyi Data Excerpts

[6] Dr Sai Aung Kyaw, Chairman, Real Estate Agent Association, Taunggyi, U Myint Kyi, Chairman, Industry Supervisory Committee

Figure 63: Access to Finance and Land Price



1=Very Poor, 2= Poor, 3=Fair, 4= Good, 5= Excellent

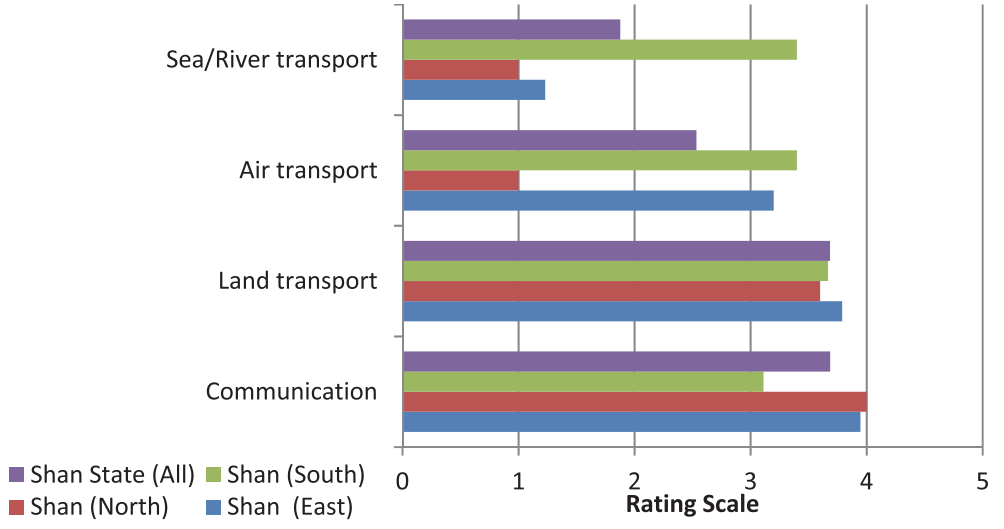
Source: Shan State Investment Opportunity Survey

3.5 Logistics

All businesses in Southern Shan cater to the domestic market. However, in Northern Shan State it was found that 25% of the businesses exported products to China through the Muse Border Trade Zone. In Eastern Shan, it was found that 25% of the businesses traded through the Meng La border to China and through the Tachileik border to Thailand.

According to the respondents, businesses in Shan State focuses on domestic market within Shan State and air transport is also used to deliver their goods from Keng Tung and Tachileik to Taunggyi.

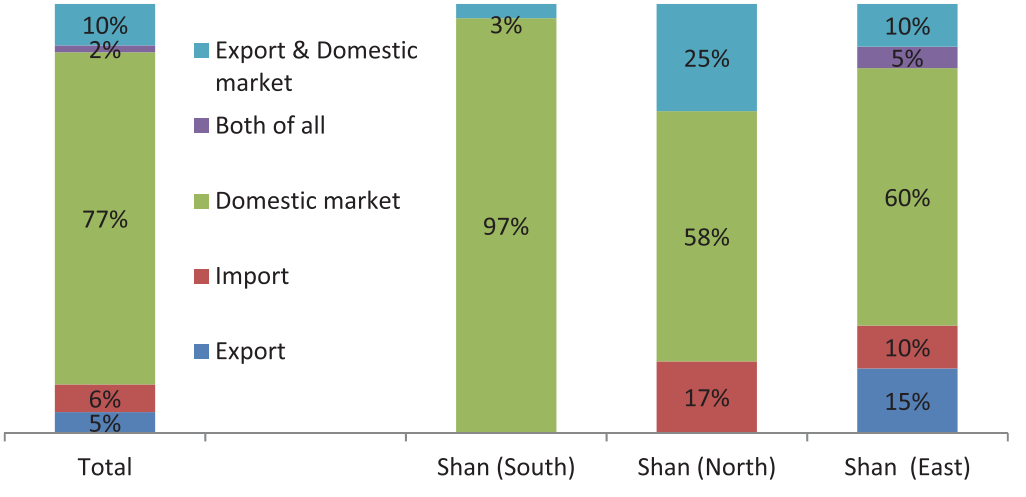
Figure 64: Reliability of Transportation and Communication



1=Very Poor, 2= Poor, 3=Fair, 4= Good, 5= Excellent

Source: Shan State Investment Opportunity Survey

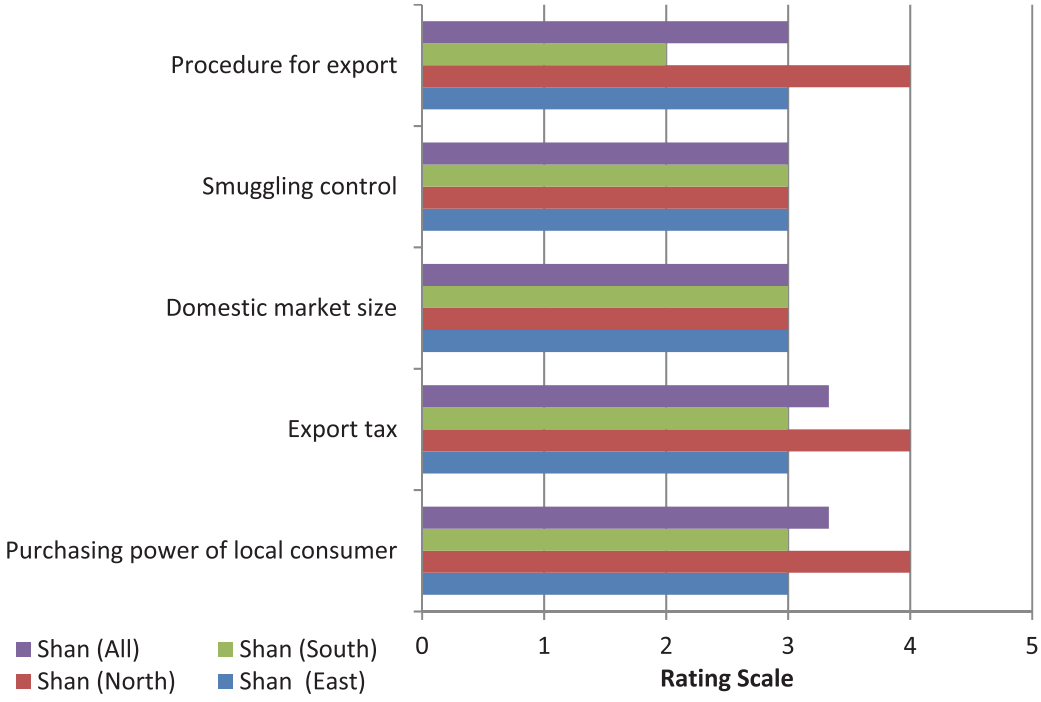
Figure 65: Type of Trade by Respondents



Source: Shan State Investment Opportunity Survey

Most exports from Shan State rely on border trade. In Shan south and east, there is little knowledge of export regulations. But in Shan north, businesses are familiar with matters regarding border trade. Businesses provided a poor rating for smuggling control.

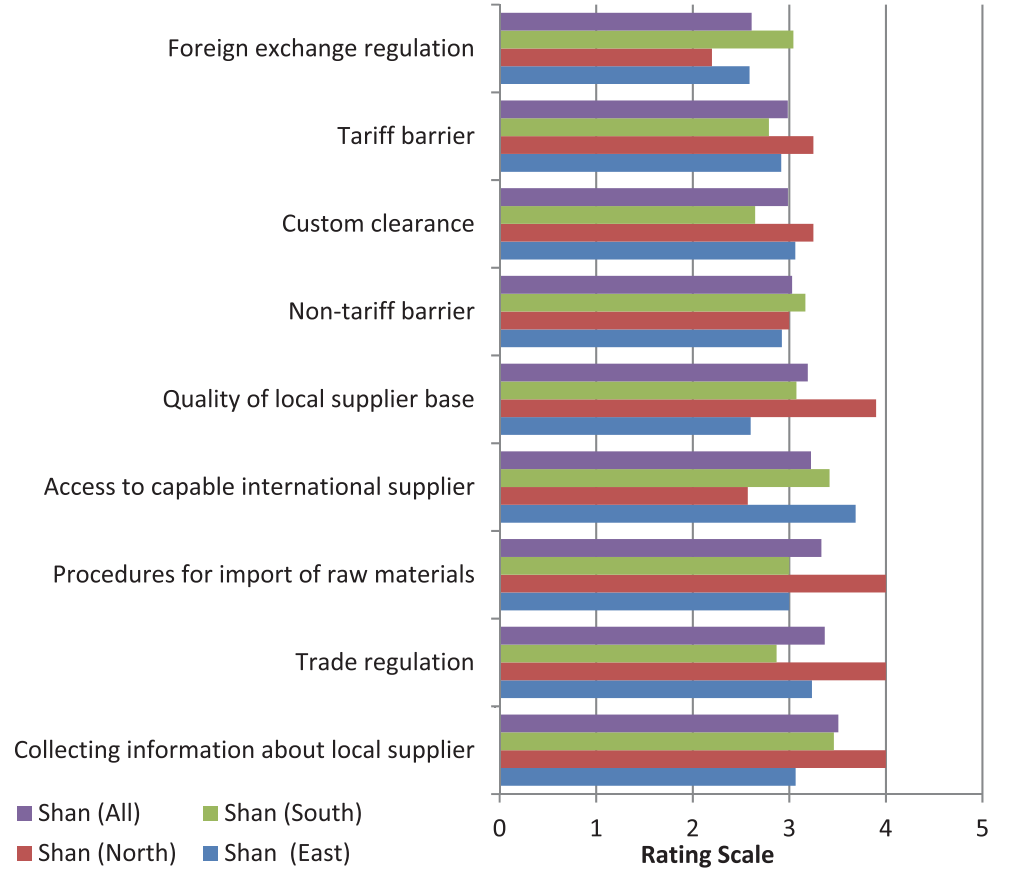
Figure 66: Rating Logistics in Shan State



1=Very Poor, 2= Poor, 3=Fair, 4= Good, 5= Excellent

Source: Shan State Investment Opportunity Survey

Figure 67: Rating Domestic Procurement in Shan State



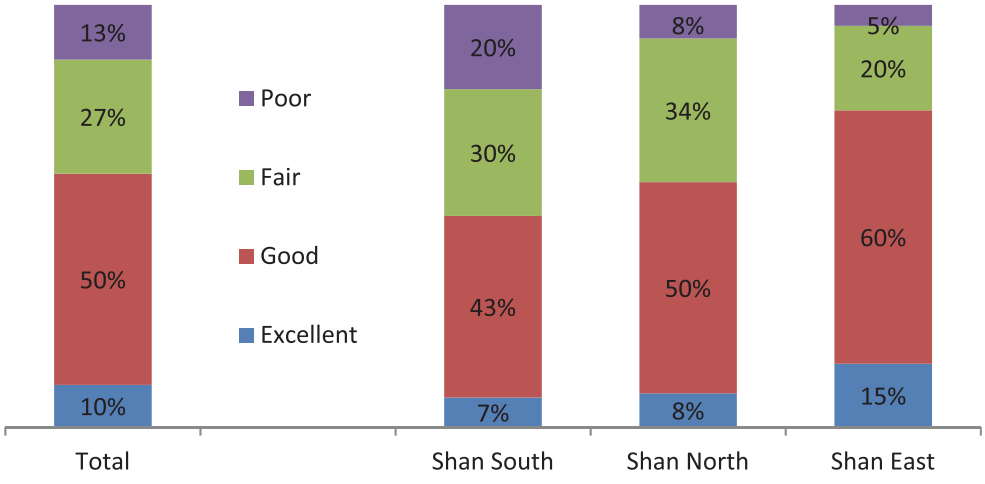
1=Very Poor, 2= Poor, 3=Fair, 4= Good, 5= Excellent

Source: Shan State Investment Opportunity Survey

3.6 Future Business Development

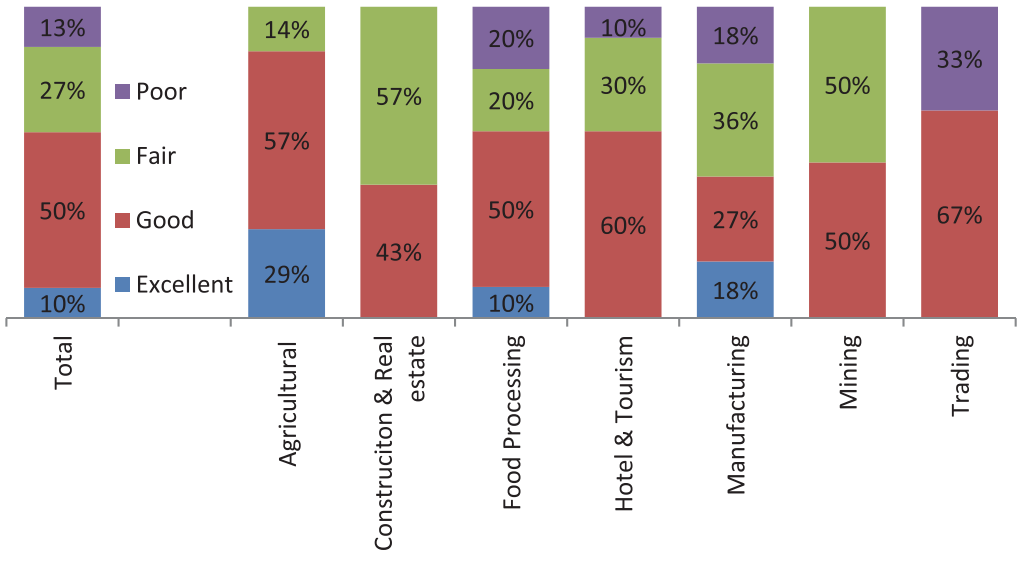
While respondents reported that business is currently slow, 60% of them expected that prospects would be good in the next three years, particularly those in Shan east. Respondents also commented on improvement of peace and security in the region, higher market demand, increase in FDI expected to enter the state in cooperation with domestic businesses, and improved infrastructure and services. With the initiatives of the current government, there is expectation that the peace and security will improve in the future.

Figure 68: Predicting the Future of Own Industry in Next 3 Year



Source: Shan State Investment Opportunity Survey

Figure 69: Predicting the Future of Own Industry in Next 3 Year (by Industry)



Source: Shan State Investment Opportunity Survey

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4

Obstacles and Limitations of Doing Business in Shan State





4. Obstacles and Limitations of Doing Business in Shan State

During the study, respondents discussed limitations such as land, electricity, transportation and logistics, technology, labour and ICT as some of the key obstacles to doing business in Shan State.

