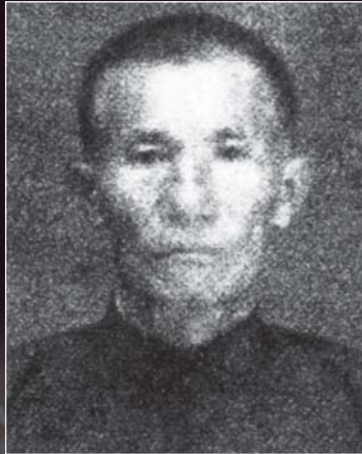


Shan Drug Watch

Newsletter

OCTOBER 2011

ISSUE 4



Druglords in Parliament

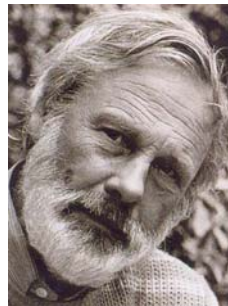


Contents

Message to the Reader	3
Countdown to 2014	5
Results of SDW opium survey: 2010-2011 season	7
2010-2011: The best output in 3 years	12
Poppy fields return to the north	14
How to deal in drugs without fear	15
Naw Kham: Who is he serving?	16
Druglords in Parliament	19
Restless neighbors	25
Loan wolves	26
Crop substitution for whom?	27
Rising drug use	28
How drugs are taken	29
Taking action against offenders	31



Hsengzeun Salawin



Adrian Cowell

The report is dedicated to two of our lifelong friends and colleagues :

- Hsengzeun Salawin, who passed away on 15 September 2011, and
- Adrian Cowell, who passed away on 11 October 2011

Message to the Reader

The drug problem in Burma is an issue that few people, even academics and politicians, understand, despite the availability of a host of reading material by experts like Alfred W. McCoy (*Politics of Heroin in Southeast Asia*), Bertil Lintner (*The Politics of the Drug Trade in Burma*) and Chao Tzang Yawngnaw (*The Shan of Burma*).

While quick to interpret new developments in other fields -- whether political, military or cultural -- and to criticize the country's ruling military junta, observers almost always blame the armed ethnic rebels as the main culprits when talking about the drug trade.

A case in point is the upsurge in drug production and rising number of seizures by law enforcement agencies in Thailand, Laos and China during the past few years. Predictably, a number of experts have concluded that the ceasefire groups, especially the Wa, which have spurned Naypyitaw's call to forget their self rule ambitions and become Burma Army-run Border Guard Forces (BGFs), are furiously churning out more drugs to sell and buy weapons to fight.

However, such analysis ignores a number of glaring details:

- The Burma Army's Self Reliance policy imposed on its border-based units, requiring them to raise funds by every means available, legal or not;
- Burmese authorities blocking all income generating activities, especially drug production and trafficking, of the ceasefire groups, particularly the Wa;
- Burmese military commanders giving the green light to People's Militia Forces (PMFs) - the paramilitary forces built up among the local populace by the Army - to establish their own drug production plants and trafficking networks and thereby wrest the market away from the ceasefire groups;
- The resulting shift by investors, both domestic and foreign, away from the Wa and their allies to areas under the control of the Burma Army and the People's Militia Forces (PMFs) where their drug activities are more secure and their profits more assured;
- A massive increase in poppy cultivation, and heroin and methamphetamine production, in the Burma Army-People's Militia controlled areas, far more than in areas under rebel-ceasefire control.

It is precisely to throw some light on the confused analysis surrounding the drug problem, that we have been publishing this newsletter. In this issue, we examine the situation in Shan State post-election, in particular the rise of Burma Army-backed drug-lords into the new parliament.

The irony is that while Shan Drug Watch is being accused in some quarters of championing the Wa cause, the Wa themselves are saying we are damaging their image. They have warned us we have wronged them “twice already” and that they hoped “there won’t be a third time”.

We sincerely hope their warnings are just empty threats.

Thank you for your attention and support.

Mysoong Kha! (All the best!)

Shan Drug Watch team

Shan Herald Agency for News

14 October 2011

Wa, Mongla conclude new truce

As SDW was preparing this report, news came that the United Wa State Army (UWSA) and its closest ally the Mongla-based National Democratic Alliance Army (NDAA) had signed a new ceasefire pact with Naypyitaw on 6 and 7 September, 2011, respectively. Follow-up agreements concluded on 1 and 9 October respectively stated that the two would cooperate with the new civilianized government on the 15 year plan (1999-2014) to make the country drug-free.

It remains to be seen how the two will stick to their part of the agreement when the other side does not appear to be doing so. In fact, local media have reported that Wa and/or Mongla were involved in the drug scandal in which 13 Chinese crewmen and women were brutally killed on 5 October at the Golden Triangle. Both have categorically rejected the charge.

Countdown to 2014

The Association of Southeast Asian Nations (ASEAN) is targeting 2015 as the drug free year for the grouping. Naturally, its most important member (in the drug respect) Burma has to assure its neighbors there is no need to worry it will fulfill its part of the responsibility. Its target year therefore is one year ahead of Asean's: 2014.

In 1999, it designated 51 out of 300 townships in the country for its 15-year drug elimination master plan:

- 43 in Shan State
- 4 in Kachin State
- 2 in Kayah (Karenni) State
- 2 in Chin State

(Actually, a lot of the former townships have been re-arranged into new ones, so there are only 39 targeted townships left in Shan State: Mongkoe, Panghsai and Muse have become one township (Muse), while Pangwai, Manphang, Napharn, Mongmai, Panyang and Wiangkao have become four townships: Pangwai, Napharn, Mongmai and Panghsang.)

Until 2010 if one looked at the progress chart of the 15 year plan, one would find most of the "opium free" townships under the control of the ceasefire groups:

Township	Ceasefire Group
Laogai	Myanmar National Democratic Alliance Army (MNDAA) or Kokang
Kunggyan	Myanmar National Democratic Alliance Army (MNDAA) or Kokang
Mongla	National Democratic Alliance Army (NDAA) or Mongla
Pangwai	United Wa State Army
Manphang	United Wa State Army
Napharn	United Wa State Army
Mongmai	United Wa State Army
Panyang	United Wa State Army
Wiangkao	United Wa State Army

However, Kunggyan, one of the townships under the new Kokang leadership that agreed to become a Border Guard Force (BGF) under the Burma Army in 2009, has since returned to poppy cultivation.

The only other targeted townships in Shan State under Burma Army control that can boast of being opium free appear to be Panghsai and Mongyawng.



MNDAA soldiers

Significantly, many of the “Not Free” townships are also under BGF control:

State	township	BGF#
Kachin	Gangwin-Chihpwe	1001
	Lupi-Chihpwe-Pangwa	1002
	Sinkyaing-Kambaiti	1003
Kayah	Loikaw	1005
	Dimawso	1005
Shan	Kunggyan	1006
	Mongton	1007
	Markmang (<i>Metman</i>)	1010

In the meantime, many townships not targeted in the 15-year plan are increasingly growing poppies, as can be seen in the charts on the fol-

lowing pages.

