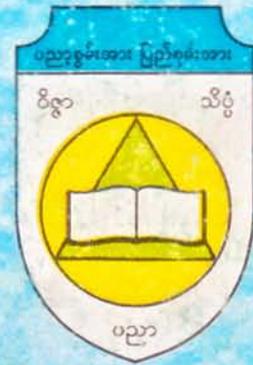


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Economic development process of Khinmon Model Village, Chaung Oo Township: culture, policy and technology

Aung Kyaw¹, Yin Myint², Cho Mar Oo³, Ei Ei Khaing³, Yee Yee Than³

Abstract

Economic development of Kinmon Model Village is very fast after the 1990s. Preliminary studies reveal that this development is related to the three major factors: culture, policy and technology. All these factors are interconnected to each other through *key actors* involved in the development process. To verify the above preliminary results this paper starts with following research questions. (1) How does the economy of Khinmon Model Village develop after 1988? (2) What are the major processes that caused the economic development? (3) Could development model of Kinmon apply for the other villages of Myanmar? To answer the first research question, structured interviews were conducted to the owners of economic activities. Then, detail personal interviews were carried out to some distinguished entrepreneurs to answer the second question. Then, the third question was answered based on the data and answers derived from the first and second questions. The detail study results could verify the above assumed economic development processes.

Key words: economic development process, policy, culture, technology, key actors

Introduction

Myanmar economic sectors are gradually changing after practicing the market oriented economy in 1989. Manufacturing sectors gains private participation through the establishment of 18 industrial zones (Aung Kyaw, et al, 2004). Since 1989 existing law and regulations are also amended or replaced by new ones those favouring the development of market oriented economy. Distinguished changes of agriculture sector at the farm level, however, occurred only after 1997 (Aung Kyaw, et al, 2005). Spatial shift of some tertiary (services) economic activities are also observed in large urban area (Aung Kyaw, 2006). Under market oriented economy different patterns of economic development are observed in various economic sectors with various spatial contexts. In addition to the above developments, drastic economic development of some villages including Khinmon has been witnessing during last two decades. Their development is not solely depended

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1. Associate Professor, Department of Geography, Taungoo University.
 2. Professor, Department of Geography, Taungoo University.
 3. Assistant Lecturer, Department of Geography, Taungoo University.

on one economic sector such as manufacturing or agriculture or services but in interdependent development of economic sectors.

Since these developments are occurred in all economic sectors it is worth examining the process of it in the light of geography to be able to make a model that represent the economic development process of a rural area.

Research question

Based on the above situations following research questions related to Khinmon Model Village are set out.

- (1) How does the economy of Khinmon Model Village develop after 1988?
- (2) What are the major processes that caused the economic development?
- (3) Could development model of Khinmon apply to the other villages of Myanmar?

Data and method

To be able to answer the above research questions data and information of study area were collected by many methods. Personal interviews to the authority concerned and key persons who contributed to the development of the area were conducted through 4 field trips during 2005 and 2008. Based on the derived information from the above field trips development process of study area was preliminarily assumed. Then, assumed development process was tested by using data derived from the structured interviews conducted to the entrepreneurs in the study area. There are 134 businesses related to manufacturing and services sector in the study area. Of them, 113 business owners (84.33%) were interviewed for this study.

Next section of this paper reviews the literature related to the economic development process before setting out the framework of the present study. Then, basic geographical background that could help explain the development process of study area was briefly stated in section three. Section four examines the development pattern and process of study area. Section five discussed about the results of section four before concluding the study.

Concepts for Economic Development Process

Explanation on the processes and patterns of economic development is at the heart of economic geography. There are two major models for the development of regional economy: exogenous and endogenous. At macro scale regional development was considered based on Fordism and its branch plant economy until the crisis of capitalism in the 1960s. Accordingly, local and regional developments are considered in exogenous point of view. However, contribution of the branch plants to the local economic development is discovered as limitation due to lack of decision making power and decreasing job creation. Thus, analytical attention has now shifted towards endogenous development and local capacities to generate self-sustaining economic growth (Plummer and Taylor, 2001; Scott and Storper, 1992). In addition, explanations of economic development processes have become increasingly elaborate as the processes of internationalization and globalization have intensified the complexity of economic and social interrelationships (Dicken, 1997).