4.1 Land

The high price of land presents difficulties for investors. For instance, land prices to build hotels in Nyaung Shwe are very high.

Aye Thar Yar is the only industrial zone in Shan State, and there are only industrial quarters in Tachileik and Muse. In Aye Thar Yar industrial zone, there are mainly residents and retail shops which makes it difficult to extend the zone for industries.

Industrial zones need to be developed and land space leased out should be sufficient for a factory. Currently, land space of 40x60 feet per plot is available which is not sufficient. Upgrading the existing industrial zones and maintenance work is necessary.

4.2 Electricity

Access to electricity has improved in Shan State compared to the previous year. The state has 18 hydropower plants and one coal power plant, but the national power supply has not reached Eastern Shan. In Keng Tung, Eastern Shan State, people rely on privately generated electricity while in Tachileik, electricity supply is purchased from a Thailand grid which is very costly. The coal plant in Southern Shan State has temporarily stopped production due to public protests. It is important to conduct environmental and social impact assessments to reassure the public before electricity generation and distribution are resumed.

4.3 Transport and Logistic

Infrastructure in Myanmar is inadequate, which makes logistics costs high and less competitive for commercial activities.

The Asia Highways - AH2, AH3, AH14 - pass through Shan State but the roads are still relatively narrow and need to be upgraded to meet industrial standards. The Taunggyi - Keng Tung road is also narrow and cargo trucks cannot pass through. It takes one night and two days to travel from Taunggyi to Keng Tung. The Keng Tung - Mong Lar route, which is crucial in trading with the China border, is narrow and unstable and has many check points making logistics very challenging. Such routes should be repaired and upgraded under Build - Operate - Transfer terms. The Union highway to Northern Shan State - the Mandalay - Lashio - Muse road (AH14) - has a road block near Gote Twin where there are frequent heavy traffic jams causing delays in transport.

There are 6 - 7 check points on the cargo routes to Eastern and Northern Shan State. Delays are faced due to serious inspections, including poking agricultural goods with a gimlet hand tool which also causes the products to perish before reaching the buyer. Two check points would be ideal on the Eastern route to improve cargo flow.

The infrastructure of domestic airports such as those in Heho, Keng Tung and Lashio needs to be upgraded to international standards.

4.4 Technology

Technology and technical advancements are important to improve business operations, such as access to modernized machines and equipment for manufacturing. The government and financial providers like banks should develop a sustainable financial system for SMEs to upgrade their capacities.

High technology needs to be introduced for agriculture such as a water drop system, high yield seeds and value - added fruit production.

4.5 Labour (Training and Skill Development and Capacity Building)

There is shortage of skilled labour in Shan State due to migration to neighbouring countries - Thailand and China. Currently, most of the labour is from central Myanmar and the delta region. Vocational training is required to develop the workforce in the state. A surge in the tourism sector would require human resources development in the industry.

4.6 Information and Communication Technology (ICT)

Faster internet access is essential to connect potential foreign buyers and suppliers. Upgrading telecommunication facilities is important for businesses to have up - to - date technology know - how from other stakeholders.

4.7 Others

To promote investments in agriculture or livestock, the laws must be observed. Seminars and workshops should be organized to educate the public about the Myanmar Investment Law.

A water supply system also needs to be properly implemented. Most of the areas in Shan State rely on river, creek and spring water; it is necessary for the government's water supply system to be properly implemented for drinking and general usage. Proper waste management sanitation systems also need to be implemented.

Regional security in Shan State is a major factor that affects investments; most businesses requested for safety and security initiatives to be a priority.

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5

Potential Investment Opportunities in Shan State

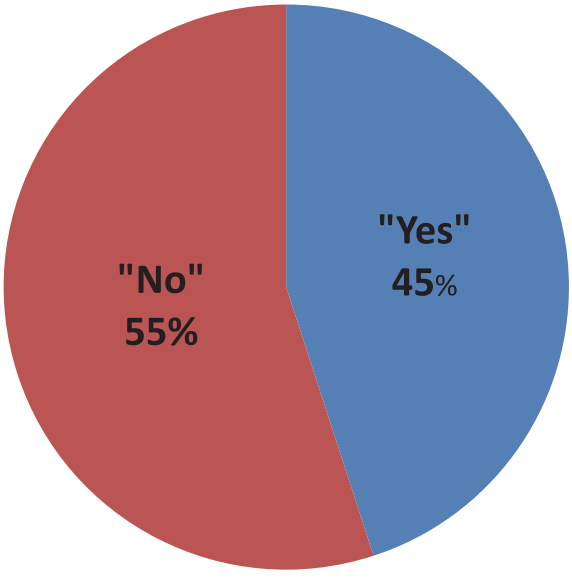




5. Potential Investment Opportunities in Shan State

As the trading hub of Myanmar, Shan State offers a variety of investment opportunities due to its location and strategic linkages as the regional connection between China and Thailand. The region also provides raw materials for different industries, including food processing and agro-based products. Providing linkages between potential investors and local business partners could trigger unprecedented economic development in the region.

Figure 70: Attractiveness of the Investment Incentives

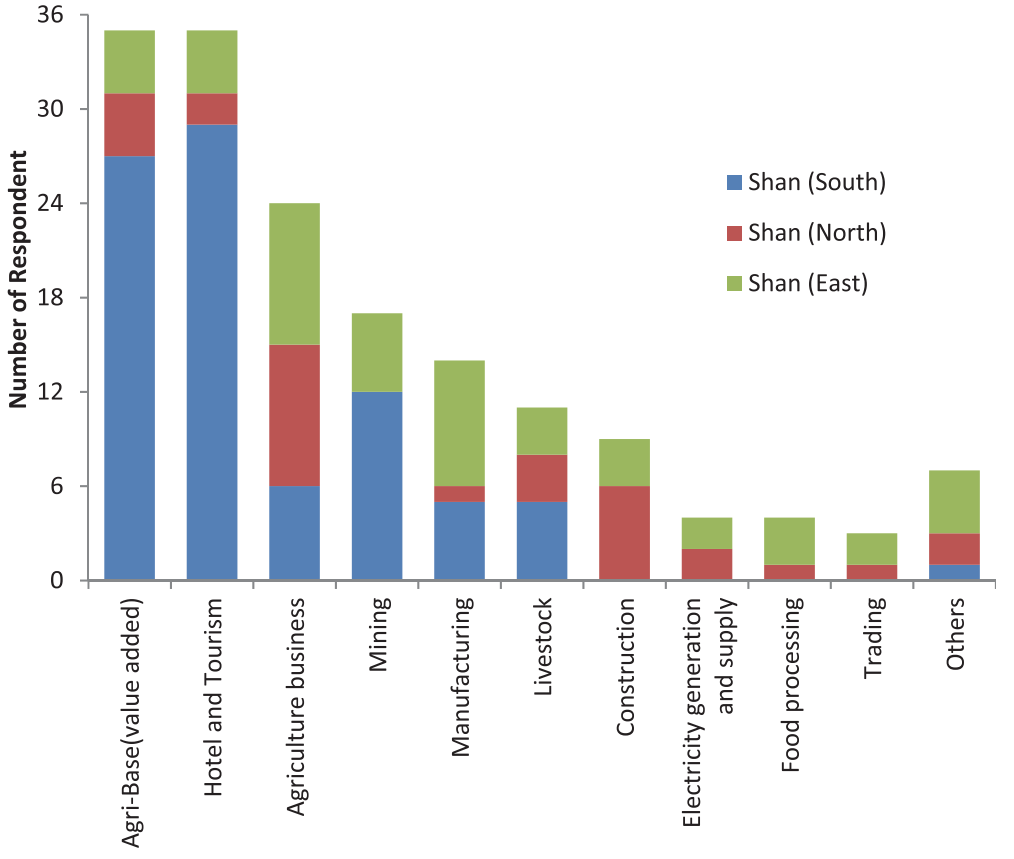


Source: Shan State Investment Opportunity Survey

The value added agriculture and livestock sector was cited by 35% of respondents as the highest potential sector followed by hotel and tourism.

Agriculture, despite its strong potential, is less ready for investment - farming needs land which is harder for foreigners to obtain. Hotel and tourism is considered a high - growth industry due to increasing numbers of tourists, more international flights and many tourist attractions in the state; it is considered ready for investment as it is supported by government policy, ease of regulations by the Ministry of Hotel and Tourism and availability of basic infrastructure compared to other sectors.

Figure 71: High Potential Investments in Shan State



Source: Shan State Investment Opportunity Survey

5.1 Southern Shan Sate

5.1.1 Agro-Based (Value Added)

The market for European standard goods such as tomato sauce and wine has growth potential. Coffee and tea leaf production is also a high - potential area for investment.

The abundant production of vegetables and fruits in the region makes it feasible to set up dehydration facilities and produce goods that can be exported to foreign countries. Cold storage and vehicles for transport is also a potential area for investment.

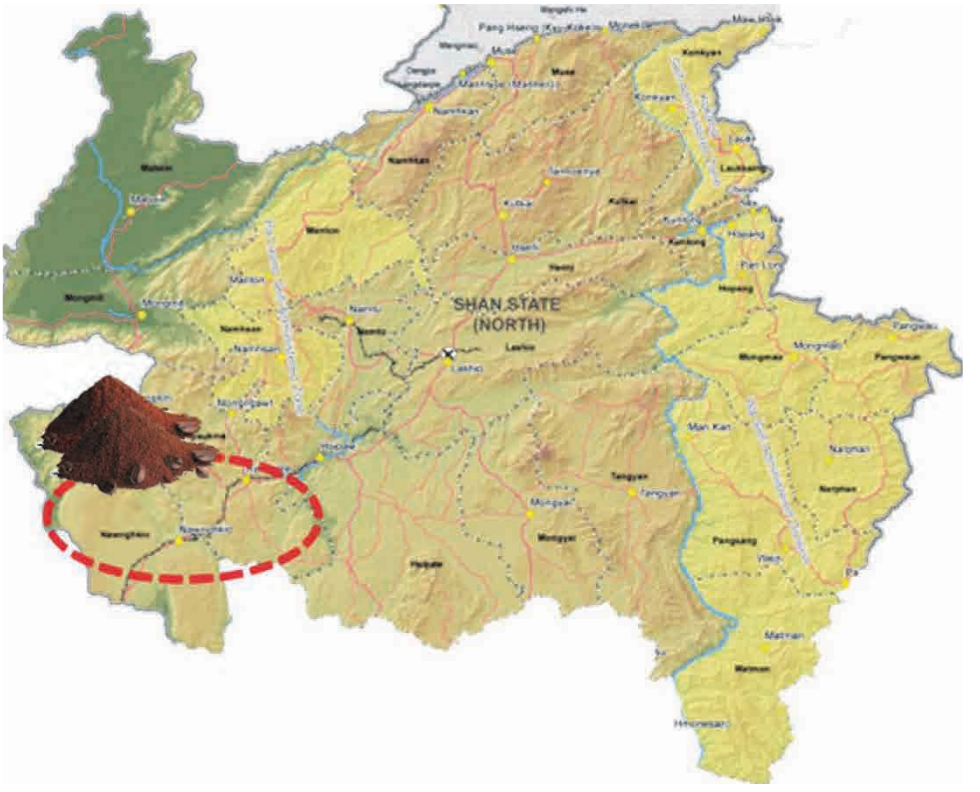
Figure 72: Food Processing for the Tea Leaf



Figure 73: Food Processing for the Tea Leaf



Figure 74: Food Processing Zone for the Coffee[7]



Source: Shan State Investment Fair

5.1.2 Tourism Sector

Due to a surge in tourists, there are over 180 hotels in Southern Shan State. In the near future, it is expected that more than 10 million tourists will visit Shan State - the tourism sector is a high potential sector for investment.

Inle Lake in Shan State receives the maximum number of visitors - there are opportunities to invest in the reduction of the noise emitted by boat engines used for transportation in the lake.

The wall painting at Padarlin Cave in Ywa Ngan Township, which was a habitat for stone age people, is a source of interest for foreign visitors. However, the area is difficult to reach and investment in a sky cable car from the Eastern mountain ranges of Taunggyi would be an opportunity.

[7] U Aung Naing Oo, Director General, DICA (Presentation in Shan State Investment Fair)

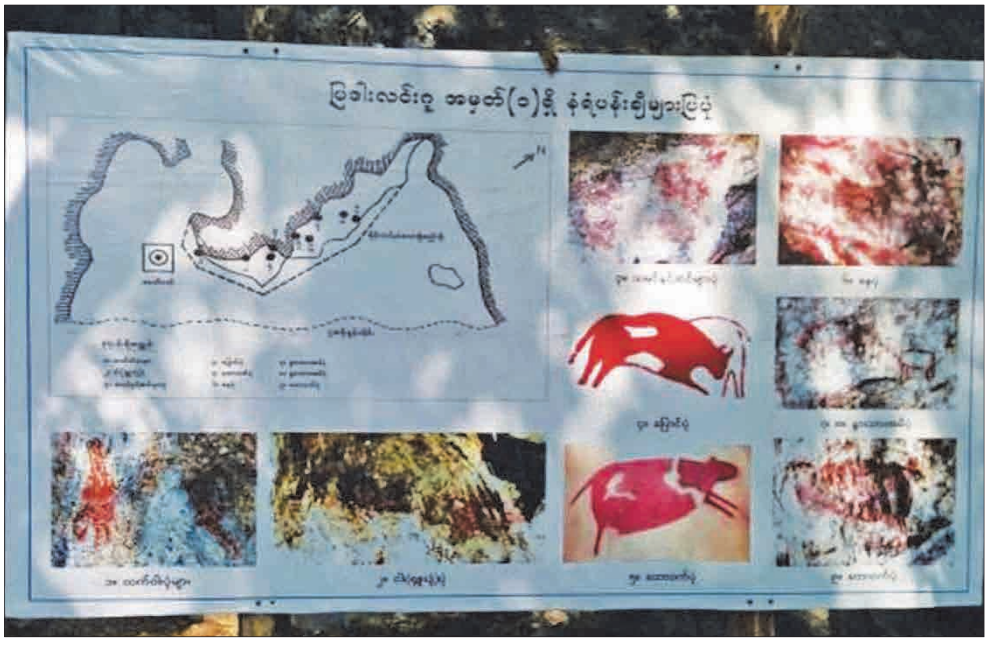
Direct flights from China (Heho - Lin Chan) and Thailand (Heho - Chiang Mai) should be arranged to bring more visitors from neighboring countries.

Trekking tours in Kalaw are also a potential opportunity in the tourism sector. There are 34 different ethnicities in Shan State; the traditions, lifestyles and cultures are interesting for tourists to explore along with the natural views of caves, rivers and waterfalls. Community - based tourism is also being introduced as an attraction in the Pa-O and Danu area of Southern Shan State.