The fact that these newly formed Border Guard Forces are directly under Burma

Army control places some very large question marks against Burma's supposed drug eradication plans.

Asked recently if he believed the much touted Asean Community would become a reality in 2015, Asean Secretary General Surin Pitsuwan said: “4 years is just a target-date. It is not an end-date.”

New president Thein Sein may need to take a leaf out of Surin’s book when talking about drug-free target dates in Burma.

New drug kings in Burma



Results of SDW opium survey: 2010-2011 season

Phase One (1999-2004): 22 townships targeted by SPDC for opium elimination

SHAN STATE	TOWNSHIP	FREE	NOT FREE	REMARK
North (15)	Mongkoe		NF	
	Kunggyan		NF	Border Guard Force 1006 (formerly MNDAA Kokang territory)
	Laokai	F		Border Guard Force 1006 (formerly MNDAA Kokang territory)
	Kunlong		NF	
	Hopang		NF	
	Mongyai		NF	
	Tangyan		NF	
	Lashio		NF	
	Namtu		NF	
	Mantong		NF	
	Hsenwi		NF	
	Kutkhai		NF	
	Namkham		NF	
	Muse		NF	
	Panghsai	F		Burma Army
East (1)	Mongla	F		NDAA-ESS territory
South (6)	Kunhing		NF	
	Mongpan		NF	
	Langkher		NF	
	Hsihseng		NF	
	Faikhun (<i>Pekhon</i>)		NF	
	Mong Keung		NF	
Total	22	3	19	

Note:

MNDAA = Myanmar National Democratic Alliance Army, a former ceasefire group

NDAA-ESS = National Democratic Alliance Army - Eastern Shan State, a ceasefire group

Phase Two (2004-2009): 20 townships targeted by SPDC for opium elimination

STATE	TOWNSHIP	FREE	NOT FREE	REMARK
Kachin	Karmaing		NF	
	Waingmaw		NF	
	Moemauk	F		
	Moehnyin		NF	
Shan North	Pangwai	F		UWSA territory
	Manphang	F		UWSA territory
	Napharn	F		UWSA territory
	Mongmai	F		UWSA territory
	Pangyang	F		UWSA territory
	Wiangkao	F		UWSA territory
Shan East	Mongyang		NF	
	Kengtung		NF	
	Mongyawng		NF	
	Monghsat		NF	
	Mongton		NF	
	Mongpiang		NF	
	Mongkhark		NF	
Shan South	Hopong		NF	
	Mongnai		NF	
	Panglawng		NF	
Total	20	7	13	

Note: **UWSA** = United Wa State Army, a ceasefire group

Phase Three (2009-2014): 9 townships targeted by SPDC for opium elimination

STATE	TOWNSHIP	FREE	NOT FREE	REMARK
Shan State South	Kehsi		NF	
	Monghsu		NF	
	Namzang		NF	
	Yawnghwe		NF	
	Laikha		NF	
Kayah (Karenni)	Loikaw		NF	
	Dimawso		NF	
Chin	Tonzang		NF	
	Falam		NF	
Total	9	-	9	
Grand Total	51	10	41	

Reports from both the Shan Herald Agency for News and other agencies also indicate that at least 26 townships not targeted in the 15-year plan are also growing poppies:

Northern Shan State	-	Mongmit, Namhsan, Kyaukme, Nawngkhio and Hsipaw
Southern Shan State	-	Loilem, Taunggyi, Kalaw, Lawksawk and Mawkmai
Eastern Shan State	-	Markmang (Metman), Tachilek and Mongphyak
Kachin State	-	Hsaw Law, Chihpwe, Sumprabum, Tanai, Putao, Machangbaw and Hpakant
Kayah State	-	Phruso, Shadaw
Chin State	-	Tiddim and Pletwa
Sagaing	-	Kalemyo and Tamu
Mandalay	-	Areas adjoining Shan State
Magwe	-	Areas adjoining Arakan State



Opium field in Kunhing Township (February 2011)