As Plummer and Taylor (2001) have reviewed there are six major theoretical frameworks that explain the regional and local economic development process. These models are competitive advantage model (Porter, 1998), learning regions (Lundvall, 1992; OECD, 1996), flexible specialization (Scott and Storper, 1992), product cycle theory (Vernon, 1966), growth pole theory (Perroux, 1955), and segmentation framework (Taylor and Thrift, 1982; 1983). All these theoretical frameworks are developed based on having of three to seven of following factors in a given region. (1) Technology leadership at the enterprise level exercised both by large corporations and by small firms; (2) Knowledge creation and access to the information; (3) Local integration of small firms; (4) Infrastructure support and institutional thickness; (5) Local human resources base; (6) Power of large corporation affecting structure and strategy; (7) Inter-regional trade and the extent and nature of local demand; and (8) Local sectoral specialization (Plummer and Taylor, 2001). The above mentioned eight local factors are used to explain the newly developed Silicon Valley, Third Italy and other regions of western countries.

Majority of theoretical frameworks mentioned above, however, are mainly concerned with the manufacturing and services sector those are major generator of modern economies. Recent study of economic development process by Wei (2002) from a case of China mentions regional development

as a complicated process incorporating forces operating at the global, national, and local levels. It is also urged that an area should utilize resources provided by cities, such as capital, technology, networks, and markets, rather than simply relying on local resources and communities. Thus, human capital and interregional networking have become important components of economic and regional development strategy. As a major strategy of development, linkages and cooperative relationship among cities, towns, and rural areas should encourage (Wei, 2002). Day (1998) pointed the importance of social network and institutional linkages from the case of rural Wales. These linkages capture as much economic activity as possible within the local economy in order to maximize multiplier effect. Its consequences strengthen the vertical and horizontal links among local business. Of course, development of above social linkages and institutional linkages are closely related to the culture of area under studied.

Thus, the study of regional development process or development of a local area should be considered as a combination process of both internal (endogenous) factors such as human resources, institutional thickness, infrastructure development, internal cooperation and external (exogenous) forces such as connection with large cities for market and technology. In addition, key actors that enable construction of linkages among external forces and internal forces and among internal forces are also important for the local development.

Geographical Background of Study Area

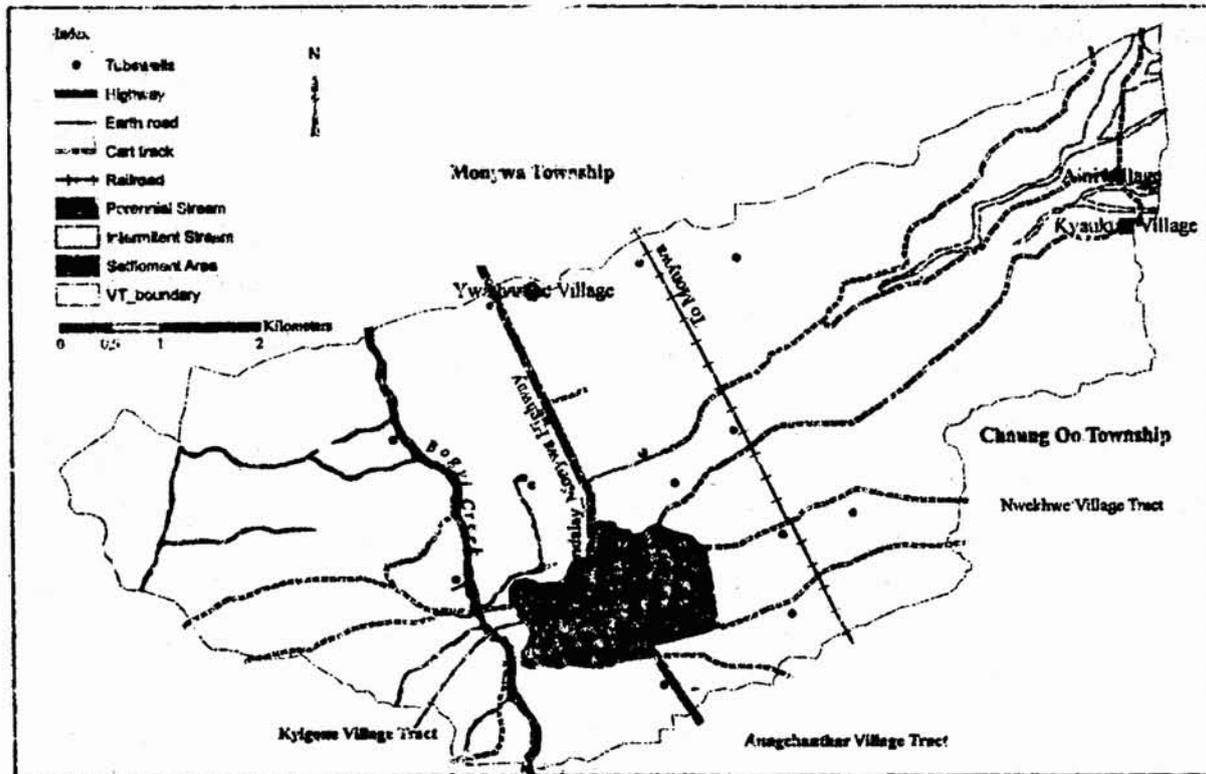
Khinmon Model Village is included in the Khinmon Village Tract that is located at the northern edge of Chaung Oo Township. Northern part of the village tract is bounded by Monywa Township. This village tract includes three villages (Aini, Kyauktan, and Ywatharaye Villages) and one model village (Khinmon). Mandalay-Monywa Highway is passing through the middle of the village tract where Khinmon Model Village is located. Mandalay-Monywa Railroad is also passing through the village tract. Physical characteristics of the village tract that can be considered as an adjacent hinterland of Khinmon Model Village could be divided into two parts: eastern part and western part of the highway. Eastern part of the village tract is relatively higher than western part and drained by intermittent streams while western part is drained by Bogyi Creek which is a tributary of Chindwin River. Average annual rainfall of the study area is 26.94 inches and it is