Adventure sports such as rafting, trips on speed boats and mountain climbing can be developed in the Than Lwin river, Nam Teng, Nam Pan, Mekong and Dote Hta Waddy river basin areas.

From a total of 55 townships in Shan State, only 13 have licensed hotels and guest houses; there is opportunity to invest in hotels and guest houses in the remaining 42 townships such as Lashio, Pindaya and Keng Tung (see Annex for the list of hotels in major cities of Shan State).

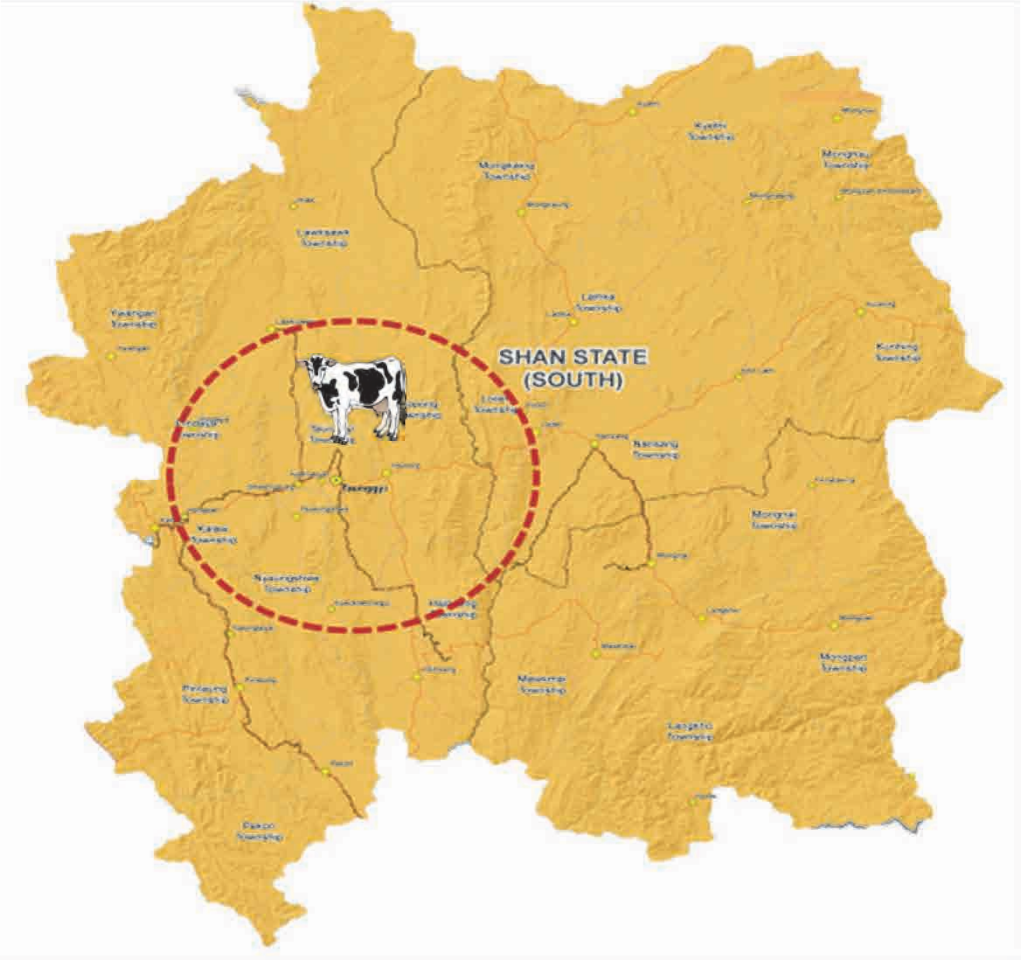
Figure 75: Pictures in Padah-Lin Caves



5.1.3 Livestock and Fishery

Livestock production, particularly breeding chickens, pigs, cows and sheep, is insufficient for the domestic market or for distribution to other regions. There is a shortage of meat for consumption by foreign guests. Silkworm production also has potential for making silk sweaters and clothing for domestic consumption as well as export to China. Investment Opportunity: Dairy Industry and Dairy Processing Factories and Multi - purpose Packaging Outfit.

Figure 76: Dairy Cow Breeding Area[8]



Source: Shan State Investment Fair

[8] U Aung Naing Oo, Director General, DICA (Presentation in Shan State Investment Fair)

5.1.4 Agriculture

Agriculture is the pillar of Shan State's economy; key crops include paddy, peas, corn, potatoes, tomatoes, cabbage, mangoes, gourd, chilli, avocadoes, tea, garlic, sunflower, sugar cane, grapes, rubber, and oranges. The vegetable production of Shan State can fulfill two thirds of the whole nation's demand. In Inle lake, Nyaung Shwe, tomatoes can be planted on floating farms all year round. However, access to high quality seeds is required for high - yield production.

Marketing is one of the biggest challenges for agricultural businesses. As such, contract farming could be a profitable investment. The central government also takes initiative in developing high land crops and will support interested private investors by selecting and obtaining areas in acres for plantations. For agricultural production in general, the Shan State government is willing to cooperate with and support different investors.

Avocado

Export to Hong Kong at 600 g at USD 5.9 in February 2016. Promoting Avocado Culture for domestic market through social media and others channel

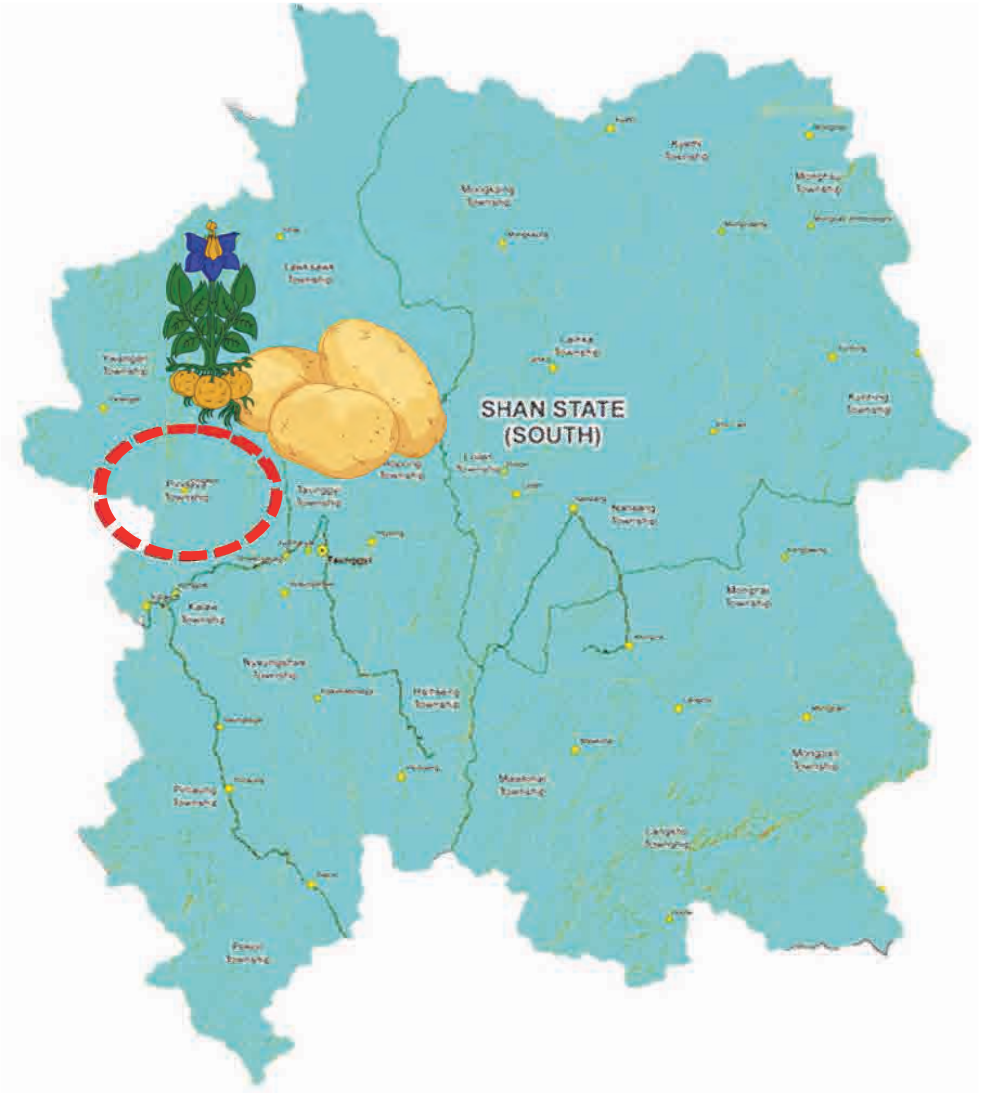
Figure 77: Avocado Export from Myanmar



Potatoes

Shan State is 85% of total production of potatoes in Myanmar

Figure 78: Potatoes Farm Area in Shan State[9]



Source: Shan State Investment Fair

[9] U Aung Naing Oo, Director General, DICA (Presentation in Shan State Investment Fair)

Figure 79: Mango Farm



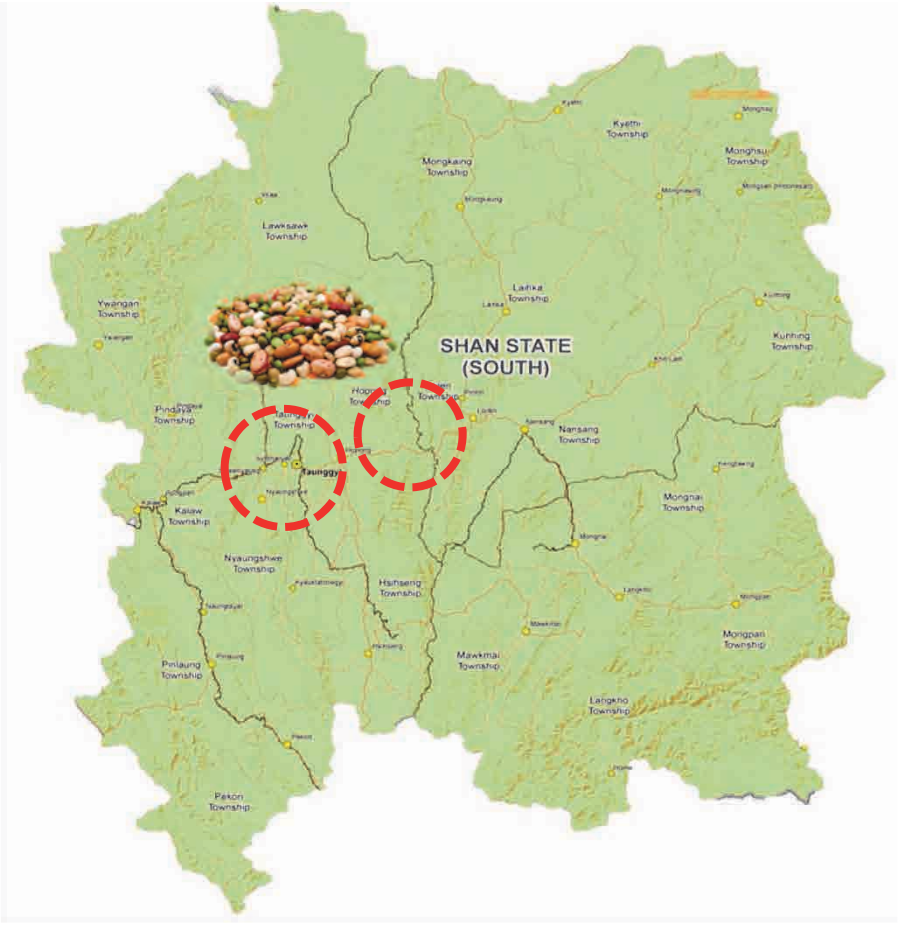
Figure 80: Mango Farm in Shan State[10]



Source: Shan State Investment Fair

[10] U Aung Naing Oo, Director General, DICA (Presentation in Shan State Investment Fair)

Figure 81: Pulse and Beans Farm in Shan State[11]



Source: Shan State Investment Fair

[11] U Aung Naing Oo, Director General, DICA (Presentation in Shan State Investment Fair)

5.1.5 Electrification

Investment in electricity generation is a major requirement in Shan State. The Shwe Li (3) Hydropower project is being implemented under the national budget in cooperation with Electricite De France S.A (EDF; Electricity of France). Even electricity generation under 30 megawatts would be good for investment. There are plenty of creeks and rivers as water resources in Shan State for hydropower generation.

5.1.6 Mineral Purification Businesses

Minerals such as zinc, coal, lead and an assortment of ore, tungsten, antimony, gold, barite, gypsum, quartz, manganese dioxide and lime stone are being explored in Shan State.

However, Shan State is also lagging behind in terms of technology for mineral exploration, purification and production; there is a need for assistance in final goods and consumer goods production, export and marketing of minerals.

Figure 82: Mineral Production

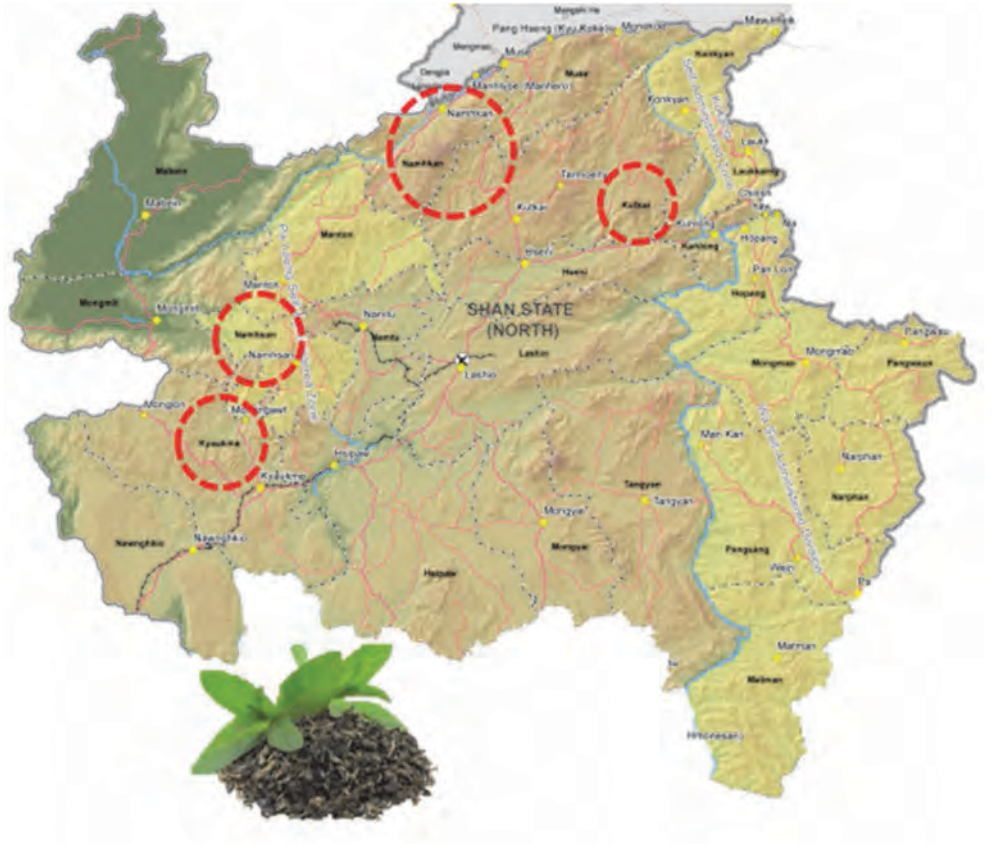


5.2 Northern Shan State

5.2.1 Agriculture

Shan State has an advantage over other regions in the export of agricultural goods to China due to its proximity to border areas. Maize, mango, avocado, coffee, tea, oranges, soybean, and pigeon peas are potential export goods. There is also potential for agro-based small and medium enterprises. Opium replacement crops also enjoy tax exemption.