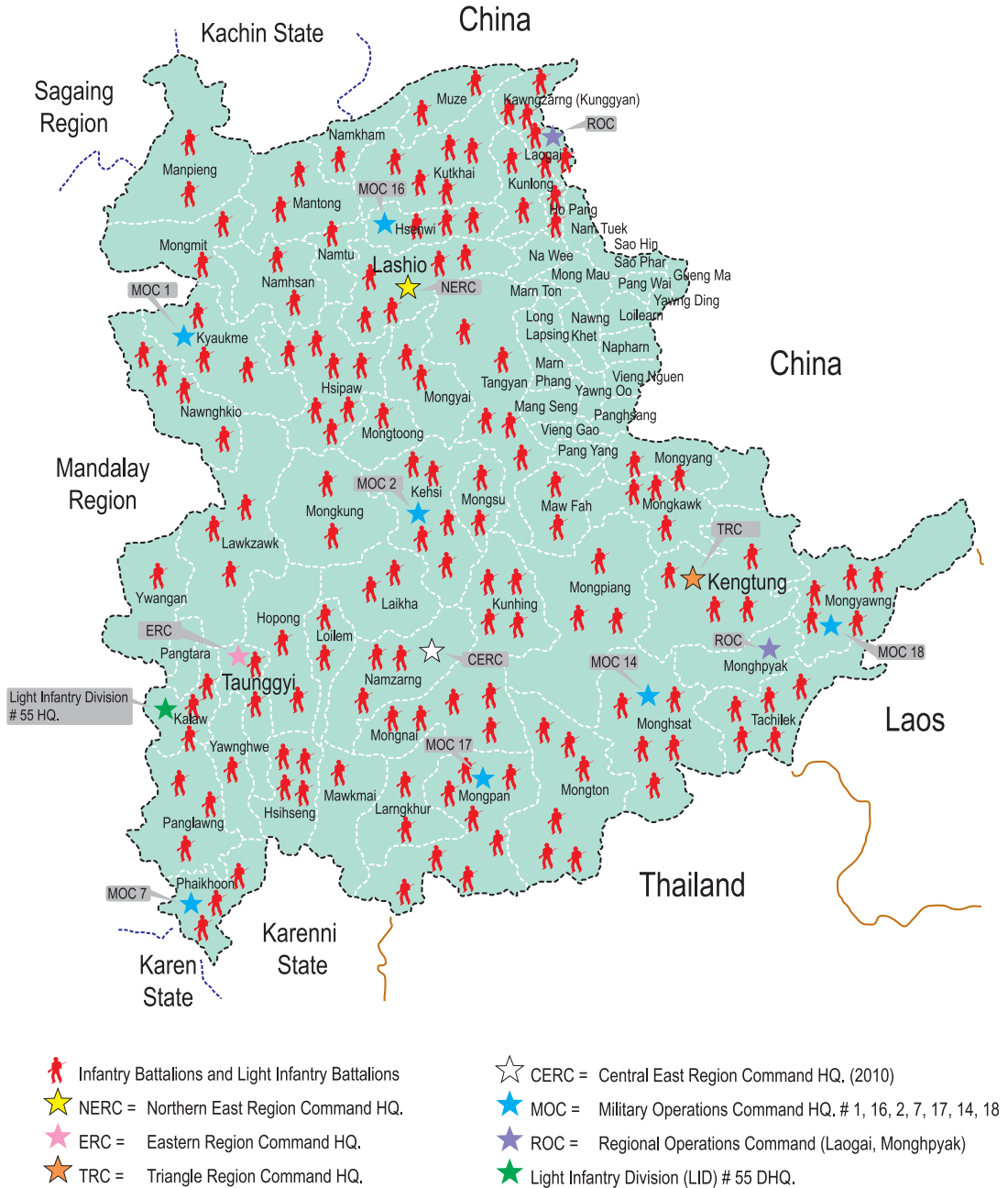
New approach proposed

Global Commission on Drug Policy, made up of 19 members, including former UN chief Kofi Annan and former secretary of state George Shultz, says the war on drugs “has failed” and urges new approach;

- To replace criminalization and punishment of drug users who “do not hurt other people” with health and treatment services
- To consider legalizing marijuana and perhaps other illicit drugs “to undermine the power of organized crime and drug traffickers”

“Victories” are negated by emergence of other sources and traffickers, the report states. *(Reuters)*

Present Burma Army units in Shan State



“The more battalions, the more poppy fields.”

Lway Aye Nang, Palaung Women’s Organization (PWO),
speaking at Foreign Correspondents Club of Thailand, 29 September 2010

Opium poppy growing areas in Shan State during 2010-2011 season



- Poppy growing townships
- Poppy free townships
- BGF controlled areas

N.B. The green color in a township does not necessarily mean the whole township is growing poppies.

2010-11: The best output in 3 years

According to the UN Office on Drugs and Crime (UNODC) both opium cultivation and output have been steadily climbing over the last two years:

2009	330 tonnes
2010	580 tonnes

While the increase in cultivation concurs with SDW data, the increase in output does not. Farmers and traders expressed surprised about the UNODC analysis. “Perhaps these people were just working out the output from the acreage and did not take the weather into account,” one businessman in Shan State South commented.

According to those on the ground, weather conditions damaged output in both seasons:

2008-09

During the first crop (June-October) there were unusually heavy downpours that washed away a large number of fields. During the second crop (October-March), there was frost which reduced the volume of the opium sap.

2009-2010

During the first crop, there were again heavy rains. And during the second crop, the

weather was uncommonly dry. “There wasn’t even the usual morning dew (to irrigate the fields),” said a farmer in the south. The result: the output was even less than the previous year.

Much of this has been blamed on El Nino, a change in the weather which happens when the usually cool ocean current in the Pacific is replaced by a warm current.

The 2010-11 season however saw El Nino being replaced by La Nina, a time of colder weather that comes after El Nino. The effect on the output was felt differently in each part of Shan State:

❑ In the north, there were little or no devastation by either heavy rains or frost. As a result, the output “couldn’t have been better,” according to several sources.

❑ In the south, there were places like Monghsu, where the first crop had a better yield than the second. “It was so cold in December, there was little or no sap in the pods,” said a trader coming to the border. But in most places, especially in Loilem, Laikha, Hsihseng, Hopong and Faikhun (Pekhon), the yield from both crops was satisfactory.

❑ In the east, farmers in places like Mong Kang in



Traditional incision method to allow opium sap to flow out

Mongton township, across from Thailand's Chiangmai, said, "The first crop wasn't good, but the second crop was better." But many agreed it was a good year on the whole.

Even Laota Saenli, 74, a known druglord who spent a few years in Thai prison on drug charges, couldn't help remarking to the Bangkok

Post in January 2011 that the output was better than last year "when there was too much rain. The climate this year has been really obliging."

The overall result was that this year's harvest was twice as good as last year's.

One new innovation unheard of before is the collection of opium sap not

only from the pods, but also from the stem. This practice has started in central Shan State, where the north and south meet. "It isn't quite as juicy as from the pod, but the farmers are happy, because they are getting more," reported one of our researchers.

One to three crops per year

In a few mountainous regions in Shan State, like near Homong, opposite Thailand's Mae Hong Son, the word "poppy season" is a misnomer, because farmers grow 3 crops a year: one during the rainy season; the other toward the end of the

rainy season, and the last during the time when farmers can rely on mountain dew for irrigation.

In the south and east, more farmers prefer 2 crops: the first during the rainy season, and the second toward the

end of the rainy season.

In the north, most of the poppy farmers prefer only one crop, that is, the one toward the end of the rainy season, commonly regarded as the main season.

"The rich want the drugs and the poor traffic them."

Laota Saenlee,
former Kuomintang officer,
Bangkok Post, 30 January 2011



Poppy fields return to the north

Shan State North almost became poppy-free in 2002, when the ruling military junta initiated a rapprochement policy with the United States and a vigorous anti-narcotics campaign was launched. The rapprochement did not work out, but the Kokang (in 2003) and the Wa (in 2005), apparently due to Chinese pressure, launched their own drug eradication campaigns, thereby bringing opium cultivation in the north almost to a stop. This was except for a few selective areas like Namkham, Mantong, Kutkhai and Tangyan where the regime's favorite militia groups remained supreme: Panhsay, the Kachin Defense Army, Manpang and Mongha.

The result was a balloon effect in the south and east of Shan State. By 2007, according to Khun Hseng, Khun Sa's uncle who used to handle his business dealings, production levels in Shan State were back to what they had been prior to the Kokang and Wa bans.

Today, as poppies in the south and east continue to flourish, they have also returned to the north with a vengeance, especially in Burma Army-run People's Militia ar-

reas and most particularly in areas that have elected militia leaders known for their heavy involvement in the drug business.

"Vote for us and you'll be free to grow poppies," was one of the campaign promises given by candidates of the military proxy Union Solidarity and Development Party (USDP), popularly known as the "Lion party" for its logo.



The USDP logo

One of the townships that had long been poppy free, but is now growing poppies again, is Kunggyan, one of the two townships in the now

Kokang Self-Administered Zone. "Evidently, the output is still small and not enough for the refineries there," said a researcher. "Because the price in Kunggyan is K1.1-1.2 million (USD 1,800-1,390) per viss of opium - much higher than other townships in the north." (Note: one viss = approx 1.63 kg)

The buyer is said to be Luo Guangzhong, assistant to Liu Guoxi, now elected in Burma's new government as a National Assembly (Amyotha-Hluttaw) member for Kokang.

Another indicator that more poppies are being grown and the output high is the price of opium in northern Shan State. "In the past, following the 2002 crackdown, prices had gone up to 1 million kyat (USD 1,160) and over per viss, but now it is only K600,000 (USD 690)", a researcher said by the end of February 2011.