received between May and November (Nwe Nwe Win, 2004). Based on the drainage and rainfall conditions majority of the land located in the western part of village tract is used for paddy cultivation while eastern part is used for dry (*Ya*) cultivation. There are some underground water sources (18 tube wells) in the eastern part developed by UNDP project for cotton cultivation during the 1980s (Figure 1). Some of these are still usable for cultivation of crops while others are abandoned for excessive salt content of the water and salt accumulation on the top soil.

Agriculture lands of village tract could be divided into three types: *Le* (paddy cultivation), *Ya* (dry cultivation), and *Kaing* (flood plain cultivation). Of the 7831 acres of total agriculture land, 58.22 percent (4559 acres) is used for dry cultivation while paddy and *Kaing* cultivation occupied 30.81 percent (2413 acres) and 10.97 percent (859 acres), respectively. More than 70 percent of cultivated area is occupied by paddy (24.9%), cotton (24.6%) and pigeon bean (21.3%) in 2008. Of the 6603 village tract population, 6032 are living in the model village.

Although cultivated areas are distributed throughout the village tract, other secondary and tertiary activities are located in Khinmon Model Village. There are 8 wards in Khinmon Model Village.

Since Mandalay-Monywa Highway is passing through the center of the village the study area has good transportation facilities. In addition, telephone exchange system with 65 extensions was set up in the village since 1996. At present Khinmon is using semi-auto telephones with 167 extensions. Thus, the study area has relatively good transportation and communication system than the surrounding villages. The branch of rural health care center and village library were also established with the help of villagers (KVTPDC, 2004).



Source: Village Tract Peace and Development Council, Khinmon.

Figure (1) Location of Khinmon Model Village and Village Tract

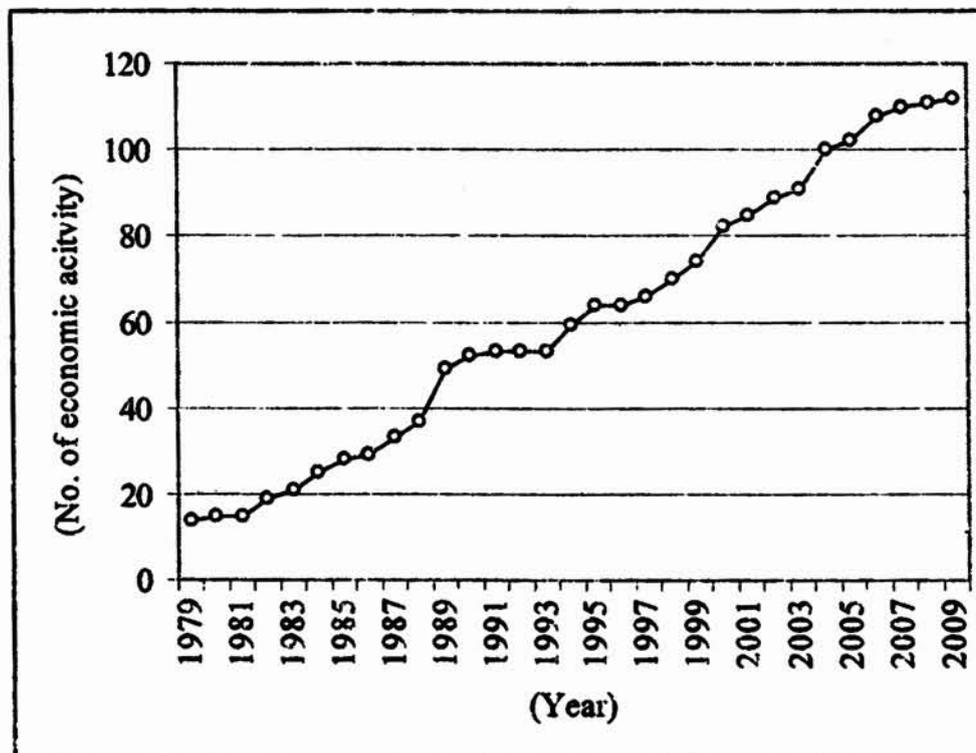
Economic Development Pattern and Process of Khinmon Model Village