Figure 83: Tea Plantation in Shan State[12]

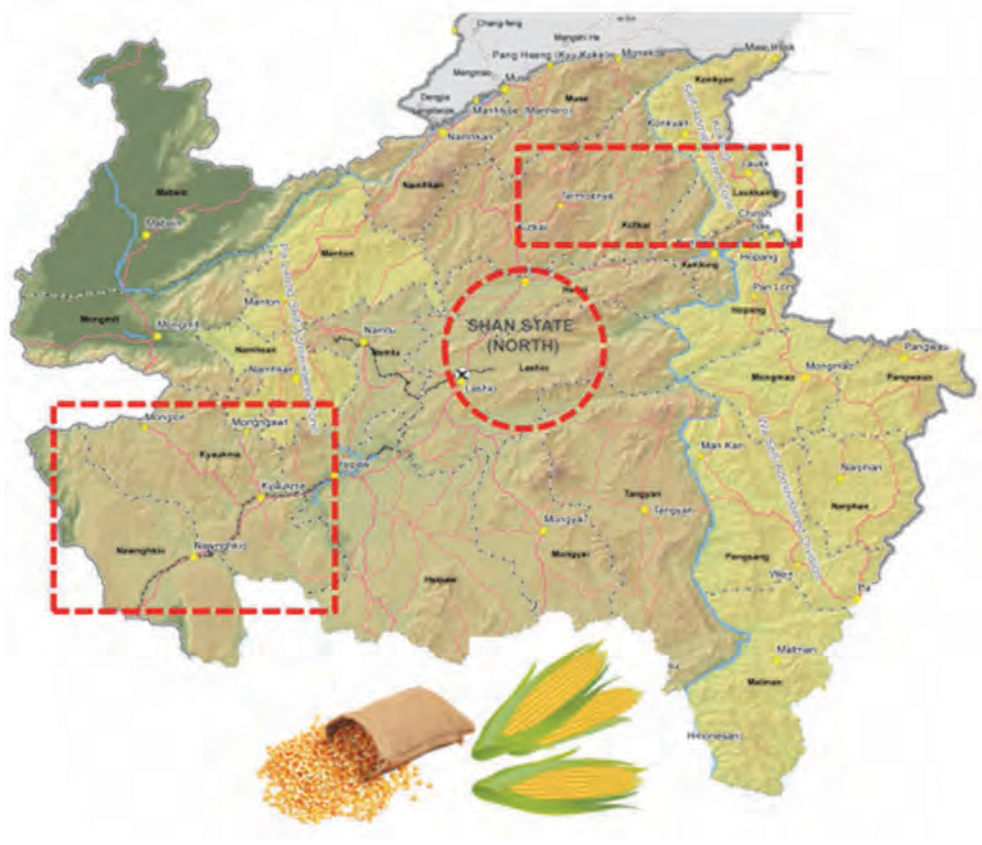


Source: Shan State Investment Fair

[12] U Aung Naing Oo, Director General, DICA (Presentation in Shan State Investment Fair)

Northern Shan State produces a lot of seedless corn used for animal feed and sugar cane production for use in sugar mills, both of which have good investment potential.

Figure 84: Maize Production in Shan State[13]



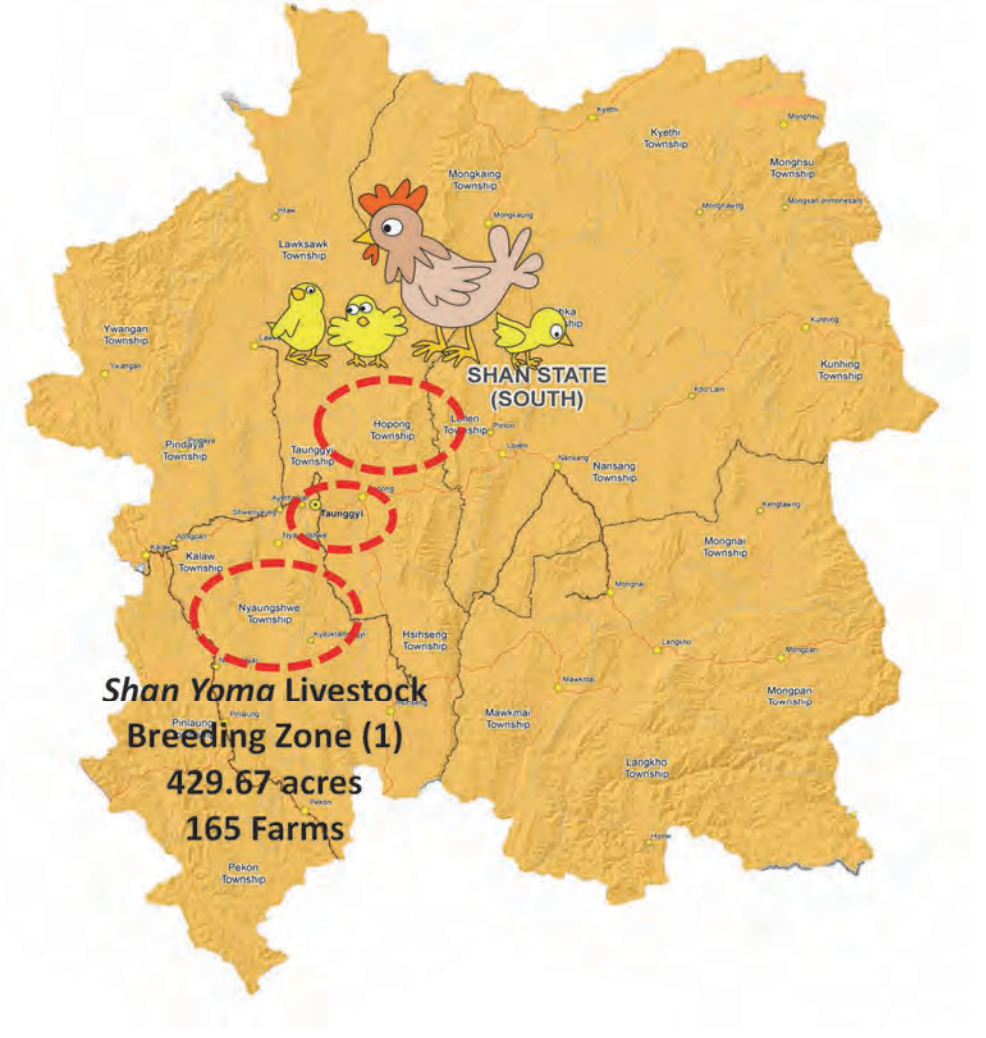
Source: Shan State Investment Fair

[13] U Aung Naing Oo, Director General, DICA (Presentation in Shan State Investment Fair)

5.2.2 Livestock and Fishery

There are opportunities in chicken, pork, sheep breeding and fisheries for export.

Figure 85: Poultry Farm in Shan State[14]



Source: Shan State Investment Fair

[14] U Aung Naing Oo, Director General, DICA (Presentation in Shan State Investment Fair)

5.3 Eastern Shan State

5.3.1 Agricultural and Agro-Based Sector

In the Eastern part of Shan State, especially Keng Tung, there are many high quality tea leaves from the tea plants which have been cultivated for over 100 years in age and can be exported to foreign countries. Sacha Inchi (Star bean) production is also very successful in the region.

5.3.2 Tourism

There are over 60,000 visitors to Eastern Shan State in 2016 but there are only 53 hotels and 2410 rooms available for accommodation. Keng Tung region is a cultural heritage area - there are 8 historical buildings and one cultural zone which can be tourist attractions. It is also possible to arrange tours to explore natural environments and caves in the Tachileik region. There is potential to invest in the hotel and tourism sector.

Figure 86: Sacha Inchi (Star Bean) Production



Figure 87: Yan Dwin Cave



Figure 88: Taung Myint Kyee Cave



Figure 89: Naung Ton Lake, Keng Tung, Eastern Shan State



5.3.3 Others

There are many varieties of minerals in the region; the production of finished and consumer goods, distribution and marketing requires more investment than mineral purification.

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Recommendation and Action Plan to Improve Business Environment and Investment Promotion





6. RECOMMENDATION AND ACTION PLAN TO IMPROVE BUSINESS ENVIRONMENT AND INVESTMENT PROMOTION

Based on the study findings, recommendations and action points have been outlined below.

Overall Shan State investment climate is good enough, according to the respondents of Shan State investment Opportunity Survey. Both government and private firms are implementing various infrastructure development programs to improve the business environment in Shan State.

Shan State provides great potential with various investment opportunities for investors. Hotel and tourism, trading and manufacturing are some of the most potential sectors. With various tourist attractions located in the region, hotel and tourism sector could be the most potential for many investors.

Although Shan State has many pre - conditions for investments, there is only limited foreign investment due to resource limitations. Up to end of January 2017,735 Million USD of investments from 13 FDIs have entered Shan State, mostly in electrical power generation. 59 Myanmar citizens have made 355 Billion Kyats investments, mostly in the hotel and tourism sector. According to the notification under the new Investment Law 2016, 55 townships in Shan State have been designated as the Development Zone (1) and (2) which can enjoy tax exemptions for seven (7) years and five (5) years respectively.

Shan State produce are now being exported to China, Thailand, Europe and the USA, and much more potential is present. Moreover, the support of Shan State government and warm welcome of local businesses is seen for driving investments. Generally, investment climate of Shan State is headed towards improvement and investors should not hesitate to capture the opportunity.

6.1 Action Plan from Institutional to Infrastructure Needs

Shan State has several infrastructure and institutional requirements which need contributions from all stakeholders, mainly:

1) Handling land prices
2) Upgrading electricity, water, transportation and other infrastructure
3) Departments' support for new investments

6.2 Action Plan for DICA Taunggyi

The Directorate of Investment and Company Administration (DICA) office in Taunggyi is relatively new. It is important to improve the capacity and skills of the team provide better services. Effective capacity building benefits both the organization and other stakeholders in strengthening trust and building commitment.

The DICA Taunggyi Branch has opened a company registration process which can be completed within 2 - 3 days. Over 270 companies have benefitted from this service. DICA also supports entrepreneurs; for example, U Ngwe Tun of Genius Coffee Shop in Ywar Ngan established a café which has expanded to Yangon and also exports coffee seeds. However, processing an investment proposal within 90 days is still not feasible as there are many stages for approval. Environmental and social impact assessment reports need to accompany the proposals so that investment procedures can be completed faster.

6.3 Priority Implementation Plan

The following issues should be prioritized to create a better investment environment and investment promotion:

a) Improvement of the regional peace and security situation
b) Sufficient electricity supply
c) Improvement of road and air transport infrastructure
d) Provision of better services from government departments such as DICA and regional administration
e) Provision of vocational training programs to develop skilled labour

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7

Feedbacks from Stakeholder's Meeting for the Shan State Investment Fair





7. FEEDBACKS FROM STAKEHOLDER MEETING FOR THE SHAN STATE INVESTMENT FAIR

Stakeholder meeting for upcoming Shan State Investment Fair was held at Cherry Queen Hotel, Taunggyi Township, Southern Shan State on 27 December 2016. A total of 77 participants attended this meeting, including H.E U Soe Nyunt Lwin, Union Minister for Planning and Economy in Shan State and U Aung Naing Oo, Secretary of Myanmar Investment Commission.

Table 41: Participants of Stakeholder Meeting

Sr.	Participants	Numbers
1	Government departmental officials	22
2	Business Associations	16
3	Business Owners	22
4	JICA and MMRD	11
5	Media	6
Total		**77**

Figure 90: Stakeholder Meeting for Upcoming Shan State Investment Fair



Brief Opening Remark by H.E U Soe Nyunt Lwin, Minister for Planning and Economy in Shan State

As a minister of Shan State National Planning and Economy, he would warmly welcome the potential investors from both local and foreign. The minister will try to solve infrastructure issues especially land allocation and will find out more usable land. The next problem we will go after is the electricity shortage. The Shan State has many market opportunities in its own land. The soil is productive and agri - friendly. For example, coffee, mango (Sein ta lone is especially popular in ASEAN), tea leave. The Shan State environment is also a good environment for livestock farming. In the new investment law, both the local and foreign firms will have the same economic benefit or fair competition between the investors. The potential investments in addition to agriculture and livestock are hotel and tourism. The Heho airport will be extended and there are new airport projects are planned. Lin Chan to Heho and Chiang Rai to Heho direct flight routes are being planned. Then the logistics cost will be lowered. Lower logistics cost will lead to better tourism sector. The lack of technology support for the value added process and the lack of cold storage to store raw material and products are also necessary to overcome.

There have been total 3 businesses which signed MoU and 11 with MOAs with the Shan State and we asked them to present and promote at the Shan State Investment Fair. As a conclusion remark, he urged all the attendees to cooperate in the successful completion of Investment Fair in the coming February.

Figure 91: Brief Opening Remark by H.E U Soe Nyunt Lwin, Minister for Planning and Economy in Shan State



Brief Opening Remark by U Aung San Win, Chairman, Southern Shan State Chamber of Commerce and Industry

The coming Shan State Investment Fair is the first ever event in the Shan State. Mutual cooperation between local businesses and foreign investors will create benefit. He expresses to cooperate.