On 27 March, 2010, militia leaders who were attending the 63rd anniversary of Burma's Armed Forces Day ceremony in Tachilek were reportedly told by the Tachilek area commander Col Khin Maung Soe on the sidelines: "This is your great opportunity. You would do well not to let it slip by. My only advice is to sell as much drugs as you can across the border (i.e. in Thailand) but not on this side of the border."

How to deal in drugs without fear

In Mantong, now a township in the Palaung Self-Administrative Zone in northern Shan State, since the military-drawn constitution became operative in March 2011, the Namtu-based Burma Army Infantry Battalion 130 was busy collecting opium taxes in January 2011. "Farmers like us who could pay went free," said one. "But those who could not were arrested."

Another Burma Army unit, Namtu-based Light Infantry Battalion 324, had demanded 3 million Kyat (USD 3,480). "It got K1.5 million (USD 1,740) and left happily, but warned it would return after harvest in March," said a local to SDW.

During January, Col Khaing Zaw, Commander of the Tangyan area, assigned one of his units to destroy poppy fields in Nammuhsay tract. While the unit was on its way, Lao Terng, liaison officer to Manpang People's Militia, led by Bo Mon, arrived with K3 million (USD 3,480). The result was that the poppy destruction unit was re-directed to Nawng Pha and Wiang Mai village tracts, where it simply slashed down a few acres of harvested poppy

fields, after receiving a certain amount of "tax" from the villagers.

Down south, in traditional poppy-growing areas on the Pangpi-Kungmao mountain range in Mongpan-Langkherh townships, the harvest was much better, yielding over 1,000 viss (1.6 tons) to last year's 600 viss (960 kg). Burma Army Infantry Battalion 294 was given K3.4 million (US\$4,000). "Not one field was destroyed here," a village headman boasted.

These are random examples of how the poppy farmers and the Army, which has been forced to pursue a self-reliance policy, are undergoing a mutually dependent existence.

If this is what is happening on the ground, it is only a little different "upstairs":

On 23 March 2011, the Irrawaddy reported sales of government properties in Rangoon with no questions asked about where the money had come from. According to the report, several businesspeople and officials described the transactions as "money laundering."

An esteemed lawyer in northern Shan State told SDW in January 2011, that he had not had a drug case to handle for a few years now, as the authorities were handling these cases "in their own way."

On 8 January 2011, two drug peddlers, one a woman, were detained by Namkham's Manhio sub-township police at Nawng Ma casino. They were released after they paid Y26,800 (\$3,350). Indeed, one drug addict told SDW, "**We (addicts) are not afraid of the police, only of the wind (that might blow away the fire used to light our smoke).**"

Further back in 2008, the townspeople of Kehsi, Shan State south, lodged a complaint to the township police chief about shops selling drugs to their children. He handed out K 30,000 to the chief complainant, saying: "Use this to buy yaba and action will be taken against the seller at once." By no coincidence, the townspeople were unable to find any shop selling yaba that day and the money had to be returned to the police chief. The next day, everything returned to "business as usual".

Naw Kham: Who is he serving?



Naw Kham

Once an obscure supply officer in the Mong Tai Army (MTA) of the late Khun Sa, he shot to notoriety on 25 February 2008, when gunmen believed to be under his control shot up a Chinese patrol boat on the Mekong, wounding three Chinese officers.



Zhao Wei

Since then ships entering and departing from the Golden Triangle, where Burma, Laos and Thailand meet, have never felt safe.

□ On 4 April 2011, 13 Chinese working at the Kings Romans casino at Tonpheung in Laos, opposite Thailand's Chiang Saen, were kidnapped in a daylight raid. They were released after the casino owner Zhao Wei reportedly paid 25 million baht (US\$ 833,000).

□ A month later, on 17 May, another Chinese cargo ship Hong Xing was fired on by gunmen in two speedboats, presumably for not stopping and paying protection money, prompting China to lodge a complaint with the Joint Committee on Coordination of Commercial Navigation (JCCCN).

Protection fees must be paid to Naw Kham on all contraband, including illicit drugs, going to Laos from Burma across the Golden Triangle, or else goods risk confiscation. Even paying protection money is sometimes not a foolproof guarantee that one's goods will not be seized, as can be testified by several drug traders.

Naw Kham is wanted by Chinese, Thai and Laotian authorities. He is also wanted by the Shan State Army (SSA) and the United Wa State Army (UWSA). But nobody has been able to catch him so far.

Not even the Burma Army, which had no trouble chasing out the SSA and the UWSA from the area, has managed to arrest Naw Kham. It has reportedly launched at least three campaigns against the fugitive, whose strength is nothing compared to the Shan and Wa armies, all coming to naught.

Many businesspeople claim Naw Kham has an inside track with the Kengtung-based Triangle Region Command, paying up to 8 million baht (USD 266,000) a month. Naw Kham himself is said to be close to General Ko Ko, current Home Minister and formerly a commander of the Tachilek area, where he knew Naw Kham as a Burma Army-run local militia leader.

A recent Thai news report by ASTV Manager Online on 12 June 2011 also speculated that Naw Kham must have links to state personnel in

The Golden Triangle today : Where Naw Kham reigns



Burma. They wondered why state personnel just “watch and do nothing” while “Golden Triangle Godfather Naw Kham and his gang” order cargo ships on the Mekong to lift tarpaulin covers of cargo so they can see what they are carrying. Non-compliance is met with swift reprisals: either shooting or boarding the ship.

Others also point out that most of the village heads on both sides of the Mekong are on his payroll. His targeting of the Kings Romans casino and its boats plying the waters of the Mekong has also won support among local Lao people, who were forcibly relocated from their lands to

make way for the casino and its surrounding business complex.

Naw Kham himself has been often quoted saying that he keeps only 30% of his earnings for himself. The rest goes to pay his men, local networks, and the Burma Army.

One thing is clear: Naypyitaw is out to close Hsop Lwe, the outlet of the Wa and their ally Mongla to the Mekong. It is also pursuing a relentless policy of cutting down the two's revenues. The two are known to be business partners with Kings Romans casino owner Zhao Wei, who has been operating a casino

in Mongla for more than 10 years. Naw Kham's squeezing of Zhao Wei thus hurts both the Wa and Mongla.

Evidence that control of the Golden Triangle is high on Naypyidaw's agenda is that junta chief Than Shwe flew to the Laotian capital Vientiane in October 2010, ostensibly to conclude a pact to jointly cooperate against human and drug trafficking on the Mekong.

While available facts may not be conclusive, they point to an obvious question: Is Naw Kham working for Naypyitaw?

Killing on the Mekong

Weeks after 11 crewmen and 2 women were found shot and knifed to death on two cargo ships on 5 October 2011 at the Golden Triangle near Thailand's Chiang Saen, both officials and locals have been wondering who did it and why. One of the mysteries is that though the killers had taken their time to butcher their victims, first blindfolding and handcuffing them, they didn't have time to carry off the 920,000 speed pills which were left behind on the boats.