Bamboo works (basket, mat and fan) and farming are two major traditional economic activities in the study area. In addition, some transportation services are found in the village to take the advantage of nearness location to the highway. However, there were totally less than 40 businesses in the study area until 1988. After 1988 the number of business in other sectors gradually increased and reached to more than 100 in 2009.

Economic development pattern

To verify the economic development pattern of study area, year of establishment for all secondary and tertiary economic activities were collected by structured interview. After structured interview, the number of business was depicted from 1979 to 2009 in figure (2). It is observed that although new businesses were gradually increasing since the early 1980s, it has drastically increased since 1989. Therefore, there will be some factors generating towards the business development of study area since the late 1980s.

The structure of these businesses can be mainly divided into manufacturing and services. Manufacturing includes bamboo works (including mat, basket and fan), bakery, preserved fruit production, roasted beans production, rice mill, condensed milk factory, oil mill, vermicelli mill, broom making, etc. Service activities include goldsmith, transportation service, tailoring, fodder cutter rental service, threshing machine rental service, etc. Of the 134 business 53 (39.6%) are manufacturing activities and 81 (60.4%) are services. These economic activities are distributed unevenly in the wards of Khinmon Model Village.

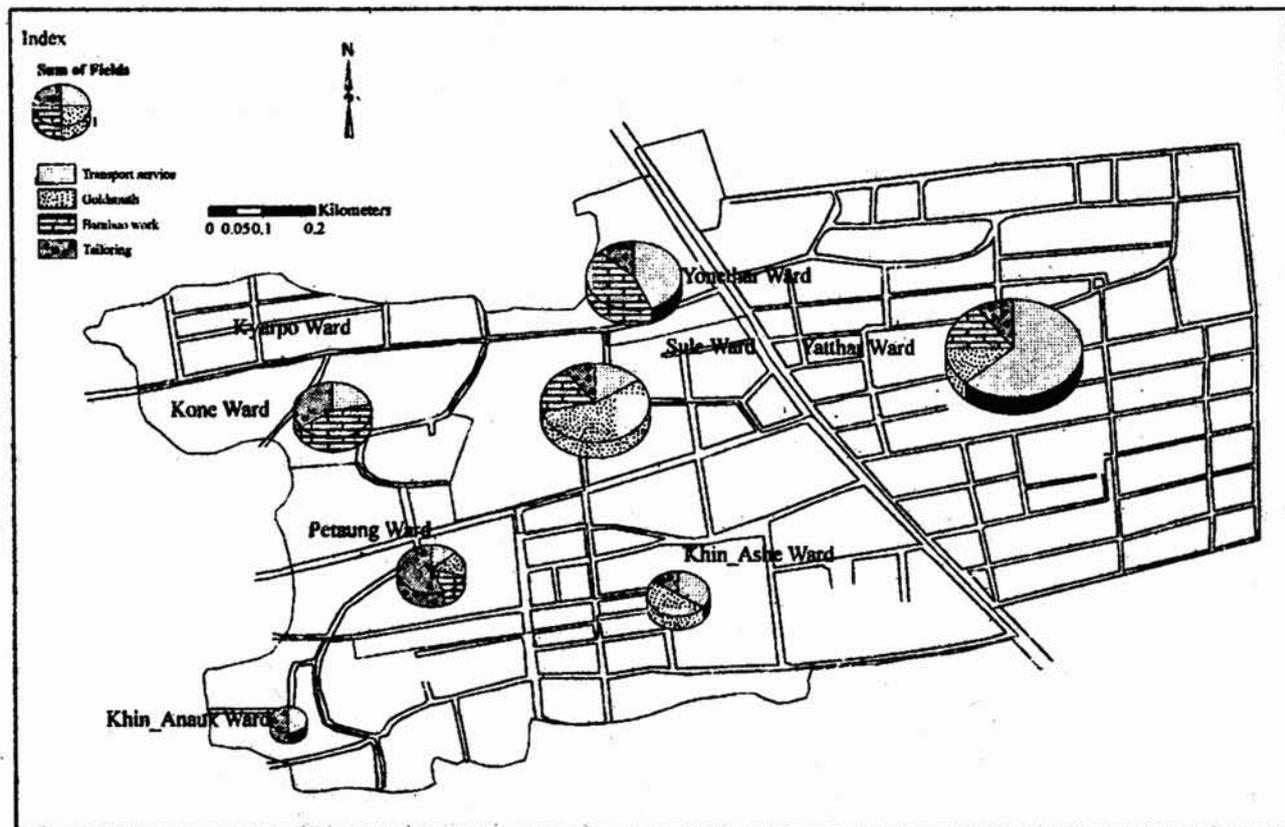


Source: Author's structured interview, 2009.