Brief Remarks by U Aung Naing Oo, Secretary of Myanmar Investment Commission

To hold an effective and successful investment fair, the survey was done in the Southern, Northern and Eastern state. I would like to let all the attendee to be informed of the situational analysis about Shan State through the mentioned investment opportunity survey. The main point is to connect the local business persons with the foreign investors and to expand their business. The local business should increase their business network. According to the survey, there are many strengths and weaknesses of investing in Shan State. We need to find out how to overcome those weaknesses. He urged to make the Shan State to become the most attractive investment climate for potential investor from both local and foreign. There should be long term plans to achieve this aim.

As it will be mentioned in the upcoming presentation, at the moment the agriculture sector and any other businesses in Shan State have to rely on the availability of raw materials from border countries. In the long run, our vision is to be self - sustainable and to become dependent on the local suppliers. There are many investment opportunities like agriculture, tourism and mining businesses in the Shan State. Also, as the minister has mentioned, the electricity and logistics sector have to be improved to better facilitate the businesses. There are different between trade fair and investment fair. Trade Fair is commodity based while investment fair is investment promotion based.

This is the second investment fair of Myanmar, the first of which was held in Mandalay last year. The outcome of the fair is now seen in increased foreign investment in Myo Thar Industrial Zone and business network established between the local and foreign businesses. The experience and lessons learned from the Mandalay fair will be used in the successful implementation of the Shan Investment Fair on 10 February 2017.

Brief Remarks by Mr. Toru Homma, Advisor in DICA from Japan International Cooperation Agency (JICA)

He stated that he enjoyed Shan State due to wide land area, terrain and good weather condition. In order to learn the experience of Mandalay Investment Fair in 2015, he urged to hold the Shan State Investment Fair successfully. He highlighted the Shan State Investment Opportunity survey which helps to support the fair success.

Presenting the Initial Findings from the Shan State Investment Survey by U Phyo Kyaw Thu, Project Manager from MMRD

He presented background information regarding the study including objectives of the study, Research Process and Methodology, Shan State information including infrastructure, Businesses in Shan State, Potential Investment Opportunities in Shan State. Then he presented initial findings of the survey. The full result will be presented in the fair.

Presentation of Shan Investment Survey and Investment Fair Working Plan by U Aung Min, Research Director, MMRD

This is the presentation of Shan investment opportunity survey and investment fair working plan with details on background of study, objective, Shan State investment opportunity survey and proposed plan on Shan Investment Fair including opening ceremony, investment seminar, panel, business matching and site visit on a Power Point presentation.

The agenda discussed and approved at this meeting was selection and approval of the presenter and presentation program for the investment seminar, approval for the Panel discussion of the investment seminar, approval of the exhibitors and discussion of requirements in preparation stage and approval of the companies and associations that will attend the business matching event.

Open Discussion

1) ***Discussion by U Aung Naing Oo, Secretary of Myanmar Investment Commission***

In the panel, moderator would be U Thaung Su Nyein or U Thura Ko and panelists include U Ye Min Aung (Agriculture sector), Daw Nang Lang Kham from KBZ Group (Shan State), U Aung Naing Oo (Investment), and additional panelist from hotel and tourism will be confirmed. He requested to nominate one panelist on hotels and tourism sector from Shan State.

2) ***Discussion by H.E U Soe Nyunt Lwin, the Shan State Planning and Economy Minister***

Appreciation is shown from the Minister regarding the meeting arrangement and the presentation. He offered to have more input on the initial findings presentation. It was mentioned that he would like the fair to be as effective as possible and to invite those potential investors with real interest. Some have also contacted the Shan State government directly, who should also be invited to the fair. He expressed his plan to invite 10 investors each from Lin Chan and Chiang Rai. Regarding the panelists, the choice needs to be representatives of the key sectors, agricultural, tourism and livestock. He will nominate one for hotels and tourism sector.

3) ***Discussion by U Aung Naing Oo, Secretary of Myanmar Investment Commission***

He came by to discuss regarding the investment fair. With regards to the Investment Fair to be held on the 27th January, the Shan State government will make necessary preparations and will co - operate with U Lay Naing, Director of DICA Taunggyi Branch, to ensure to be grand and success of the event. In order to promote real flow of investment in those sectors which will benefit the economic growth of Shan State, such as agriculture, livestock, hotel & tourism, key positive extracts from the investment law should be discussed in panels and stakeholder meetings by the DICA Directors, which will grow interests.

Shan State is a good place for investment and there is investment law in place for citizens and foreigners. The foreign investors need assurance that they will be protected by the investment law. He mentioned the incentives given by the new investment law. For delegation, investment under USD 5 million or kyat 6,000 million will be under management of relevant state and region, the investors do not need to contact MIC. MIC will meet investment target of USD 6 billion in 2016 - 17. First draft of investment rule will be come out in January for comments then it will be approved before March 2017. Shan State has good potential for agriculture and livestock zoning.

4) ***Discussion by U Myo Thant, Joint Secretary General, UMFCCI***

He pointed out on the private sector which has to develop proposals for any opportunity arises in local or abroad, all proposals should be ready to submit and discuss. Myanmar has new potential export products.

5) ***Discussion by U Soe Lwin, Consultant KBZ Cement***

Infrastructure development is essential for investment, he welcomes foreign investment to expand cement factory. He suggested that investment proposal should be approved when ESIA has been passed and regardless of local demonstration.

6) ***Discussion by Dr Sai Aung Kyaw, Real Estate Association, Southern Shan State***

Real estate industry should be developed with foreign investment, there is RE institute in Bangkok which awards diploma courses.

7) ***U Zaw Myint Htwe, Secretary of Northern Shan State Chamber of Commerce and Industry***

New investment law should be explained by responsible official in Northern Shan State, he requested to check BOT of Mandalay Lashio Road where the situation is worse and reduce tool gates.

8) ***U Khin Aung, Chairman, Fruits and Vegetable Association, Southern Shan State***

Potential fruits and products in Shan State are Mango, Coffee, tea, Avogadro and they are being exported to Singapore, Brunei, Hong Kong and Germany. According to USAID, Ywa Ngan Coffee is one of the best in the world. We need value - added from green crops. Farmers should enjoy local or international loans.

Figure 92: Open Discussion Stakeholder Meeting



Closing Remarks by H.E U Soe Nyunt Lwin the Minister of Planning and Economy, Shan State

According to Directions given by the State Counselor and the President, electrification, logistics improvement, employment opportunity creation, promotion of One Village One Product schemes are to be implemented. As a conclusion remarks, economy of Shan State is based on agricultural sector and the exports to the neighboring countries are under exploitation. Moreover, there is lack of technological support for the producers and environmentally friendly practices in using fertilizers should be educated along with the help in marketing of the products for the Shan producers. BOT agreements are reviewed and action will be taken. He suggested to add one more presentation on banking development for SME and finally adjourned the meeting.

SHAN STATE
INVESTMENT OPPORTUNITY SURVEY REPORT 2017

8

Feedbacks from Shan State Investment Fair





8. FEEDBACKS FROM SHAN STATE INVESTMENT FAIR

Shan State Investment Fair was held at Royal Taunggyi Hotel, Taunggyi on 10 February 2017 to promote the investments in Shan State area and to link potential investors to local business partners. A total of 450 participants attended Shan State Investment Fair, including Union Minister H.E U Kyaw Win, Chairman of Myanmar Investment Commission, H.E Dr. Linn Htut, Chief Minister of Shan State Government, ministers of Shan State Government, minister of Rakhine State Government, minister of Chin State Government, ministers of Bogo Region Government, as well as departmental officials, embassies and international organizations, foreign investors, business associations and local businesses from Shan State.

Table 42: Participants of Shan State Investment Fair

Sr.	Participants	Numbers
1	Seminar	308
2	Exhibitors	92
3	Organizers	35
4	Media	15
Total		**450**

Table 43: Participants of Shan State Investment Seminar

Sr.	Participants	Numbers
1	VIPs	23
2	DGs and CCIs	7
3	Speakers/ Panelists	11
4	Departmental Officials	37
5	Embassies	11
6	International Organizations	41
7	Associations (Affiliated)	46
8	Local businesses	72
9	Foreign businesses	60
10	Organizers	35
11	Media	15
Total		**358**

Table 44: Agenda of Investment Fair Seminar and Business Matching

Shan State Investment Fair Agenda (10 February 2017)		
09:30 - 10:00	Registration	(Ground Floor)
10:00 - 10:30	Opening Ceremony	***Shan State Investment Fair Exhibition officially opened by guests of honour (Exhibition continues until 16:00)***

Seminar (4th Floor)		
10:30 - 10:40	Keynote Speech	***H.E Dr. Linn Htut,*** *Chief Minister, Shan State Government*
10:40 - 10:50	Opening Speeches	***U Aung San Win,*** *Chairman, Southern Shan State Chamber of Commerce and Industry (SSCCI)*
		Mr. Keiichiro Nakazawa, *Chief Representative, JICA Myanmar Office*
10:50 - 11:00	Keynote Remarks	***H.E U Kyaw Win,*** *Chairman of Myanmar Investment Commission (MIC) and Union Minister for Planning and Finance*
11:00 - 11:30	Photo Session and Coffee Break	

11:30 - 11:40	**Presentation 1: "National Comprehensive Development Plan"** ***U Maung Maung Tint,*** *Director General, Planning Department, Ministry of Planning and Finance*
11:40 - 11:50	**Presentation 2: "Investment Opportunity in Shan State"** ***U Aung Naing Oo,*** *Secretary of MIC and Director General of Directorate of Investment and Company Administration (DICA)*
11:50 - 12:10	**Presentation 3: "Summary of Shan State Investment Opportunity Survey"** ***Mr. Toru Homma,*** *JICA Advisor, DICA* ***U Aung Min,*** *Research Director, MMRD*
12:10 - 12:20	**Presentation 4: "Development of Agriculture Sector"** ***"Myanmar Agriculture and Prospect of Agricultural Development in Shan State"*** ***U Aye Ko Ko,*** *Deputy Director General, Ministry of Agriculture, Livestock and Irrigation* ***"Investment Opportunities Fruit, Flower and Vegetable Sector in Southern Shan"*** ***Daw Sandar Myo,*** *Secretary MFVP*

12:20 - 12:30	**Presentation 5: "Investment projects and Opportunities of the investments in Shan State"** ***U Tin Aung Naing,*** *Director, Directorate of Hotel and Tourism*
12:30 - 12:40	**Presentation 6: "Supporting Activities of SMEs Development"** ***Daw Mu Mu Aye,*** *Deputy Director, DISI, Ministry of Industry*
12:40 - 12:50	**Presentation 7: "Development of Muse Central Business District"** ***Mr. Chong Tong Wu,*** *Advisor and Prof. Foo Say Boon, New Star Light Co., Ltd.*

12:50 - 13:10	**Panel Discussion: "Invest in Attractive Shan State"**	
		Moderator: U Thaung Su Nyein *(CEO & MD, Information Matrix Co., Ltd.)* ***Panelists:*** ***U Aung Naing Oo*** *(MIC Secretary),* ***U Ye Min Aung*** *(Secretary - General, Myanmar Rice Federation (MRF), and MD, Myanmar Agribusiness Public Corporation (MAPCO)) and* ***U Myo Min Zaw*** *(Chairman, Myanmar Hotelier Association Shan South zone)*
12:50 - 13:10	**Floor Q & A Session**	
13:20 - 13:30	**Closing Remarks**	***H.E U Soe Nyunt Lwin,*** *Minister of Planning and Economy,* *Shan State Government*
13:30 - 14:30	**Networking Lunch Hosted by Organizers**	

14:30 - 16:30	**Business Matching (in 11 groups as below)**		
	(1) Agriculture, (4) Hotel & tourism, (7) Logistics, (10) JETRO	(2) Food processing, (5) Textile, (8) Infrastructure, (11) Others	(3) Manufacturing, (6) Handicraft, (9) Mining,

Table 45: Agenda of Investment Fair Optional Site Visit Tour

Optional Site Visit Tour 11 February 2017 (Saturday)	
08:00	Participants depart from Royal Taunggyi Hotel by buses
Route (1)	
08:00 - 09:00	Taunggyi - Nyaung Shwe Trip
09:00 - 12:00	Visiting Inle' Lake for tourism, handicraft and agriculture businesses (Visit at Mya Sattkayar Silk, Phaung Daw Oo Pagoa, Sein Thamardi Gold & Silver Smith)
12:00 - 13:00	Lunch in Nyaung Shwe/ Red Mountain Wine Restaurant
13:30 - 14:30	Visit Myanmar Belle Dehydrated Vegetable Factory (skip due to time limitation) (Presentation and viewing)
14:30	Depart to Heho Airport and to Taunggyi City

Route (2)	
08:00	Depart from Royal Taunggyi
08:10 - 09:00	Visit Taunggyi Business Center
09:20 - 10:00	Aye Thar Yar Wine Garden
10:15 - 11:00	Mango Farm
11:00 - 12:00	Lunch at Aye Thar Yar Golf Resort
12:30 - 14:30	Heno (Inn Kaung) Potato Model Farm
14:30	Depart to Heho Airport and to Taunggyi City

OPENING CEREMONY

The investment fair was opened with a ribbon cutting ceremony at 9:45 a.m. by H.E U Kyaw Win, Chairman of Myanmar Investment Commission and Union Minister of Planning and Finance, and H.E Dr. Linn Htut, Chief Minister of Shan State government. All the authorities in attendance explored the exhibition booths afterwards.

Figure 93: Opening Ceremony of Shan State Investment Fair



Brief Keynote Speech by H.E Dr. Linn Htut, Chief Minister of Shan State Government

H.E greeted the Ministers, government officials, experts and businessmen in attendance. He expressed appreciation for everyone's presence at the Shan State Investment Fair, and for taking time out of their busy schedules.

Nowadays, investors look for sustainable competitiveness and economies of scale for investment. Some investors even take measures to move production plants to countries with better economies of scale. Myanmar meets both criteria, making it one of the most attractive places for investment in the world. In the tourism sector, Myanmar stands number two among the top ten countries for travelling.

There are many reasons to choose Shan State for investment: the fine weather, abundance of unused fertile land, beautiful natural lakes, caves, hills, mountains, holy land, shared border with China, Thailand and Laos, which makes it a prime location for border trade, abundant fruits and vegetable produce, reasonable energy, water and road infrastructure, presence of airports with plans to extend the airport, and the location of an Asian highway. The Union and regional government also strive to improve the infrastructure by implementing more development projects. Government departments, CSO, NGOs and INGOS also play a role in the development of Shan State in their respective sectors.