Obviously, almost all fingers have pointed to Naw Kham, who for four years has been the area's undisputed godfather, collecting protection money from both legal and illegal trade in that part of the Mekong.

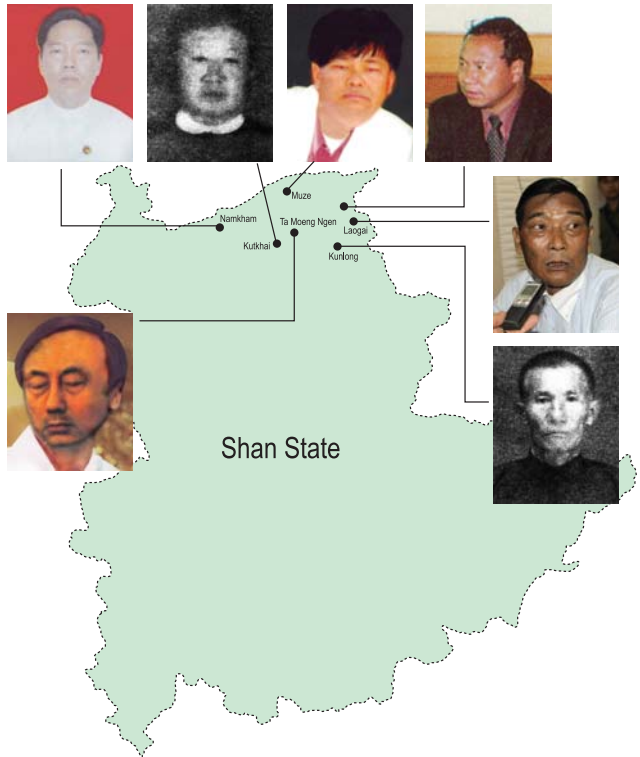
Conflicting reports, meanwhile, have also implicated Thai and Burmese authorities. “Maybe Naw Kham wasn't the one who was responsible for the killings”, said an informed Thai businessman in Chiang Saen. “But he's saying nothing, except that it wasn't him who did it. Because if he's captured, he may not be able to escape from other charges, which are equally serious if not more so.”

Druglords in Parliament

During the November elections, the following candidates, all from the proxy Union Solidarity and Development Party (USDP), popularly known as the lion party, were elected to the three assemblies:

National Assembly, 1
 People's Assembly, 2
 State Assembly, 4

As put succinctly by a businessman in northern Shan State during the election: "The Army gets (drug) taxes (and) The Lion gets votes".



Liu Guoxi

Liu Guoxi

Approximate age : 75

Assembly : National Assembly

Party : Union Solidarity and Development Party

Constituency : 11 (Kokang)

According to Bertil Lintner, expert on Burma and Burmese drug issues, Liu had been the key operator in the Kokang drug enterprise. His refinery is said to be in Kunggyan township.



Olive Yang aka Yang Jinxui

One redeeming fact about Liu is that he has been looking after Olive Yang aka Yang Jinxui, 84, the first druglord on rather the druglady of Burma, after she was abandoned by her "wife", former movie star Wa Wa Win Shwe.



Ho Xiaochang

Ho Xiaochang

Other name(s) : U Haw, Haw Laosang

Race/religion : Kokang/Buddhist

Age : 67

Place of Birth : Yinsing village, Laogai township

Present Occupation : Agriculture / Animal husbandry

Parents : Ho Xiaotaw, Chaw May

Marital status : Married to Xiao Zay, with 4 sons

Permanent address : Hokho (Tada Oo) village, Kunlong

Party : Union Solidarity and Development Party

Constituency : People's Assembly, Kunlong township

Other details : Had served as Deputy Commander of Kunlong Special Combat Police Force, now retired

In our 2003 report *Show Business*, we had reported how Haw Laosang had liaised directly with General Than Shwe to free one of his subordinates jailed for killing a Burmese officer in Tachilek (see extract below).

A small Kokang drug boss - A lesson in impunity

Mi Hsiao-ang, not yet 40, is an officer in the Special Combat Police Force of Kunlong led by Haw Laosang... (formerly) stationed at Hawngleuk, Tachilek Township.

Early in 2002, he shot dead a Burmese lieutenant from the Border Disciplinary Company in Tachilek for attempting to search his car. A few days later he surrendered himself and went to jail for 4 months plus 3 days. (...)

His freedom was gained after Haw Laosang together with Peng Jiasheng obtained audiences with SPDC Chairman Senior General Than Shwe and SPDC Secretary-1 and Head of Military Intelligence General Khin Nyunt.

He is now back in Kunlong and pursuing his businesses "as usual", according to an inside source. (*Show Business*, 2003, page 52)



T. Hkun Myat

T. Hkun Myat

Other name : Jeffrey

Race/Religion : Kachin/Christian

Age : 60

Place of Birth : Quarter #4, Kutkhai

Education : BA (Law) L.L.B

Occupation : Director, Office of Attorney General (Retired)

Marital status : Married, 3 children

Party : Union Solidarity and Development Party

Constituency : People's Assembly, Kutkhai township

Said to be a very approachable and likeable person. "Hard to believe he's involved in drugs, if we didn't know his subordinates," reported a researcher. One of them is Aesop, a Shan Muslim, who operates a refinery in the nearby township of Namtu. The group is also involved in protection and transportation of drug shipments passing through the area.

From 1990-2010, he was director at the Attorney General's Office and also served as commander of the Kutkhai local combat police force. He has received several medals and awards from the military government. He is currently chairman of the House Bill Committee.



Kyaw Myint

Kyaw Myint

Name : Kyaw Myint aka Win Maung, Li Yongqiang

Age : 51

Ethnicity : Lisu (Chinese)

Place of Birth : Panghsay village, Namkham township

Education : Grade 10

Occupation : Trader (company owner) leader, Pang-hsay People's Militia

Marital Status : Married with 4 children

Party : Union Solidarity Development Party

Constituency : Shan State Assembly Constituency #2, Namkham township

Other particulars -

1979 : Panhsay Counter Insurgency militia

1981-88 : Chairman, Panghsay tract

1991-today : 1. Chairman, Kholong Lisu Cultural Society 2. Leader, Panhsay People's Militia

1991 : Medal for heroism

1993 : Attended National Convention Chairman, Anti-Drugs Committee

Panhsay Kyaw Myint is close to local SPDC commanders including Lt-Gen Myint Hlaing, currently Agriculture Minister in the new government. He finances poppy cultivators in his area and owns a refinery. His younger brother Kyaw Htwe aka Li Yongpin, also doubles as his chief lieutenant. Kyaw Myint's business fronts include:

- ❑ A cigarette company under a Chinese franchise at Naloi, west of Namkham
- ❑ A licensed pork and beef business supplying Muse and Namkham townships
- ❑ A gas station in Muse's Zawnzaw Quarter
- ❑ Yongyang Casino on the Mao-Shweli River near Muse

In addition, His 300-strong Panhsay militia force and subsidiary units control most of the river crossings on the Mao.

