A FAILING GRADE

BURMA'S DRUG ERADICATION EFFORTS

ALTSEAN
BURMA

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Front cover photograph of CCDAC officials, Kokang authorities, and Western diplomats destroying drugs in the Kokang Region, Shan State Special Region 1 in 2000.

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Executive Summary

Burma remains the world's largest producer of illegal narcotics after Afghanistan. The ruling military regime has long been suspected of some form of collusion in the drug trade, either through direct participation or disinclination to curb the activities of major drug producing syndicates. The Burmese military, the *Tatmadaw*, have a long and deep involvement with major narcotics producing and trafficking syndicates, which they utilize for national security, corporate rent seeking, and personal profit. This report finds little evidence that the current military government, the State Peace and Development Council (SPDC), is serious about curbing the production and export of narcotics from Burma. While there has been a decrease in the production of opium-based narcotics, this has been offset by a dramatic rise in the production of amphetamine type stimulants (ATS). These have caused considerable social problems in neighboring Thailand; have begun appearing in other Southeast Asian markets and Australia, and in increasing shipments to the United States. Burma has also been designated a country of primary money laundering concern and all of its financial institutions have been cut off from the United States system due to deep involvement in drug profits.

In the past five years, changes to the drug trade in Burma have increasingly affected regional countries that have experienced greater drug consumption, adverse health effects and social disorder. Large-scale exports of processed heroin to North American markets have been redirected, so that now nearly 80 percent of Burmese manufactured opiates are directed at and through Southern China, causing an increase in crime and the spread of HIV-AIDS. Production shifts have also been felt in Northeast India and Laos, and poppy cultivation has increased in smaller areas in Southern Shan State, Northern Karreni, and Kachin and Chin States.

Government eradication efforts in the past five years have produced great suffering in opium producing communities; most of them located in the Shan State. SPDC drug eradication projects emphasize the achievement of 'drug free' deadlines for communities and townships. Eradication projects often forcibly relocate communities to lower land but fail to provide them

with alternative livelihoods and new infrastructure. 260,000 households, or an estimated 1.2 million people on the opium zone, are facing starvation and death by treatable disease because of a lack of infrastructure and access to alternative incomes. Opium farmers are also subjected to harsh measures, including extra-judicial killings and unlawful incarceration. Destroyed crops, often the cash mainstay of the local community, are not compensated, leaving already poverty stricken communities to face greater levels of hunger, disease and desperation. These abuses take place in SPDC and United Nations Office of Drugs Crime (UNODC) designated eradication zones. Little is known of the conditions in non-designated areas, although numerous reports claim that drug production continues with the connivance and cooperation of military personnel.

This special report argues that cosmetic programs in Burma to curb the activities of narcotics producers mask a process of systemic collusion that seeks the appearance of stability over serious actions. The report outlines the dynamics of the drug trade in Burma, government and international assistance to eradicate drug production and the extent of collusion between government and military figures with narcotics producers. It argues that there is little likelihood that increased international assistance would be beneficial at this time. The United States government has refused to 'certify' the Government of Burma (GOB) as cooperating in narcotics eradication since 1989. This report finds no compelling evidence to increase assistance unless the SPDC takes serious steps to curtail the activities of the major drug producing groups, seeks to limit military involvement in the drug trade, and pursues a rounded drug eradication program with a firm commitment to human rights and genuine international oversight. The SPDC's well-publicized efforts to eradicate drugs in the past five years has become another showcase of oppression, particularly against poor farmers in the Shan State. It is time to rethink strategies for narcotics eradication in Burma, but this should not mean sequestering the drug trade from the wider dynamics of military rule in Burma.

Acronyms

ACCORD:	ASEAN and China Cooperative Operations in Response to Dangerous Drugs
AD:	Alternative Development
ADB:	Asian Development Bank
AFP:	Australian Federal Police
AHRN:	Asian Harm Reduction Network
AMLO:	Anti-Money Laundering Office (Thailand)
ANTF:	Anti-Narcotics Task Forces
ASEAN:	Association of Southeast Asian Nations
ATS:	Amphetamine Type Stimulants
AusAID:	Australian Agency for International Development
AWB:	Asia Wealth Bank
BADP:	Border Areas Development Program
BCC:	Border Cooperation Committee
BIC:	Bank Information Center
BIMSTEC:	Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation
BLO:	Border Liason Office
BPF:	Burma Police Force
BPP:	Border Patrol Police (Thailand)
BSPP:	Burma Socialist Program Party
CCDAC:	Burma Central Committee for Drug Abuse Control
CGE:	Central Government Expenditure
CIA:	Central Intelligence Agency (United States)
CN:	Counter Narcotics
CND:	Commission on Narcotic Drugs (United Nations)
CNF:	Chin National Front
CPB:	Communist Party of Burma
CPI:	Consumer Price Index
CSI:	Civil Society Initiative
CW:	Chemical Warfare
CUBS:	Chinese Underground Banking System
DAB:	Democratic Alliance of Burma