Figure (2) Development of business in Khinmon Model Village

Of the above economic activities transportation services (24%), goldsmith (12.69%), tailoring (12.0%) and bamboo (13.43%) occupied more than 63 percent of all economic activities while the rest of the business types occupied less than 5 percent of total. Thus, distribution pattern of these four major economic activities are examined in detail. Figure (3) show the spatial distribution pattern of the above mentioned economic activities in Khinmon Model Village. Majority of economic activities (71.43%) are located in Yatthar (33.33%), Yonethar (16.67%) and Sule (21.43%) Wards, those are

located along the highway. In addition, economic specialization is also observed among the wards in study area. Transportation services are mainly found in Yatthar and Yonethar Wards, while goldsmith workshops are located in Sule and Khin_Ashe Wards. Bamboo works are specialized in Kone and Yonethar while tailoring services are mainly found in Kone and Petaung Wards. Majority of the people living in the Khin-Ashe and Khin-Anauk Wards are conducting farming. Thus, only a small number of manufacturing and services activities are found in those wards.



Source: Author's field survey, 2009.

Figure (3) Spatial distribution pattern of distinguished economic activities in Khinmon Model Village

Bamboo works in the above figure only mentions the number of bamboo product collectors. According to Nwe Nwe Win (2004) there were about 565 household engaged in bamboo works in 2004. It was conducted by majority of household due to its flexible nature of the job. It generally is divided into bamboo mat, bamboo fan, and bamboo baskets. Of them, division of labor is highly found in case of fan making. It needs six major steps to

become a bamboo fan: (1) cutting bamboo into small pieces, (2) colouring and weaving into draft mat, (3) cutting into required forms of fan, (4) banding the edge of fan by plastic tape, (6) edge decorating, and (7) handle setting. Wages are given on the basis of production amount in each step. Finalized fan is collected by traders and send to the market. For its division of labor and production flexibility in time and place (can do any time at any place) any people from young to old could make any step of this work at their home. Sometimes, fan collector gives advanced payment to the people who are working in the fan making process. Basket and bamboo mat making is only divided into two steps: making small pieces of bamboo and weaving of mat or basket. Bamboo works are conducted in the village since very early history. *Thus, strong economically and socially tied networks are developed among the people connecting along the fan making process. It means that the culture of cooperation to accomplish a job is well developed in the study area.*