In March 2006, when an informant reportedly told a local SPDC drug enforcement official, "Arrest Kyaw Myint and Kyaw Htwe, and most if not all drug activities in the north will be under control," the official was quoted as replying, "You think we don't know? The fact is that national security says we need them and their services."

Local sources say that his services were indeed invaluable at the start of 2006 during the Burma Army's pursuit and final capture on New Year's Day of Lt-Col Khun Kyaw, an SSA commander who was trying to establish a base on the Sino-Burma border.

On 22 April 2007, his men were caught with 60 viss (96 kg) of opium at Namphaka and were disarmed and detained, but less than two weeks later all were released following a meeting with Maj Gen Aung Than Tut, then Commander of the Lashio-based Northeastern Region Command.

On the election day, 7 November 2010, his rival candidate Sai Zaw La was enjoying a comfortable lead, more than 8,000 votes to his 3,600, despite votes from freshly naturalized people from across the border, double and triple balloting by some voters and K10,000 (US\$ 12.5) gifts to those who voted for him. However, on the next day, Sai Zaw La was told he had been beaten by more than 650 votes, his 9,775 against Kyaw Myint's 10,434.



Entrance to Yongyang Casino owned by Panhsay Kyaw Myint



Keng Mai

Keng Mai

Age : 41

Ethnicity : Kachin

Place of Birth : Mai Phang village, Mong Paw Tract, Muse township

Education : Grade 10

Occupation : Leader, Mong Paw People's Militia

Marital Status : Married with 3 children

Party : Union Solidarity and Development Party

Constituency : State Assembly Constituency #2, Muse township

He was said to have become involved in the drug business when his elder brother Mamon was still working with Mong Hsala, leader of the now defunct Mongkoe Defense Army (MDA).

During the election campaign, he reportedly told the villagers at one rally, "If you vote for me, I'll be elected. But if you don't vote for me, I'll still be elected."



Photo : Reuters

Bai Xuoqian

Bai Xuoqian aka Pei Hsauk Chen

Age : 62

Ethnicity : Kokang

Place of Birth : Liet Sein Htang village, Hong Ai tract, Konggyan township

Education : Grade 9 (Chinese Kokang school)

Occupation : Hotel owner

Marital Status : Married with 2 children

Party : Union Solidarity Development Party

Constituency : Shan State Assembly, Constituency #1, Laogai township

Particulars-

1989 : Deputy to Peng Jiasheng, Special Region #1

2009 : Chairman, Provisional Kokang Leading Committee

Bai used to be a vice chairman of the Myanmar National Democratic Alliance Army (MNDAA), simply known as the Kokang Army, under Peng Jiasheng. Bai had sided with Naypyitaw, when the Border Guard Force (BGF) program was offered

to the ceasefire groups. It was his collaboration with the Burma Army that had brought down Kokang in a mere three days of fighting in August, 2009.

Bai owns a casino in Laogai and reportedly a refinery in

nearby Da Xuatang. It was his rivalry with Peng, especially Peng's eldest son, in the drug trade that had culminated in the breakup of the MNDAA, according to several sources.



Myint Lwin

Myint Lwin aka Wang Guoda

Age : 68

Ethnicity : Chinese

Religion : Buddhist

Place of Birth : Ta Moe Nye (Ta Moeng Ngen) Kutkhai township

Education : Grade 10 (Burmese school) Grade 12 (Chinese school)

Occupation : President, Ta Moe Nye Chantha Trading Co.Ltd

Marital Status : Married with 4 children

Party : Union Solidarity Development Party

Constituency : Shan State Assembly Constituency #2, Kutkhai township

Other particulars -

1962-1988 : Secretary, Ta Moe Nye Security and Administrative Committee; Chairman, Judiciary; Leader, People's Militia Force

1980-1993 : Leader, Field Mule Transport Corps, Light Infantry Division # 88 Kengtung Front

1980- to date : People's Militia Supervisory Committee Chairman

1990 : Leading total eradication of poppy cultivation

Myint Lwin attended the junta-organized National Convention as a national races delegate.

He is a partner to Ma Guo-wen, leader of the Mongha militia group in Mongyai township and Zhou Sang and Li Kai, leaders of the Nayai militia group in Namzang township. Both groups are originally from Khun Sa's defunct Mong Tai Army and are heavily involved in drug production and trade.

Restless neighbors

Throughout the past two years, the role of China, dubbed “the black hole for heroin” by a French expert, has become more prominent:

Thai security reported in 2009 that China was supplying satellite photos to the Burmese authorities of poppy fields in Markmang, one of the most isolated townships in Shan State East. Last year, it was again furnishing more satellite images of poppy fields in Monghsu and Kehsi townships.

Still, the Chinese were unable to pressure the local military and police forces into destroying the fields most of the time, according to locals. “They said they needed to wait for reinforcements and also information from the targeted area, when actually they were waiting for the harvest to be completed before they went into action,” reported a local businessman. “This happened in Kehsi, for instance, especially in the Mongnawng-Wanzing area, where the local powers are the (Burma Army-run) Lahu militia unit and the Burma Army battalion in Wanzing.”

China also pressured the United Wa State Army (UWSA) and National Democratic Alliance Army (NDAA) whose base areas adjoin its Yunnan province to crack down on the drug trade in their capitals, Panghsang (Pang Kham) and Mongla respectively, from August to October 2010. “At Weluwan monastery, there were about 50 trucks seized from the drug dealers,” a source reported during the campaign. “Hundreds were also detained and jailed.”

China’s impatience with Burma’s lukewarm approach to the drug issue became clear when Meng Sutie, director of the Yunnan Public Security Bureau, reported in March 2011 that **“Opiates and synthetic stimulants alike are produced both in areas controlled by the Burmese government in Myanmar’s capital Naypyitaw, as well as in areas administered by breakaway ethnic groups,”** according to gokunming.com.

The United States has also become more explicit in its criticism of Burmese rulers on the drug front, although most of Washington’s drug

policy on Burma in the past used to be based more on the regime’s human rights and democratic reforms than its performance against drugs.

As for Thailand, it has made a number of spectacular seizures during the past year, such as the haul in Phrae on 18 February 2011 of 95kg of heroin. However, arrest of 75 Iranians with 164kg of “Ice” (crystal methamphetamine), as reported on 31 December 2010, and seizure of a meth lab in Bangkok on 9 May 2011 also mean that producers in Burma are facing serious competition.

Despite apparent success, Col Peeranate Kettem, Chief of Staff of the Pha Mueng Force, that oversees security along the borders of Chiangmai and Chiangrai provinces, estimated that less than 30% of the drugs smuggled into the kingdom was intercepted, reported IRIN News on 11 April 2011.

One of the officers explained to SDW on condition of anonymity:

To page 26

Loan wolves

There are two kinds of opium farmers who borrow funds:

- ❑ Those who don't have capital to start and maintain a field
- ❑ Those who want to expand but don't have enough capital

Most of them have to repay in kind and not in cash. However, some are allowed to repay in cash in accordance with current prices. In Shan State North and Shan State South, there are reports of farmers being forced to sell

at reduced prices. But in Shan State East no reports of farmers being forced to sell at reduced prices have been received so far, probably due to high demand and proximity to foreign investors.