Shan State makes up 23% of the total land area in Myanmar, making it the largest state in the nation. Currently there are 3,477,930 acres available for plantation, of which 3,017,231 acres are used and 4,60,699 acres are currently unused and vacant. Moreover, there is much vacant land in the rural areas. The land can produce paddy, peas, corn, tomato, cabbage, garlic, ginger, orange, mango and avocado - Shan State fulfills two thirds of the domestic demand for vegetables.

It is also home to various tourist attractions for local and foreign tourists including Taunggyi, Inle, Pindaya, Kalaw, Keng Tung, Tachileik, Lashio and Muse. Therefore, for investors who are interested in agriculture, agro-based industry, livestock, hotel and tourism, production of hotel - related products, world class coffee and tea, Shan State holds many good opportunities for investment.

The Chief Minister encouraged all attendees to have a fruitful discussion at the Business Matching session, to capitalize on the opportunity. He concluded by wishing that all the attendees benefit from the fair, contributing to not only the socio - economic development of Shan State, but Myanmar as a whole, and also for local and foreign investors.

Figure 94: Keynote Speech by H.E Dr. Linn Htut, Chief Minister of Shan State Government in Shan State Investment Fair



Opening Speeches by U Aung San Win, Chairman of Southern Shan State Chamber of Commerce and Industry (SSCCI) and Mr. Keiichiro Nakazawa, Chief Representative, JICA (Myanmar Office)

Opening Speech by U Aung San Win

The Chairman thanked the Union Minister, Shan State Chief Minister and other prestigious minsters, departmental heads, and those who supported the organization of this event including Japan International Cooperation Agency (JICA), Myanmar Marketing Research & Development Ltd. (MMRD), delegates from the commercial and economic units of the Embassies to the Union of Myanmar, Union of Myanmar Federation of Chamber of Commerce and Industry (UMFCCI), state and regional level department officials, local and foreign investors, and specially invited guests.

Today is a memorable day for Shan State; the business community will play a part in supporting the development of Shan State through investment.

Shan State has god given natural resources, forests, mountains and natural environmental beauty, and also fertile soil which is good for cultivating fruits and vegetables. It presents a good opportunity to do joint venture investments in agro-based and value - added industries. In terms of mineral resources, gold, antimony, ruby, coal and iron are available naturally and opportunities exist for investments.

There are also various tourist attractions in the region for development in the tourism sector as well. Shan State touches the border with China, Laos, and Thailand. In terms of trading, border trade gates have been open in Northern Shan State bordering China (Muse and Chin Shwe Haw), and Eastern Shan State bordering Thailand (Tachileik). The Muse border trade in the Northern part of Shan State has the largest trade volume among all border trade in Myanmar.

There are many opportunities for investments to aid development in Shan State's energy sector, road transport, education, health sector and overall infrastructural development.

Currently, there is one joint venture enterprise in the agriculture sector, four joint venture enterprises in mineral extraction, three fully foreign owned enterprises in the hotel and tourism sector, one joint venture electrical power enterprise and one 100% foreign investment, one joint venture enterprise and one fully foreign investment in industry, and in value - added industry, one fully foreign owned and one joint venture enterprise have been granted permission to operate in Shan State.

Although there are opportunities given naturally, there is much room for Shan State's development through capital investment in equipment with modern technology which we so require.

In conclusion, he wished that it will surely create a win - win solution for both foreign and local businesses through fruitful discussions for investments in Shan State.

Figure 95: Opening Speech by U Aung San Win, Chairman of Southern Shan State Chamber of Commerce and Industry (SSCCI)



Opening Speech by Mr. Keiichiro Nakazawa

Myanmar has been accelerating its social and economic development through global marketing. FDI will play a significant and sustainable role in Myanmar - FDI creates job opportunities, increases national income, fosters human resources, and facilitates the transfer of technology. Considering the important role of FDI, DICA has been expanding the organization nationwide. The new FDI law was enacted last October and now a new company law is expected to be ready in the coming months.

A series of DICA initiatives have been led by HE U Kyaw Win, Chairman of MIC, and U Aung Naing Oo, Secretary of MIC and the DG of DICA to develop an appropriate business environment.

JICA has been supporting DICA initiatives for investment promotion. JICA dispatched Mr. Toru Homma to DICA as the JICA Advisor for Investment Promotion in March 2014. Since then DICA staff and JICA Mr. Homma have been actively promoting various activities for investment promotion which include drafting the Long - term FDI Promotion Plan (FDIPP), consulting for investment law, implementing study tours to neighboring ASEAN countries, conducting regional investment opportunity surveys and investment fairs, holding seminars in Japan for promoting investment in Myanmar and conducting the cost of doing business survey in Myanmar. Throughout these activities, the framework of investment promotion in Myanmar has been strengthened, the capacity of DICA has been increased and the investment promotion of DICA has been diversified. The Shan State Investment Fair is a significant output of cooperation between DICA staff and Mr. Toru Homma.

Shan State's geographical location has high potential for generating various types of industries. Its proximity to Thailand is well suited to produce high quality foods. The beautiful nature of the highlands and ethnic culture of Shan people can be attractive to foreigner and domestic tourists. For instance, Inle Lake is a tourist attraction for Japanese tourists. Furthermore, Shan State has active border trade posts with China in Muse and with Thailand in Tachileik. Shan State has potential for further growth as a logistics hub which depends upon the improvement of logistics infrastructure and border stability. Based on this economic potential, the economy of Shan State has been growing.

However, investment in Shan State is still limited. In the fiscal year 2015 - 16, only 3 FDI projects in Shan State were approved. The share of FDI in Shan State was only 1.6 % of the total. Taking into account important national agenda, namely balanced development nationwide, DICA cooperated with JICA on the Shan State Investment Fair and the investment opportunity survey. The main purpose of this fair and survey is to demonstrate Shan State's untapped investment opportunity and to encourage potential investors to do business in the state.

The total number of registered attendees at the Shan State investment fair was over 400 people. Through this fair, JICA would like to demonstrate the investment potential in Shan State to foreign and domestic investors. JICA hopes that this event can create opportunities to enhance the linkages and communication between Shan local businesses, domestic and foreign investors.

Figure 96: Opening Speech by Mr. Keiichiro Nakazawa, Chief Representative, JICA (Myanmar Office)



Keynote Remarks by H.E U Kyaw Win, Chairman of Myanmar Investment Commission (MIC) and Union Minister for Planning and Finance

The Union Minister extended a warm welcome to the participants for attending this Investment Fair in Shan State. In addition, he thanked, on behalf of the Myanmar Investment Commission (MIC), co-organizers namely Japan International Cooperation Agency (JICA) and the Shan State government for taking an initiative with MIC to organize the Shan State Investment Fair. He also thanked Japan External Trade Organization (JETRO) for their support, Myanmar Marketing Research and Development (MMRD) for the preparation, as well as those who came all the way to Taunggyi to attend this seminar and the investment fair and those who have contributed to the groundwork of this fair with success.

One of the highlights of today's seminar was having noted and eminent speakers give their view on the current investment environment in Myanmar, especially that of Shan State.

Shan is the largest state (in area) in Myanmar, with 155,796 square kilometers of vast and diversified land that holds huge potential for agriculture, food processing, tourism and other industries. It also shares the long border line with China, Thailand and Lao PDR and acts as the most active gateway for border trade through Muse and Tachileik.

In addition, the appropriate climate in the highlands encourages a wide variety of income generating crops and agro-products such as vegetables, fruits, tea, coffee and other cash crops. It also brings a growing number of tourists to the state's well - known touristic destinations such as Inle Lake. The Heho Airport, through which many of you may have come here, has the third largest number of passengers in Myanmar. In order to realize the potential of the region more effectively, the Shan State Investment Fair is organized to understand this promising state, promote business and the investment climate in Shan State, and highlight the untapped opportunities for local and foreign investment and enhance linkages between local businesses and foreign and domestic investors. Taking this precious opportunity, the Union Minister raised four important points.

Firstly, in many ways, this Investment Fair is the second attempt; it focuses on Shan State as an attractive destination for investors and highlights the importance of investment at the regional level. Additionally, this is an "investment fair" for the Myanmar government, not just a common "trade fair". He expressed eagerness to invite investment not only to the commercial capital but also other regions in the state so that equitable balanced growth would be enhanced. Shan State should be the one which leads this regional investment - led growth momentum.

Secondly, foreign and domestic investors will be provided with multi - dimensional information for better understanding of untapped investment potentials. The Shan State Investment Fair consists of four key events, namely the Seminar, Exhibition, Business Matching and Site Visit Tour. The Seminar provides a lot of insights on Shan State investment with seven presentations by professional speakers in each area and panel discussions on Shan States potential. The Exhibition was just inaugurated before this seminar and continues till the end of the day. The Exhibition will provide fresh and practical information on Shan State investment potential through 20 booths. The Business Matching event will be conducted this afternoon at this venue and more than 50 active Shan State industries will warmly welcome potential investors to Shan State for establishing new business linkages. The Site Visit Tour will be conducted on 11th February, 2017 and guide participants to promising investment sites in and around Taunggyi and Inle Lake to not only understand the real potential on the ground but also enjoy the beauty of the area.

Thirdly, MIC organized a similar investment fair in Mandalay in September 2015; this was the very first regional investment fair of its kind in Myanmar. Having 400 participants including foreign investors, Mandalay businesses, Union and regional government organizations and others, it was successfully executed. The basic framework of the investment fair, such as the Seminar, Exhibition, Business Matching and Site Visit Tour was established at the Mandalay Investment Fair. He expressed confidence in this international - level investment fair based on the Mandalay Investment Fair's experiences and lessons which were fully utilized for this Shan State Investment Fair. Furthermore, a survey called the Shan State Investment Opportunity Survey was designed by MIC and JICA and implemented by MMRD under JICA's supervision in parallel with the investment fair preparation; it also utilizes the experience of the Mandalay Investment Opportunity Survey.

Provisional outcomes from the survey were highlighted in today's seminar. The final report of the Shan State Investment Opportunity Survey will be published soon in printing as well as on the DICA website.

Finally, the new Economic Policy was issued in July 2016 which reflects the new government policy on economic issues. Based on the Economic Policy, in November 2016 the Investment Policy was formulated and adopted, which identified that foreign investment is incredibly crucial for national development and promises to improve the investment climate for attracting responsible foreign investment. The Investment Policy welcomes eight types of businesses including agro-based industries with productivity - enhanced and value - added, and tourism - related investment, both of which Shan State has maximum potential.

Furthermore, the new Myanmar Investment Law was enacted on 18 October, 2016, which provides potential investors with a better investment climate and streamlined regulatory framework, as well as enhancing investment from Yangon towards other regions such as Shan State.

Myanmar welcomes and encourages foreign investment and offers diverse business opportunities across a broad range of sectors. He expressed that the discerning investors who are seeking a stable and profitable investment location look to Myanmar, especially Shan State which has untapped investment opportunities. For those who are interested in investing in Shan State, it is strongly recommended to contact the DICA Shan State Branch Office in Taunggyi for advisory and assistance.

On behalf of the Myanmar Investment Commission and co-organizer of the Shan State Investment Fair, this event will be beneficial for all participants considering business in Shan State, which should contribute not only to the development of Shan State, but also Myanmar; it can create win - win partnerships between the investors and Myanmar.

Finally, the Union Minister expressed that Myanmar is one of the least developed countries and the government is working objectively to overcome the challenges. Lessons from past experiences have taught that only when the right train is taken, the right destination will be reached. Therefore, there is a need to work together with the public. Everyone must be determined to develop the country and needs to be united in all ventures. Myanmar has opened its doors to business opportunities, and foreign investors are encouraged to act swiftly.

Figure 97: Keynote Remarks by H.E U Kyaw Win, Chairman of Myanmar Investment Commission (MIC) and Union Minister for Planning and Finance



After the special guests made opening remarks, photographs were taken. The participants then went into a tea break for refreshments.

Figure 98: Special Guests of Shan State Investment Fair



PRESENTATIONS

There are 8 presentations by various industries such as:

(a) Presentation on the "National Comprehensive Development Plan"

11:30 - 11:50 - U Maung Maung Tint, Director General of Directorate of Planning Under Ministry of Planning and Finance, presented the National Comprehensive Development Plan (2011-2020). His presentation included Myanmar's policy changes, 2011-2012 to 2015-2016, the first five - years project period situation, the second five - years period, 2015-2020 project plans, the 2016-2017 plan and the comprehensive national development plan.

Figure 99: Presented by U Maung Maung Tint, Director General of Directorate of Planning Under Ministry of Planning and Finance



(b) Presentation on "Investment Opportunity in Shan State"

11:50 - 12:00 - U Aung Naing Oo, Secretary of Myanmar Investment Commission and Director General of Directorate on Investment and Company Administration presented the latest updates on the Myanmar Investment Law. In the presentation, he compared Shan State's area and population with neighbouring countries. In terms of investments, there are 13 foreign investments and 59 local investments in Shan State. There are potential investments in various sectors including livestock and agriculture, minerals, and tourism and infrastructure. It is likely to succeed in crop zoning, and in the tourism sector, especially eco-tourism, cultural tourism and recreational tourism. Out of the 55 townships in Shan State, 41 of them have been designated as Zone - 1 and investments in the zone enjoy a 7 - year tax exemption, while 14 of them are in Zone - 2 which enjoy up to a 5 - year tax exemption.

Figure 100:Presented by U Aung Naing Oo, Secretary of Myanmar Investment Commission and Director General of Directorate on Investment and Company Administration



(c) Presentation on "Summary of Shan State Investment Opportunity Survey"

12:00 - 12:10 - JICA's Advisor to DICA, Mr. Toru Homma, presented on the methodology of the Shan State investment survey. He pointed out that the total numbers of participants at the fair are over 400 which is beyond expectations. This is the second investment fair after the first one in Mandalay; the experiences from the Mandalay investment fair were fully utilized in the planning of this fair. Shan State Investment Fair and Shan State Investment Opportunity Survey are linked. Today's inputs, panel discussion, and business matching will be used in the study. The Investment Opportunity Survey was conducted in in November and December 2016.

Figure 101: Presented by JICA's Advisor to DICA, Mr. Toru Homma



Shan State is large, occupying 23% of the total land in the country. It is not easy to survey all of Shan State. The objective of the study is to understand the investment climate in Shan State and the report will be available on the DICA website. Taking this opportunity, Survey Report on Cost of Doing Business, which was launched last month under the cooperation between DICA and JICA, was introduced. Similar surveys have been conducted in other countries like Thailand and Malaysia but it is the first of its kind in Myanmar.

Shan State should be selected for investment because it is very diverse; north, south and Eastern Shan have many untapped opportunities. There are a variety of agricultural opportunities. The total electricity installation of Shan State is 1901 MW out of a total production capacity of electricity of 5,400 MW; this means that Shan State is Myanmar's main power source for electricity. Investments can also be made in transportation infrastructure.