DDSI:	Directorate of Defense Services Intelligence
DEA:	Drug Enforcement Agency (United States)
DFID:	Department for International Development (UK)
DKBA:	Democratic Karen Buddhist Army
DOD:	Department of Defense
EDP:	Extended Delivery Point
EIU:	Economist Intelligence Unit
ELN:	*Ejército de Liberatión National* (Colombia)
EU:	European Union
FARC:	*Fuerzas Armadas Revolucionarias de Colombia*
FATF:	Financial Action Task Force
FDI:	Foreign Direct Investment
FEER:	Far Eastern Economic Review
FNKSR:	Foreign Narcotics Kingpin Sanctions Regulations
GAO:	General Accounting Office (United States)
GDP:	Gross Domestic Product
GFATM:	Global Fund to Fight Aids, Tuberculosis and Malaria
GMS:	Greater Mekong Subregion
GOA:	Government of Australia
GOB:	Government of Burma
GOJ:	Government of Japan
HONLEA:	Heads of Law Enforcement Agencies of the Asia-Pacific Region
HRDU:	Human Rights Documentation Unit
IB:	Infantry Battalion
ICMP:	Illicit Crop Monitoring Program
IDP:	Internally Displaced Person
IDU:	Intravenous Drug User
ILO:	International Labor Organization
IMF:	International Monetary Fund
INGO:	International Non-Governmental Organization
INTERPOL:	International Criminal Police Organization
JBC:	Joint Boundary Committee
JCBC:	Joint Commission for Bilateral Co-operation
JICA:	Japan International Cooperation Agency
KASH:	Kachin and Shan State Intervention (UNODC project)

KNLA:	Karen National Liberation Army
KNPP:	Karenni National Progressive Party
KNU:	Karen National Union
KOWI:	Kokang and Wa Initiative (UNODC project)
LIB:	Light Infantry Battalion
LID:	Light Infantry Division
LNDO:	Lahu National Development Association
MANA:	Myanmar Anti-Narcotics Association
MAS:	Myanmar Agriculture Services
MI:	Military Intelligence (Burma Army)
MNDAA:	Myanmar National Democratic Alliance Army
MoU:	Memorandum of Understanding
MRTLC:	Myanmar Rice Trading Leading Committee
MTA:	Mong Tai Army
NCO:	Non-commissioned officer
NDAA:	National Democratic Alliance Army (aka Eastern Shan State Army)
NGO:	Non-Governmental Organization
NLD:	National League for Democracy
NLM:	New Light of Myanmar
NMSP:	New Mon State Party
NNCC:	National Narcotics Control Commission of China
NSCN-IM:	National Socialist Council of Nagaland-Isaac Muiviah Faction
NSCN-K:	National Socialist Council of Nagaland-Khaplang Faction
OFAC:	Office of Foreign Assets Control (United States)
ONCB:	Office of Narcotics Control Board (Thailand)
OSS:	Office of Strategic Studies
PRCG:	People's Republic of China Government
RAND:	Research and Development Corporation
RBC:	Regional Border Committee
RTA:	Royal Thai Army
RTG:	Royal Thai Government
SCOPE:	Strategy for Coca and Opium Poppy Elimination
SFNT:	Significant Foreign Narcotics Traffickers
SHAN:	Shan Herald Agency for News
SHRF:	Shan Human Rights Foundation

SLORC: State Law and Order Restoration Council
SPDC: State Peace and Development Council
SPF: Sasakawa Peace Foundation
SSA-S: Shan State Army-South
SSSR: Shan State Special Region (ceasefire zone)
STR: Suspicious Transaction Reports
SURA: Shan United Revolutionary Army
SWAN: Shan Women's Action Network
SWIFT: Society for Worldwide Interbank Financial Telecommunications
TBC: Township Border Committee
ULFA: United Liberation Front of Asom (Assam)
UMEH: Union of Myanmar Economic Holdings
UN: United Nations
UNDCP: United Nations Drug Control Program
UNDP: United Nations Development Program
UNGASS: UN General Assembly Special Session on Drugs
UNODC: United Nations Office on Drugs and Crime
UNODCCP: UN Office for Drug Control and Crime Prevention (renamed UNODC in October 2002)
USAID: United States Agency for International Development
USDA: Union Solidarity and Development Organization
USG: United States Government
WADP: Wa Alternative Development Program
WB: World Bank
WFP: World Food Program
WHO: World Health Organization