Even if prices are not forcibly reduced, many farmers are forbidden from selling their crop to outsiders, and must sell only to the local militia or the financier.

Apart from repayment of the initial loan, farmers must still split their remaining opium

with the creditor, either 50:50 or financier 75: farmer 25, with the financier responsible for tax to the local authorities.

Latest reports also indicate that at least in some areas more and more farmers are becoming wage earners (daily or monthly) rather than working on their own fields. With the *pawliangs* (financiers) in Kutkhai-Hsenwi areas under militia leader Mahtu Naw, paying 4,000 kyat (\$5) per day with 3 meals, the pay is not bad at all.

From page 25

- ❑ The Thai government's anti-drug campaign is waged mainly in cities where the majority of the voters are, and not on the sparsely populated border
- ❑ More troops from the north are being deployed in the volatile deep south

❑ In any case, the Army's border security budget has been cut for almost a decade

❑ One reason for this is Bangkok is not anxious to look for trouble with Naypyitaw, with which it had already experienced military confrontations in 2001-2002 when Thai forces ran into drug caravans escorted by Burma

Army troops and their militias.

Meanwhile, Kaladan and Narinjara News, based on the western Burma border, and Norway-based Democratic Voice of Burma have reported that Bangladesh has become another major gateway for drug shipments from Burma.

"Many new faces have popped up in the drug trade. Around 100 individuals are being monitored."

Pornthep Eampraphai, *Director, Office of Narcotics Control Board, Northern Region, Bangkok Post, 30 January 2011*

Crop substitution for whom?

Crop substitution projects are being implemented on a far larger scale in ceasefire areas than in Burma Army controlled areas.

In the Wa territory, close to the Sino-Burma border, tea, mango, orange, plum, coffee and especially rubber plantations are being grown extensively. It is the same along the Thai-Burma border, where longans and other cash crops formerly grown were cut down in 2001 to make way for the rubber plantations. Almost all are financed by Chinese companies, with the arrangement that at harvest time the companies will get 40% and the planters 60% of the profits. "May there be no war," one Wa officer told SDW. "And we'll be in the money in a few years' time."

Most of these plantations belong to four categories of people, in descending order: leaders, departments/ units, village communities and individual villagers.

Outside Wa territory, there are also alternative crop projects run by the Wa's Hong Pang Company.

For Hseng Keow, Hsipaw township, formerly the Shan State Army (SSA) North

base, there are rubber, mango, pineapple and sugarcane plantations. (This group minus the 1st Brigade became a Burma Army militia in April 2010)

Tellingly, in militia-Burma Army controlled areas, most of the "crop substitution" project sites are where there is no opium cultivation. For example, 2 miles north of Mongyai, there is a billboard saying, "U Ai Phone's Opium Substitution Crop project site." There had been no poppy cultivation in this location before.

Generally speaking, the militia groups mostly plant rubber (long term) and corn (short term), while private firms emphasize planting of lychees, dragon fruit, pineapple, Japanese sesame, peanuts and bee-orange, which have quicker returns.

For example, Hong Pang Company has planted orchards of dragon fruit (known in Thailand as "Kaew Mangkorn"), orange, lime, pineapple and corn in Ze-en, Nanang, Kangmong, and Kunghsa near Lashio.

An exception is Asia World Company, owned by former king of opium Lo Hsing Han, which has more rubber fields

in Mongyang, Pang Htolin, Manpiang and Mankard, in Tangyan and Mongyai townships, under its supervision.

The same goes for Than Win aka Chen Shan of Tangyan, a known drug entrepreneur, who has a 1,000 acre rubber plantation in Kholek-Nampeuk, south of Tangyan.

For most villagers, there are few benefits from such projects. Their lands are seized for free and sold back to private firms and wealthy businessmen, forcing them to move out and/or hire themselves out as wage labour. In townships like Namkham and Namhsan, which for centuries relied on tea plantations, the tea prices have fallen, and there are no agencies, either private or junta-sponsored, helping them out.



Lo Hsing Han, Asia World owner

Rising drug use

Our researchers give slightly different answers about which kind of drugs are the most used.

Shan State North

- #1. Yaba and/or ice
- #2. Khakhu
- #3. Heroin

Shan State South

- #1. Yaba
- #2. Opium and/or khakhu
- #3. Heroin

Shan State East

- #1. Yaba and/or ice
- #2. Heroin
- #3. Opium and/or khakhu

But one thing is the same: **yaba is the most used drug.** (This is markedly different from reports by the Kachin News Group that say

Kachin State is undergoing a heroin epidemic.)

One reason for heroin being #3 in the north and south is that it is more of an export commodity and as such is difficult to find in a roadside shop like yaba. The other reason is that people do not like the after effects of feeling “sleepy and lazy,” and its compulsively addictive properties.

Drug users are mostly found in the money-making industries, such as in logging, gold and gem worksites, and along smuggling routes of contraband goods and timber.

More and more drug users are also found among junta

personnel such as soldiers, police and narcotics police. During Shan festivals soldiers and police on security duty are often seen asking for yaba to keep themselves awake all night.

The age group that mostly uses drugs is 20-40. But it is also not unusual to find a nine-year-old using drugs. Among students, it is during examinations they are most found taking yaba, because they need to stay awake to go over their lessons.

The price for yaba is mostly 1,500 to 3,000 kyat (USD 1.7 to 3.4) per tablet, depending on the brand and also the availability. However, in Lashio, the retail price for low quality yaba is K 2,500 (USD 2.9), and high-quality K 3,500 (USD 4), while for wholesale, the former is between K 800-1,500 (USD 0.9-1.7), and high quality is K 1,500 (USD 1.7).

In Tachilek, close to the Thai border, the prices are roughly as follows: 100 baht (USD 3.3) per pill, 200 baht (USD 6.6) for 3 pills and 500 baht (USD 16.6) for 7 pills, says a student.



Yaba

How drugs are taken

Opium

Most elderly people smoke it through a water pipe. As for others, there are those who just swallow it or smoke it after inserting it in a cigarette.

It is also used for medicinal purposes. People believe swallowing it can cure/ease dysentery, and smoking it can cure/ease coughing.

Khakhu

Khakhu is cooked opium mixed with minced dried banana leaves or Phak Nawk creeper leaves, which is wrapped up in foil. It is smoked through a water pipe. Phak Nawk, known as Bua Bok (land lotus) by Thais, is dried, pressed and sold by a Chinese businessman in Shan State South, at K30,000-35,000 per viss (USD 34-40).

Yaba or Ice

It is, like Khakhu, wrapped up in foil, which is pierced before being put on the mouth of the pipe, and smoked.

Heroin

It is more commonly smoked and less commonly injected, because of the danger of HIV/AIDS and overdosing.