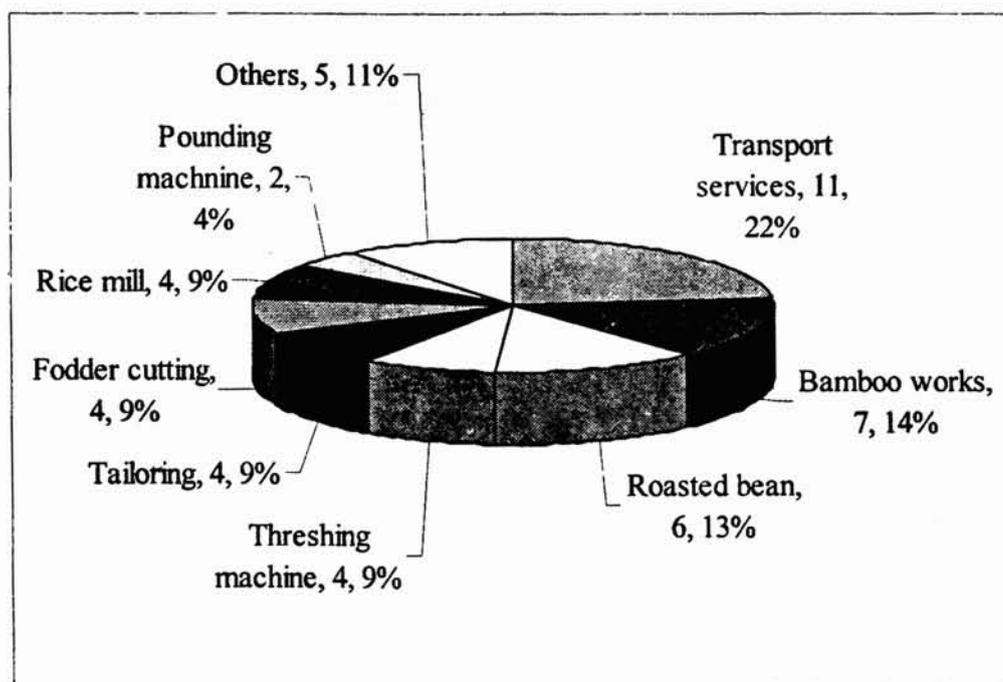
Development process

From the field surveys and opened interviews with the authority concerns and key persons, development of process of study area becomes clear. Up to the early 1990s economy of Khinmon Model Village based mainly on the agriculture and bamboo works. Nearly all houses make at least one step of fan making or other bamboo works. Since nature of bamboo work is very flexible and can be done by any age group at any time and at any place, nearly all household members do this job during their spare time. Even students and farmers could earn money from this job according to the amount of product that they can produce when they have free time after school hours and farm works. As mentioned in the earlier section of this paper success of farming is highly relied upon the weather conditions. Although they could earn large amount of money from farming in the time of good weather they have to rely on money derived from bamboo works when rain fall is scarce. In addition, average yield of the crop is not too high since the farmers use traditional farming methods. Some people occasionally go out to other parts of the country to sell the products produced from their village. Those people sometime go up to China border to sell the bamboo products.

Introduction of technology and economic development- In 1994, a farmer with a name of U Paw Ngwe from Khinmon was selected by UNDP programme to attend the vegetable grower training at Chiang Mai, Thailand. He is one of the 30 trainees selected from Dry Zone Area and Ayeyarwady Division to participate in the training course. After participating 3 months training course

he returned to Khinmon and began to grow hybrid species of tomato and honey melon there. Soil conditions and availability of water in the western part of Khinmon is very suitable for tomato growing. On the other hand, he disseminated the knowledge that he learned from Chiang Mai to other farmers both in Khinmon and nearby villages through 4 training courses. Each training course took 3 months (starting from growing of tomato to final harvesting stage) and all trainings were conducted during 1995 and 1996.

As a result of introduction of new tomato growing methods and use of high yield varieties, fertilizers and pesticides, the yield drastically increased in the village. With the instruction of U Paw Ngwe, many farmers grow tomato in the village. The production amount greatly increased and could even compete with growers from Inlay Area who historically dominated the rainy season tomato market of Yangon. Thus, many wholesale tomato shops were opened in the village during the harvesting season. At peak period amount of daily production reached up to 12 large trucks (10,000 to 15,000 Viss per truck) export to Yangon market and 10 small trucks (Toyota Dyna) to Mandalay market. From its intensive nature one farmer can only grow up to one acre of tomato. Average cost including land rent for one acre of tomato is nearly 1,300,000 Kyats in 2009 and if it is successful one could gain between 30,000,000 Kyats to 40,000,000 Kyats in one season. Due to this high profit, farmers could earn large amount of money and some non-farmers also participated in this business with the help and instruction of U Paw Ngwe and other experienced farmers. Due to this tomato cultivation capital accumulated in the hands of farmers and they started investing in manufacturing and services. At present, tomato cultivation methods spread to Monywa, Chaung Oo and other nearby townships. Thus, the production exceeds the demand and the price start decreasing. The amount of income or profit highly depends on the tomato price at the market since failures in the production side gradually became rare through experience.



Source: Author’s structured interview, 2009.

Figure (4) Type of job changed by former farmers in Khinmon Model Village

Of the 113 interviewees 47 changed their job from farmer to manufacturing and services activities (Figure 4). Some farmers changed from farming to agro-related manufacturing and services such as rice mill, threshing machines rental service, fodder cutting machine rental service, etc. Some become specialized on traditional bamboo work while other involved in services such as tailoring and pounding machine (used it when large scale donation are made) that could do very well when local economy is prosperous. Some changed to a totally different job such as transportation services and roasted beans production.

As mentioned above, some transportation services are located in the study area since early days. When farmers get large amount of money from tomato cultivation they started transportation services with the help of existing transport service owners. It is said that “Even if a widow has money and want to invest in transport service the person who have experience in that filed help established the service”. Thus, the number of this business grew rapidly. In addition, type of vehicles and route also changed with time. Although they formerly used Toyota Hilux vehicle and run between Chaung Oo-Monywa, Monywa-Mandalay trips, express buses from Khinmon are now running between Monywa and Yangon.

Roasted bean is another form of business development. Some villagers working in Monywa and other cities derived their technology and start doing this business in the village. Some roasted bean owners used to grow tomato and owned transportation services. Through their transportation services roasted beans are distributed to Monywa, Sagaing and Mandalay with wholesale price. Same pattern of development through the acquisition of technology from outside area is also observed in the case of preserved fruit production and broom making work.