12:10 - 12:20 - Research Director U Aung Min of Myanmar Marketing Research & Development Ltd. (MMRD) provided views on the investment opportunity survey results from a business point of view. According to the results, he presented on how businesses started, business operations, labour market, future market and investment potential.

Figure 102: Presented by U Aung Min, Research Director of Myanmar Marketing Research & Development Ltd. (MMRD)



(d) Presentation on "Myanmar Agriculture and Prospect of Agricultural Development in Shan State"

12:20 - 12:30 - U Aye Ko Ko, Deputy Director General of Ministry of Agriculture, Livestock and Irrigation presented on Myanmar's agriculture sector development, the importance of the agriculture sector, food safety administration and opportunities and challenges of investing in the sector.

Figure 103: Presented by U Aye Ko Ko, Deputy Director General of Ministry of Agriculture, Livestock and Irrigation



(e) Presentation on "Investment Opportunities: Fruit, Flower and Vegetable Sector in Southern Shan"

12:30 - 12:40 - Daw Sandar Moe from Myanmar Fruits and Vegetable Producers and Exporters Association discussed investment opportunities in Shan State from an operational point of view. Topics discussed included production data of mango, avocado, tea and coffee, Shan State agricultural products exhibition, fruits production and export statistics and investment opportunities in production and distribution regarding inputs, value added production and technical support requirements.

Figure 104: Presented by Daw Sandar Moe, Secretary of Myanmar Fruits and Vegetable Producers and Exporters Association



(f) Presentation on "Investment Projects and Opportunities for Investments in Shan State"

12:40 - 13:00 - U Tin Aung Naing, Director of Hotel and Tourism discussed the developments in the tourism sector. Opportunities for investments in Shan State include infrastructure, developing tourist attractions, human resources development, logistics and changing the engines of 5,000 boats in Inle Lake to install noise reduction features. Out of 55 townships in Shan State, only 13 have hotels so there are opportunities to open hotels and motels. There is potential to develop tourist attractions for ethnic tourism, pilgrimage tourism, cultural tourism, eco-tourism, city tourism, border tourism, and adventure tourism. The Human Resources Development Institute is also to be opened and will present an opportunity for investment in training.

Figure 105: Presented by U Tin Aung Naing, Director of Hotel and Tourism



(g) Presentation on "Supporting Activities for SME Development"

13:00 - 13:10 - Deputy Director of Ministry of Industry Daw Mu Mu Aye discussed issues regarding small and medium industrial development. The topics discussed included situation in the industry, legal support for SME Development, cooperation with international organizations, and programs in Shan State.

Figure 106: Presented by Daw Mu Mu Aye, Deputy Director of Ministry of Industry



(h) Presentation on "Role of Regional Planning & New Star Light Construction Co., Ltd. in the Economic and Investment Development of Shan State"

13:10 - 13:30 - A consultant to New Star Light Co., Ltd Mr. Wu Chong Tong and Professor Chung Tong Wu, discussed regional development and the company's involvement along with the progress of the Muse Central Business District.

Figure 107: Presented by Professor Chang Tong Wu, Consultant to New Star Light Co., Ltd



Figure 108: Presented by Mr. Foo Say Boon, New Star Light Co., Ltd



Panel Discussion "Invest in Attractive Shan State"

A panel discussion on the topic “Invest in Attractive Shan State” was facilitated by U Thaung Su Nyein (CEO & MD, Information Matrix Co., Ltd.) as the Moderator. Panelists included U Aung Naing Oo (Secretary of Myanmar Investment Commission), U Ye’ Min Aung (General Secretary, Myanmar Rice Millers Association), U Myo Min Zaw (Chairman, Myanmar Hoteliers Association Southern Shan State).

Figure 109: Panel Discussion



U Thaung Su Nyein, Moderator

The moderator introduced the panelists and requested the questions to be brief due to time limitations. The first question was asked to U Ye Min Aung, General Secretary of Myanmar Rice Millers Association and MD of Myanamar Agribusiness Public Corporation (MAPCO), regarding the potential of the agricultural sector.

U Ye Min Aung, Panelist

Shan State has good potential for investments in agro-based food production sector. It is also crucial to produce fibers for cloth production. The production of silk sweaters and clothing made from silk worms has been slightly forgotten in Shan State. Growing mulberry trees is also very important. Production of crops other than for consumption is necessary - bio spirits and bio fuels have potential for development, along with the infrastructure development sector. For example, in the short term, wood and bamboo production, bio polymers such as corn, cotton and seedless corn can be produced in abundance in Shan State and investors should do studies on that. There is also potential for silk sweaters and clothing to be exported to China and also for domestic use.

Moreover, we have not seen much development in the agro-based product industries which includes drying, storage and value added goods production; there is a need for investment in those sectors in Shan State. Importance of the banking and financial sector should not be forgotten. There is little access to banking services in rural areas and commercial and development banks need to be present in Shan State and rural areas. There are few commercial banks in some of the townships. It takes up to one week to withdraw cash from the Myanmar Economic Bank. Banking services are needed for investors in Shan State; the development of the, banking and financial sector is a key requisite for promoting investments in Shan State. Hence, more support is needed for the regional government to increase investments in Shan State and doors need to be open for communication.

U Thaung Su Nyein, Moderator

An introduction was made to the audience about U Myo Min Zaw, who owns a restaurant in Taunggyi, many hotels in Inle, and is also the chairman of Shan State Hotelier's Association. As he is an accomplished businessman in the sector, it was requested he discuss the potentials for investments in the hotel and tourism sector.

U Myo Min Zaw, Panelist

Shan State is a good location for investment; the hotel and tourism sector has seen gradual growth in the state. In order to aid sector development, infrastructure and human resource development is required and business travel needs to improve. In particular, development of domestic airports in Heho, Keng Tung and Lashio is required. Upgrading to international airports can bring more travelers from Thailand and China. Roads and rail roads also require investment.

In terms of hotel investments, out of 55 townships, only 13 of them have hotels and the other 42 have no hotels. In 2016, only 30% of all international tourists in Myanmar entered Shan State. The figures are too small in comparison with Thailand and Malaysia and there is much room for investment in the tourism sector.

Shan State has 34 ethnicities - their culture and tradition, along with natural sights, caves, waterfalls and good quality food can attract travelers to Shan State. It is expected that there will be over 10 million travelers from all over the world in the near future.

Remarks of the Moderator, U Thaung Su Nyein

There are many natural sites and tourist attractions in Shan State including the famous Inle lake. There is high potential in the tourism sector and Shan State's future development projects offer good opportunites for investors. Investments should be directed to the right sectors such as infrastructure and logistics through regulations.

U Thaung Su Nyein then invited U Aung Naing Oo, the Secretary of Myanmar Investment Commission to be a panelist. Some of Myanmar's policies present challenges for investors. The panelist was requested to clarify changes in the recently stipulated investment law to improve the investment climate.

U Aung Naing Oo, Panelist

The government has been implementing many regulatory changes; in particular legal changes have been a priority. The new investment law was enacted with the signature of the President on 18th October, 2016. The Law was prepared to clarity procedures and processes to help drive quality investment in the country. The Myanmar Investment Commission will not need to assess all the investment proposals now but only those in the five key areas. Key highlights from the new investment law are:

- Simplifying Procedures for Investment to be Strategic to the Union

It takes 2 - 3 months to obtain approval from the MIC as there are many processes involved. According to the previous law, all investors had to go through the MIC office which cost more and took a longer time to process. The MIC needed the opinion of respective ministries, and state and regional governments. However, the new law states that the MIC need not seek suggestions from various ministries and regional governments. Only five areas will require MIC approval, and the rest can be done by them. Strategic area for the Union such as highway roads, international airports and ports require heavy investment and need approval from the MIC.

- Capital Investments

For businesses which require much capital, if an investment is deemed to be capital intensive if the expected investment value exceeds US$100 million, MIC approval is required. Anything less than US$100 million of investment does not require MIC approval.

- Investments which have an Environmental or Social Impact

MIC approval is required for investments which have a potential environmental or social impact, including natural resource extraction businesses.

- Building on State Owned Land

If an investor is proposing to build a single building or complex buildings on state owned land, MIC approval is needed.

- Investments that Need to be Delegated to the Regional Government

MIC will delegate its power to the regional government about some of the investment proposals which need MIC approval. Moreover, investors can seek tax exemption through a process called approval request. Proposals which are not approved under MIC can also request such approvals according to the new law. There are two ways to seek approval - one is directly from the MIC, and the other is to go through the state and regional government. If the investment value is US$5 million or MMK 6 million or lower, approval can be sought from the state and regional government.

The new investment law is based on a tax exemption scheme which aims to attract more investors. There are three investment zones designated for development and three types of tax exemptions. Investments in Zone 1 will enjoy a 7 - year exemption, Zone 2 will enjoy a 5 - year exemption and Zone 3 such as Yangon and Mandalay will enjoy a 3 - year tax exemption period.

There are four sectors suitable for investments in Shan State - agriculture, minerals, infrastructure and manufacturing. Apart from the mineral and mining sector, other sectors are production based and investors in Shan State will enjoy a 7 - year tax exemption. Hence, it is a good opportunity for investors.

The new law provides better protection for all the investors and guarantees that it will not be nationalized. In the case of nationalization, compensation will be provided swiftly; hence, more effective guarantees are given to investors.

The Myanmar Companies Act is also in discussion in the parliament, and is expected to be enacted soon. The law that was enacted in 1914 prescribes that an enterprise that is 100% owned and managed by a Myanmar national is defined as a Myanmar company. Even if there is a 1% foreign investment, it is categorized as a foreign company. According to the new law, up to 35% foreign investment can be classified as a local company. The law is expected to be enacted in 2017. Therefore, investors should consider investing in Shan State as a priority.

QUESTIONS AND ANSWERS SECTION

Question: 1 A Representative of the Mining Industry

Question: One of the participants from the mining industry raised a question about tax differentials in the zoning system (Zone 1, 2, 3) and expressed that there is no tax incentive for the mining sector.

Answer: All extractive industries, including mining, will not be in the promoted sector according to government policy. But the mineral processing industry is put in the manufacturing sector and will be allowed tax incentives.

Question: 2 U Tin Htut Oo, An Agriculture Expert

Question: In order to make all these things happen, what will the Union and regional governments of Shan State do? How will the government assist? Regarding joint venture investments, a suggestion to local companies is to prepare for due diligence, transparency and accountability to expect to partner with foreign investors.

Answer: (U Aung Naing Oo) The new FDI supports investors but infrastructure development in Shan is important and more investments should be invited in this area. The government is also considering how private banks can be supported. More importantly, the government has the political will to improve investments; itis very much important to improve continuously.

With regards to due diligence, it is very weak in Myanmar and the MIC as well. All information services should prepare to provide information on the due diligent. The online registry system has started and after a few months, investors can register from their homes or offices transparently. If precise and deep information is required, fees need to be paid to the offices. The MIC is trying to provide due diligence for domestic and foreign companies as well. Also, training courses are being conducted on corporate governance knowledge and duties and responsibilities for directors. All directors must comply with their duties and responsibilities according to that knowledge awareness.

Question: 3 Chin State Minister

Question: The banking and financing sector is an important requirement for Chin state also. The provision of adequate loans to companies and investors is required. Any plans or advice regarding this issue?

Answer: U Ye Min Aung answered that loans, banking and financial services are needed not only in Chin state, but in the entire country. Most townships have no commercial banks. While dealing with the MEB in one of the townships in Shan State, the withdrawal process took one week. Most of banks do not want to open in rural areas where they cannot get a profit. They need incentives to open banks or MFIs and non - banking financial services in rural and remote areas. Most SMEs and large farmers do not know how to prepare bankable documents. That kind of training is also important for SME holders and farmers.

H.E U Soe Nyunt Lwin, the Minister of Planning and Economy, Made Closing Remarks and Successfully Concluded the Event.

He expressed appreciation to all participants, especially the Shan State Chief Minister and Union Minister, ministers, departmental officials and foreign and local business men and women and other guests of honor, for taking time out of their busy schedules.

The presentations and discussions were quite comprehensive and worth giving time and energy. All participants were informed of which sectors have the most potential investment opportunities and how to take advantage of the existing and abundant natural resources in Shan State.

It was announced that there would also be an informal networking event for open and comfortable discussions during lunch. It is expected that all will get a clearer picture in the Business Matching event. He wished everyone success and expressed a desire to be able to contribute more for business, the region and the country in the future.

Figure 110: Closing Remarks by H.E U Soe Nyunt Lwin, the Minister of Planning and Economy



BUSINESS MATCHING

In the afternoon, a business matching session was conducted with over 80 participants from 11 sector groups. The sectors groups are (1) Agriculture, (2) Food processing, (3) Manufacturing, (4) Hotel & tourism, (5) Textile, (6) Handicraft, (7) Logistics, (8) Infrastructure, (9) Mining, (10) JETRO and (11) Others.

In this year's business matching discussions, 3 investments are expected in the agriculture and food processing sector and an initial agreement was reached with local businesses. Two of the investors were from Singapore and one from Japan.

Figure 111: Business Matching



EXHIBITION

All the authorities and participants in attendance explored the exhibition booths afterwards.

Exhibition booths - - a total of 21 booths were displayed from
the following organizations

1) Ministry of Hotel and Tourism
2) Southern Shan State Mineral Business Association
3) Taunggyi Business Center
4) Lar Hu Traditional Fabric Business (Keng Tung, Eastern Shan State)
5) Keng Tung Sacha Inchi Business
6) Mya Setkyar Silk and Cotton
7) Dagon International Ltd
8) Southern Shan State Myanmar Fruits and Vegetable Exporters Association
9) See Kya Inn Tea Leaf Business
10) Myanmar Belle Dehydrated Vegetable Factory
11) UMFCCI
12) Weaving Training School
13) Cherry Myaing Housing Project
14) Shwe Nan Taw Win Housing Project
15) Industry (1) Nyan Kyee Shin Coffee (Ywa Ngan Coffee)
16) Parami Tea
17) Button Mushroom Production
18) New Star Light Co., Ltd (Mingalar Muse Project)
19) KBZ Bank
20) Directorate of Trade Promotion
21) Department of Agriculture (Shan State)

Figure 112: Exhibition Booths



Figure 113: Exhibition Booths by Keng Tong Star Pea (Sacha Inchi)



Figure 114: Exhibition Booths by Dagon Food Limited



Figure 115: Exhibition Booths by Directorate of Hotels and Tourism



Site Visit: On 11th February, 2017

A site visit tour was organized for the participants of the Shan State investment fair showcasing the projects and potential businesses in the Taunggyi area in two routes.