It is put on foil with a coin as an additional pad, lighted and smoked through the nostrils. Less commonly, it is dissolved in water and injected, because one gets high quicker and the effect lasts longer.

One can also use substances together, such as yaba mixed with heroin and smoked together through a water pipe or cigarette.

There are some users who say that if one wants to sleep after using yaba, one must smoke heroin to make one sleepy. Others use Phensedyl or China-made Totusou. Or else a spoonful of salt dissolved in a half or full glass of water can help one sleep, says one user.

ATS

“Yaba is for lo-so, Ice for hi-so”, has become a common saying during the past few years. Lo-so and hi-so are Thai slang terms meaning “low-society” and “high-society.”

Around Lashio, high quality ice costs K 25 million (USD 29,000) per kg and low quality ice around K 17-18 million (USD 19,700-20,900). Down

south in Shan State East, in January 2011 the cost was B 250,000-560,000 (USD 8,300-18,600).

Ice (pure ephedrine) started being used 3-5 years ago. Apart from being smoking, it can also be dissolved in juice and drunk (it dissolves even quicker than sugar). The belief is that if a woman who has just given birth smokes it, she will mend quickly. Other fringe benefits include: the scent doesn't travel far and the user does not go as berserk as those using yaba.

In Tachilek, opposite Maesai, almost all casinos and gambling dens have facilities for the customers. At the nine-storey Mae Khao casino, one short smoke costs B 1,500-2,000 (USD 50-66).

How to consume yaba

It can either be swallowed in pill-form or in powder-form. Some believe it can counter the effect of a stroke attack.

It can also be dissolved in “energy drinks” such as M-100 and Red Bull and drunk. As for smoking it, besides being heated and smoked through water (as described in Hand in Glove, 2007), it

can be put on foil, lighted and inhaled directly. One user spoke of using a rolled 20 baht banknote to inhale it.

How to make yaba

The ingredients include:

- “Ma Huangsu” (natural ephedrine) or Ice (or even pseudo ephedrine which is a component of cold tablet brands such as Sulidine)
- Caffeine
- Dye
- Scent (India's Monkey brand is quite common)
- Glue

Precursors can be imported from China's Ruili, Wanding, Nansan and Mengding oppo-

site Shan State North; India's Moreh through Tamu; and from Thailand's Maehongson, Chiangmai and Chiangrai. As for mechanical appliances, they can be ordered and made inside Burma, the reporters assured SDW. (Raw materials from India, are favored by the chemist more than those coming from China these days, wrote one report).

From 1 kg of ephedrine, 30,000 (high quality) to 50,000 (low quality) ya ba pills can be made, using different rate of capital:

Shan State North

- ◆ Y 70,000-80,000 (USD 81-93) for low-quality pills

- ◆ Y 85,000-90,000 (USD 98-104) for medium quality
- ◆ Y 100,000 (USD 116) for high-quality pills (which can be dissolved in water and injected, mostly for export)

Shan State South

- ◆ K 5-10 million (USD 5,800-11,600) for low-quality pills
- ◆ K 100 million (USD 116,000) for high-quality

Shan State East

- ◆ B 1 million (USD 33,000) for 35,000 pills of high-quality (using the formula Ice 1 kg: Caffeine 4 kg)

Popular brands include: Y1, Y2, Tiger, Pink R, Green R, 38 and Dimple

Some chemists working with the militias in the east appear to be facing problems extracting pseudo-ephedrine from the cold relief tablets purchased from Thailand, according to users. “Instead of becoming wakeful after taking them, users say they become sleepy,” a businessman coming to Maesai told SDW recently (in June 2011).

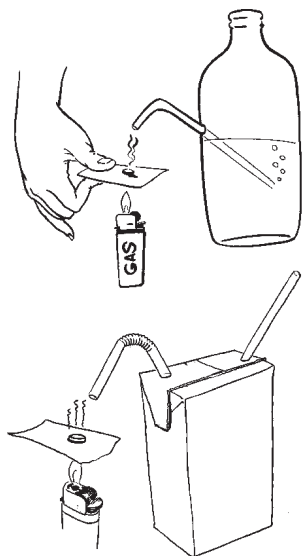


Illustration from *Hand in Glove*, published by SHAN, 2007.

Taking action against offenders

The Wa appear to be the most draconian in dealing with drug cases. Users are imprisoned, though not executed as rumored by some. Several growers were executed to serve as examples and more than ten were jailed after the 2005 zero production announcement. Over 100 growers fled across the Salween or to the nearby Markmang township, where poppy cultivation is tolerated by the Burma Army.

During 2010, due to Chinese pressure hundreds were arrested both in Wa and Mongla and locked up in crowded jails. "Believe me, you wouldn't like it there at all," said an official source who declined to elaborate.

The Shan State Army (SSA) North's treatment of drug convicts appear to be better, with prisoners enjoying more space.

As for jails under the military government, one in Lashio according to Shan Drug Watch, October 2010, is quite severe. However, according to another researcher, it is not so bad, compared to other jails. The area is 2,500ft x 1,800ft for about 1,500 inmates, two-thirds of whom are drug cases.

Visiting inmates there costs K 2,500. If you want to talk for an hour, you pay another K 2,500.

In Shan State East, those sentenced to less than 10 years are kept at local prisons, while those with heavier sentences are sent to Kengtung.

All in all, wrote one researcher, 60% of all those serving their terms have been involved in drugs, of whom 70% are "small fish" sellers. Very few are big fish.

The following are the standard jail terms for drug offences in Shan State North:

Growing poppies : 10-20 years

Using drugs : 7-12 years

Having drugs in possession : 5-12 years

Selling drugs : 15-40 years

However, no one is jailed for growing poppies these days, wrote a researcher. All they have to do is to pay tax to the local militias, most of whom are working closely with the local military.

As for having drugs in possession, well-known drug dealer Panhsay Kyaw Htwe himself was arrested in 2007, but was released after "negotiations" with his brother Kyaw Myint, who is now an "elected" lawmaker and currently head of the drug suppression committee in Namkham township.

Drugs are also being sold to users in paddy fields in Namkham, as reported by both SDW and the Palaung Women's Organization. The vendors pay K 10,000 per day or more to the police.

"For a state to maintain stability and extend control, it must resort to buying loyalty (with money, economic opportunities or political concessions), with the most durable basis for stability being a complete 'buy-in' of potential opposition."

A. De Waal, 'Mission with end? Peacekeeping in the African political marketplace', *International Affairs*

“(The Burmese military regime) seems likely to continue its Janus-faced approach, portraying itself to the west as committed to tackling drugs whilst at the same time continuing to use the drug trade as an arena through which to construct and consolidate state power.”

Patrick Meehan (forthcoming), Drugs, insurgency and state building in Burma: Why the drug trade is central to Burma’s changing political order, Journal of South east Asian Studies, 2011



June 2007



June 2009



October 2010

Previous SHAN publications on the drug trade in Shan State
available at www.shanland.org