There are two preserved fruit works in the study area. Owner of one preserved fruit production derived the technology from her sister living in Lashio when she visited there. Then she started to try and make the preserved fruit in Khinmon. With the success of business, production amount increased and she is able to distribute to Monywa, Mandalay and other large cities. Raw materials (fruits) are also derived from various part of upper Myanmar. Another preserved fruit work owner derived the technology from the same village. The owner is also doing transportation services and owns two passenger (and commodity) trucks (Toyota Dyna) that are running between Mandalay and Monywa. She started business with easily availability raw material and distribution of finished product through her own transportation service. Although both of these preserved fruit production work started only after 2000 they have large market share in upper Myanmar.

There are two broom makers in the study area. Their original work and place that derived technology are different. Their production amount is large enough to be able to distribute up to Lashio, Myintkyina and China. There are two main types of broom: long and short. Both types use sticks of coconut leaf, plastic rope and cane as main raw materials. Long broom needs bamboo stick in addition to above mentioned raw materials. Bamboo is transported from Ahlone located in the north of Monywa and Mattaya located in the northern part of Mandalay Division. Stick of coconut leaf is derived from Kani (in the western bank of Chindwin River) and Kaduma Villages located in the northern Monywa, and Ayeyarwady Division.

One broom maker derived the technology when he went to Lashio for selling bamboo products. When he saw the broom (made by stick of coconut leaf) he thought that this type of broom could be done in his village. Then, he tried to make the broom. But it took nearly one year to be able to produce a strong, neat and tidy broom. At the start of production, he mainly distributed the product in Lashio. After renting a house his relatives (nearly 10 persons)

from Khinmon stay there and sell the broom in the Lashio Town by door to door service. With the development of business he could buy his formerly rented house and could extend the market to other large cities of Myanmar and China. Due to expansion of market, distributor (his relative) in Lashio extended to sell other bamboo products. As a result, although broom is a basic product he also extended to the collection of baskets and other bamboo products in Khinmon. Bamboo products are collected not only from Khinmon but also from other towns such as Pale located in the Southwestern part of Monywa.

Technology dissemination and economic development- Another business that generates the economic development of study area is goldsmith. There are two old persons (U Chit Hlaing and U Yachi) who started goldsmith in Khinmon. Later they move to Monywa and become big jewellery traders there. Since their native is Khinmon and they are very used to do with the subcontracting business in bamboo work since their childhood, they started to help train Khinmon villagers in their workshops. After completing their training period pupils established their own goldsmith workshops in Khinmon. They have to invest only on the construction of working place and instruments and take subcontract from their teachers. The owners of newly opened workshop in Khinmon also help in training the young people in their workshops. At present, the third generation peoples (goldsmith) are also doing their own business in the village. Of the 11 interviewed goldsmiths (owners) 9 started to study when they were student and became businessmen. The former jobs of the remaining two interviewees are trader and cheroot maker, respectively. These 11 goldsmith workshops employed 59 employees at present (ranging from 2 to 20 in each workshop). Majority of employees come from the same village. All these goldsmith workshops have their customers in Monywa (all of them are their former teacher of Khinmon native). Of 11 goldsmiths workshop owners 6 learned their arts from Monywa and 4 from Khinmon and the rest from Chaung Oo. Then, interviewees were asked about the number of pupils that they taught to become a business owner. Of 11 workshop owners 6 disseminated 22 pupils from the same and surrounding village.

The last business that developed in the study area during the last two decades is tailoring. There are 16 tailoring services in the study area. Of them, data from 15 tailors were collected for the analysis. There are 33 persons engaged in these tailoring services. Although majority of their customers come from Khinmon some from Chaung Oo and Shwebo based on their

personal connection. Interestingly, majority of tailors (13) learned their sewing technology from Khinmon. The remaining two owners learned the technology from Mandalay. With the dissemination of technology from one to another it diffused into many people who are interested in this carrier and many new tailors emerged in the prosperous economic stage during last two decades. According to personal interview U Mardin learned from a teacher who learned tailoring methods from Mandalay and trained again to many persons both from Khinmon and nearby villages. U Myint Po is one of the many pupils of U Mardin. U Myint Po alone trained about 45 pupils who can establish their own business. Thus, majority of tailors running in the village have connection one way or another in terms of technology acquirement.