Route 1

The meeting point was at 8 a.m. in Royal Taunggyi Hotel, with departure scheduled for 8:05 a.m. for Route 1. One mini bus and one express bus carried 58 participants.

The itinerary for Route 1 was meeting businesses from Inle Lake, including Sein Thamardi Silver Smith, a visit to Phaung Daw Oo Pagoda and lunch at Red Mountain Vineyard. The group arrived at Cherry Queen Hotel in Nyaung Shwe at 9:15 a.m. The guests were treated with refreshments and left for the port at 9:35 a.m. on foot and then boarded 14 boats to travel to Inle Lake.

The boats arrived at Sein Thamardi Silver Smith. The owners greeted the participants, explained the production process and sold the silver goods for about 20 minutes.

At 11:15 a.m., the boats departed to Phaung Daw Oo Pagoda. The visitors prayed and shopped for souvenirs in the compound.

At 11:45 a.m., all the guests boarded the boats; as there was not enough time to visit Mya Setkyar, they headed to Meng Thauk to go to Red Mountain resort directly. The group arrived at Meng Thauk at 12:40 p.m. and was greeted by the resort staff with express buses.

The buses departed at 12:55 p.m. from Mong Thauk to Red Mountain Winery. Arriving at 13:35, the participants had lunch there.

At 15:10,the buses reached up to Heho Airport and did not have enough time to go to Myanmar Belle Factory. The guests were dropped off at the airport.

Figure 116: Lunch at Red Mountain Wine Production



Route 2

The meeting point was at 8 a.m. in Royal Taunggyi Hotel; departure was scheduled for 8:05 a.m. for Route 2. One minibus and one express bus carried 46 participants.

The plan for Route 2 was to visit the Taunggyi Business Center, Aye Thar Yar Vineyard, Eden Mango Farm and Inn Kaung Agri Research Farm.

The buses arrived at the Taunggyi Business Center (TBC) at 8:10 a.m. where the group was greeted with Shan traditional dance and treated to breakfast, followed by a project briefing session of the TBC and tour of the site area.

The group left the TBC for Aye Thar Yar Vineyard Wine at 9:30 a.m. and reached their destination at 10:15 a.m. The management of the vineyard showed the grape farm, storage facilities and the wine production process along with the products. The guests attended a wine tasting session for the different types of wines in production.

At 11:30 a.m., the group left Aye Thar Yar Vineyard for Eden Mango Farm and arrived at 12:15 p.m. to explore the farm. Lunch was served at 12:30 p.m. in Aye Thar Yar Golf Resort and participants left for Inn Kaung Farm, Laboratory of Department of Agriculture, at 13:20.

Upon arrival at the farm at 14:30, the manager explained how the farm came into existence and the production underway including the potato breed testing in the lab and showed around the crops under production in the farm.

At 15:00 the guests were taken from Inn Kaung and dropped off at the Airport.

Figure 117: Site Visit in Taunggyi Business Center



ANNEX

Table (1) Respondent Lists of Business interviews

Sr.	Survey Area	Respondent	Sector	Type of Business
1	Taunggyi	Respondent 1	Food Processing	Oil Mill
2	Taunggyi	Respondent 2	Manufacturing	Cement
3	Taunggyi	Respondent 3	Other	Real Estate Agent / Trading
4	Taunggyi	Respondent 4	Handicraft	Handicraft (Gold & Silver Smith)
5	Taunggyi	Respondent 5	Handicraft	Handicraft (Silk & Lotus weaving)
6	Taunggyi	Respondent 6	Handicraft	Handicraft (Blacksmith)
7	Taunggyi	Respondent 7	Agriculture	Fertilizer
8	Taunggyi	Respondent 8	Hotel & Tourism	View Point Hotel
9	Taunggyi	Respondent 9	Agriculture	Tomato
10	Taunggyi	Respondent 10	Food Processing	Rice Mill
11	Taunggyi	Respondent 11	Hotel & Tourism	Hotel
12	Taunggyi	Respondent 12	Food Processing	Pancake Kingdom
13	Taunggyi	Respondent 13	Manufacturing	Cake Manufacturing
14	Taunggyi	Respondent 14	Food Processing	Drinking Water
15	Taunggyi	Respondent 15	Agriculture	Agri - Machinery Sale
16	Taunggyi	Respondent 16	Hotel & Tourism	Hotel
17	Taunggyi	Respondent 17	Agriculture	Agri - Machinery Sale
18	Taunggyi	Respondent 18	Manufacturing	Iron & Steel Mill
19	Taunggyi	Respondent 19	Agriculture	Agri Machinery Production
20	Taunggyi	Respondent 20	Manufacturing	Livestock
21	Taunggyi	Respondent 21	Manufacturing	Alcohol Factory
22	Taunggyi	Respondent 22	Agriculture	Agri
23	Taunggyi	Respondent 23	Construction	TBC - Construction
24	Taunggyi	Respondent 24	Other	Highway Express
25	Taunggyi	Respondent 25	Other	Logistic
26	Taunggyi	Respondent 26	Hotel & Tourism	Hotel
27	Taunggyi	Respondent 27	Construction	Construction material
28	Taunggyi	Respondent 28	Agriculture	Fertilizer
29	Taunggyi	Respondent 29	Manufacturing	Livestock
30	Taunggyi	Respondent 30	Manufacturing	Oxygen Factory
31	Lashio	Respondent 31	Food Processing	Purified Drinking Water
32	Lashio	Respondent 32	Manufacturing	Sugar Cane
33	Lashio	Respondent 33	Food Processing	Oil Mill

Sr.	Survey Area	Respondent	Sector	Type of Business
34	Lashio	Respondent 34	Food Processing	Rice Mill
35	Lashio	Respondent 35	Food Processing	Moon Snack
36	Lashio	Respondent 36	Food Processing	Noodle
37	Lashio	Respondent 37	Hotel & Tourism	Hotel
38	Lashio	Respondent 38	Hotel & Tourism	Hotel
39	Lashio	Respondent 39	Construction	Construction
40	Lashio	Respondent 40	Construction	Construction
41	Lashio	Respondent 41	Manufacturing	Sugar, Cement, Coal
42	Lashio	Respondent 42	Agriculture	Pea (Star Shaped)
43	Keng Tung	Respondent 43	Food Processing	Rice Mill
44	Keng Tung	Respondent 44	Food Processing	Drinking Water
45	Keng Tung	Respondent 45	Handicraft	Traditional Clothing
46	Keng Tung	Respondent 46	Food Processing	Drinking Water
47	Keng Tung	Respondent 47	Food Processing	Soya Bean Source
48	Keng Tung	Respondent 48	Hotel & Tourism	Hotel
49	Keng Tung	Respondent 49	Food Processing	Sacha Inchi Tea
50	Keng Tung	Respondent 50	Food Processing	Noodle
51	Keng Tung	Respondent 51	Food Processing	Green Tea
52	Keng Tung	Respondent 52	Handicraft	Traditional Ware
53	Tachileik	Respondent 53	Construction	Construction material
54	Tachileik	Respondent 54	Handicraft	Shan Traditional
55	Tachileik	Respondent 55	Construction	Construction material
56	Tachileik	Respondent 56	Agriculture	Fertilizer
57	Tachileik	Respondent 57	Food Processing	Cold Drink
58	Tachileik	Respondent 58	Mining	Mining
59	Tachileik	Respondent 59	Construction	Construction
60	Tachileik	Respondent 60	Food Processing	Cooking Oil
61	Tachileik	Respondent 61	Hotel & Tourism	Hotel
62	Tachileik	Respondent 62	Mining	Mining

Table (2) List of Hotels in Shan State

Sr.	Township	2014		2015		2016	
		No	Room	No	Room	No	Room
Shan State Total		**197**	**6164**	**251**	**8010**	**283**	**9141**
Southern Shan State							
1	Taunggyi	25	692	32	880	36	1027
2	Nyaung Shwe	63	1896	78	2438	88	2731
3	Kalaw	33	728	40	909	45	1004
4	Pintaya	5	176	6	177	6	177
5	Pin Laung	1	25	1	25	2	35
6	NanSan	-	-	1	10	2	62
7	Phakhone	-	-	-	-	1	20
Total		**127**	**3517**	**158**	**4439**	**180**	**5056**
Northern Shan State							
1	Lashio	15	515	18	615	21	772
2	Hsipaw	5	112	12	255	14	331
3	Kyauk Me	2	44	3	65	4	105
4	Muse	8	325	11	467	11	467
5	**Total**	**30**	**996**	**44**	**1402**	**50**	**1675**
Eastern Shan State							
1	Keng Tung	15	504	14	488	14	521
2	Tachiliek	25	1147	35	1681	39	1889
Total		**40**	**1651**	**49**	**2169**	**53**	**2410**

Source: Directorate of Hotels and Tourism, Taunggyi, Shan State

Table (3) List of Tourist and domestic visitors in Shan State

Sr.	Township	2014		2015		2016	
		Domestic visitors	Int'l tourists	Domestic visitors	Int'l tourists	Domestic visitors	Int'l tourists
Shan State Total		**294,900**	**218,134**	**517,804**	**254,582**	**571,482**	**337,736**
Southern Shan State							
1	Taunggyi	111955	11775	306700	13583	326513	44924
2	Nyaung Shwe	8344	123045	9716	137861	16273	178787
3	Kalaw	22624	11048	34011	18043	40624	23773
4	Pintaya	3720	3929	7573	4859	9383	5107
5	Pin Laung	578	-	1551	-	2919	-
6	NanSan	-	-	602	-	4341	150
7	Phakhone	-	-	-	-	108	17
Total		**147221**	**149797**	**360153**	**174346**	**400161**	**252758**
Northern Shan State							
1	Lashio	30564	3892	32095	4967	41235	6436
2	Hsipaw	5229	6926	6525	9507	7325	13405
3	Kyauk Me	2999	385	4061	916	7353	1622
4	Naung Cho	-	-	129	113	737	321
5	Hopan	-	-	1157	1	3068	12
6	Tantyan	-	-	948	38	1853	99
7	Muse	27552	991	24946	891	26993	1002
Total		**66344**	**12194**	**69861**	**16433**	**88564**	**22897**
Eastern Shan State							
1	Keng Tung	31709	21657	34883	23127	26574	19714
2	Tachiliek	49626	34486	52907	39675	56183	42367
Total		**81335**	**56143**	**87790**	**63803**	**82757**	**62081**

Source: Directorate of Hotels and Tourism, Taunggyi, Shan State

ETHNIC IN SHAN STATE

1. Tai Li (Li Shan)

Mostly reside in the Keng Tung, Mine Yaw and Mine Lar Townships which are in the Eastern parts of Shan State.

Photo 1: Tai Li (Li Shan)



2. Tai Maw (Maw Shan)

Mostly reside in Thein Ni, Thipaw, Kyauk Me, Nam Khan Townships which are in the Northern parts of Shan State.

Photo 2: Tai Maw (Maw Shan)



3. Tai Loi (Loi Shan)

Mostly reside in Keng Tung, Mong Lar and Mong Pyin Townships which are in the Eastern Parts of Shan State.

Photo 3: Tai Loi (Loi Shan)



4. In Thar

Mostly resides in Nyaung Shwe and surroundings of Inle Lake which are in the Southern parts of Shan State.

Photo 4: In Thar



5. Li Shaw

Mostly resides in Keng Tung, Eastern part of Shan State; and also present in Loi Lin, Moe Mate, Ma Bane, Nam San, Nam Khan, Nyaung Shwe and Phe Khone Townships.

Photo 5: Li Shaw



6. Pa-O

Mostly resides in Ho Pong, Taunggyi, Si Saing, Pin Long, Nyaung Shwe, Mauk Mal and Mong Kai Townships which are in Southern parts of Shan State.

Photo 6: Pa-O



7. Da Nu

Mostly resides in Pintaya, Aung Pan, Ywangan, Kalaw and Naung Cho Townships which are in the Northern parts of Shan State.

Photo 7: Da Nu



8. Pa Lay (Ngwe Pa Laung)

Mostly reside in Yat Saught and Kalaw Townships which are in Southern parts of Shan State and in Nant San, Nam Khan, Tan Yan and Mong Yal Townships which are in the Northern parts of Shan State.

Photo 8: Pa Lay (Ngwe Pa Laung)



9. Pa Daung (Ka Yan)

Mostly resides in Mine Shu, Pin Laung and Phak Kone Townships which are in the Southern parts of the Shan State.

Photo 9: Pa Daung (Ka Yan)



10. A - Khar

Photo 10: A - Khar



11. Lah Hu

Photo 11: Lah Hu



12. Yin Kyar

Mostly resides in Nant San and Moe Ne townships which are in the Southern parts of Shan State.

Photo 12: Yin Kyar



13. Yin Neh

Mostly resides in Nant San, Moe Nae and Kyay Thee Townships which are in the Southern parts of the Shan State.

Photo 13: Yin Neh



14. Lifestyle of Ethnic Groups

Photo 14: Life Style of Inle Leik



Photo 14: Cultivation in Shan State



Table (4) Useful Contacts

No.	Name	Contact
1	Shan State Government	Taunggyi Township, Shan State, Myanmar. Tel : + 95 9 526 1478 + 95 9 526 0414 Fax : + 95 82 24077
2	Myanmar Investment Commission Secretariat/ Directorate of Investment and Company Administration (DICA) (Yangon Office)	No.1 Thitsar Road, Yankin Township, Yangon, Myanmar. Tel : +95 1 657891 Fax : +95 1 657825 Website : www.dica.gov.mm
3	Directorate of Investment and Company Administration (DICA) (Taunggyi Office)	Department of Trade Promotion and Consumer Affair Compound, East Circular Road, Yae Aye Kwin Quarter, Taunggyi Township, Shan State, Myanmar. Tel : +95 81 21 24 293 Website : www.dica.gov.mm
4	Southern Shan State Chamber of Commerce and Industry	Htee Phaung Village Tract, Kwin Pyin Area, Taunggyi - Hopone Road, Between Milestone, 118/7 - 119/0, Taunggyi Township, Shan State, Myanmar. Tel : +95 81 2123549 Email : aungsanwintgi@gmail.com
5	Northern Shan State Chamber of Commerce and Industry	Theindi Road, (8) Ward, Mansu Plaza, Lashio, Northern Shan State, Myanmar. Tel : +95 82 31010 + 95 9 526 1478 + 95 9 526 0414 Fax : + 95 82 24077 Email : uyeesein@gmail.com
6	Tachileik Border Trade Chamber of Commerce	No.25, Bogoke Street, General Admin Department, Wan Kaung Ward, Tachileik Township, Eastern Shan State, Myanmar. Tel : + 95 84 53526 Fax : + 95 84 70168 Email : cct.*tachileik*@gmail.com





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