Actually many people gradually are interested in tailoring as a carrier. According to structured interview results, nearly half (46%) of present tailoring owners directly joined the tailoring work since they left school. Some (33 percent) was formerly farmers. Many of them are still working in the farm and tailoring is done as a secondary business. Other percentage is small and come from roasted bean, goldsmith and daily wage earners. Thus, it is very clear that tailoring is developed in the study area with the dissemination of tailoring technology in the village by the people who acquired technology from outside area and increasing demand in the business with development of economic due to tomato cultivation.

Cooperation and economic development- One of the most prominent services in Khinmon Model Village is transportation services. At present there are 33 transportation services running with 71 buses (excluding private cars). Transportation services are operating between Monywa and Yangon, Mandalay, Ye U, Chaung Oo, Thabeikkyin, Pakkoku, Tamu, Kalay, Shwegu, Kani.

To be able to understand the contribution of other economic sectors to the development of transportation services owners were asked about the type of their previous jobs. More than half of the owners (53%) were formerly farmers. Then 11 percents were formerly working in the transportation related jobs such as drivers, conductors, etc. before they established their own business. The rest comes from various jobs. Some young entrepreneurs join the business after completion of school. In that case, some are not the native of Khinmon but they settle down in the village after they married with Khinmon's women. As explained in the case of tomato growing, profit gained from agriculture is main generator to become an owner of transportation

service. In addition, the culture that help established the skilled business to the other business is also another important factor for the development.

Conclusions and Discussions

Based on the situation of study area three research questions are set out in the introduction section of this paper. The first question is “How does the economy of Khinmon Model Village develop after 1988?” According to structured interview results, the number of business establishment greatly increased in Khinmon after 1988. This development occurred not only from one economic sector but as balanced development in various sectors of economy. The most prominent economic sectors developed after 1988 include: farming, bamboo works, tailoring, goldsmith and transportation service.

The second research question is “What are the major processes that caused the economic development?” Economic development process of Khinmon is related and rooted in the *culture* that derived from traditional bamboo works. People know how to work together to become a product through bamboo work. This culture leads to the development of transportation service in Khinmon. Through bamboo work people do not need to be worried about their basic needs since any family member could do this job and earn money.

Another factor that fostered the development of study area is introduction of *technology*. Except from bamboo work and transportation service all other economic sectors developed based on introduction new technology. In other view, it is also based on the accumulation of cooperation culture mentioned above. Without this culture it is impossible to disseminate the technology and generate the economic development.

The third factor is related to the *policy* that allows public participation in economic sector. Going around various towns of Myanmar and selling their local product is not a new marketing system of Myanmar. Especially, blankets produced in Dry Zone were distributed to the lower part of Myanmar by means of mobile sellers who travel form one village to another on foot. After adopting the market oriented economy, these mobile sellers could establish their own business with technology derived from the place where they used to go and sell goods.

Institutional thickness should not be omitted here which is related to policy. Welfare and development of the village was carried out by cooperation between village peace and development council, some community elders and social patron (*Yatmiyatpha*) and *key actors* (person) who acquired technology from outside area and disseminated in the village. *Transportation and communication facilities* favour the development of Khinmon both in acquisition of raw materials and distribution of finished products. Some businesses such as preserved fruit production are developed based on the availability of transport. Transaction and money transfer are conducted by using telephone. Connection with large cities (exogenous) is also important for acquiring of technology and distribution of market. *Capital investment* that is assumed as the most important for the development of economy is mainly derived from the region itself by means of tomato growing. After getting development in agriculture sector and accumulation of capital in Khinmon villagers able to challenge to more profitable manufacturing and service with the help of existing businessmen.

Thus, it can be concluded that development process of Khinmon is related to both endogenous and exogenous factors. Some of these factors, however, are differed from those mentioned in the case of Western literature. Acquisition of technology and capital, for example, depend on the location of branch plant of multinational farm in western literature. However, technology was derived by mobile sellers and UNDP sponsored training course and capital was derived from agriculture sector and UNDP programmes in the village. Key actors play important role in the acquisition and distribution of technology and capital through the social network constructed based on traditional bamboo works.

The third research question is “Could development model of Kinmon apply for the other villages of Myanmar?” From the case of Khinmon, the basic factors that could generate economic development of an area could be summarized as follows.

- (1) Existence of *stable basic economy* that could help challenge people to adopt new business.
- (2) Having *culture* in doing business. By mean of this culture technology could be absorb from outside sources and acquired technology could be quickly diffused in the region and many new business and job opportunities could be created.

- (3) Availability of *new technology* that could create new economy in the study area. In case of Khinmon, this new technology was derived through mobile sellers and training courses.
- (4) Availability of large investment by means of some economic sector of village. In that case, investment alone could not generate the development of economy.
- (5) Good transportation and communication facility is essential to effectively actualized above four factors.

If above five factors could be created in an area under market oriented economic system, there is still a chance for economic development.

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