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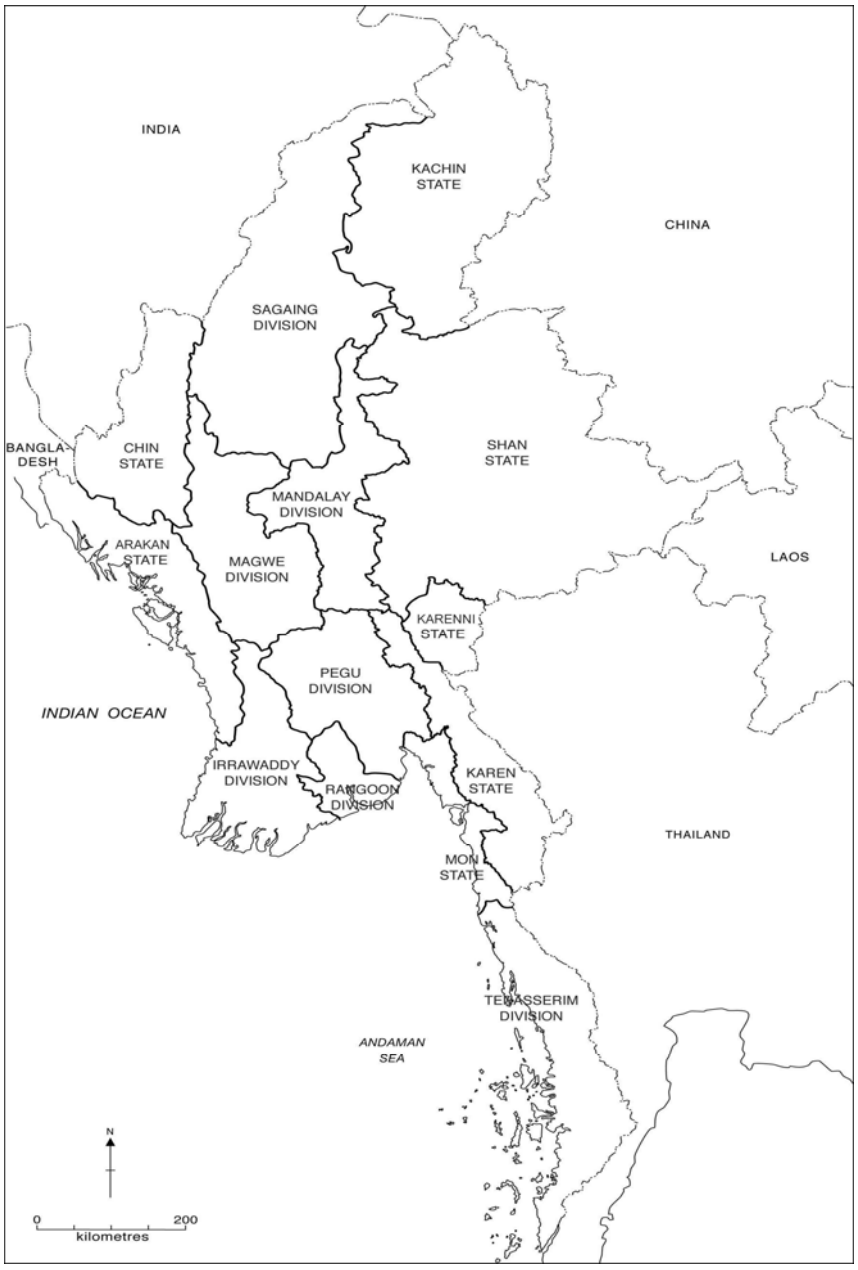
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Map of Shan State

Dedicated to

Chao Tzang Yawnghwe

1939-2004

Introduction

Since the assumption of power of the State Law and Order Restoration Council (SLORC) in September 1988, Burma has experienced a dramatic rise in the production and export of illegal narcotics. Since 1996, opium and heroin production doubled. In the years since there has been a steady decline in opium production and the export of heroin. Far from being the result of government and international efforts, this has been largely the cause of a production and market shift, from opiates to amphetamine type stimulants (ATS). The drug trade in Burma is conducted predominantly by Chinese criminal organizations, protected at every step by ethnic militia armies with links to transnational criminal networks. They are routinely and systematically assisted by members of the Burmese Army (*Tatmadaw*) in a network that has no official approval, but which is so widespread and deep as to be systemic and multi-layered, from the troops on the ground to the generals in Rangoon.

The ruling regime in Burma, the State Peace and Development Council (SPDC), has embarked on a program of drug eradication and public relations to prove to the international community that it is serious about eradicating narcotics production. This is a dubious process, as the SPDC's efforts are insignificant to what they could achieve if they were serious about narcotics interdiction. What the SPDC desires for the drug trade in Burma is an arrangement that satisfies both their ethnic militia allies in the mountains of the country's north, and the international community that it believes will reward them for any major reduction with a resumption of international development assistance. This is a transparent attempt at balancing domestic and international pressure instead of showing determination to end the drug trade.

The pursuit of international aid has been a consistent policy aim of the military regime. The stalemate between those who withhold aid before the SPDC enacts real political and economic reform, and those who direct aid to Burma because of its grave humanitarian crisis, also affects the politics of the drug trade.[1] Some commentators believe that the SPDC should be assisted in narcotics eradication, as does the United Nations Office on Crime and Drugs (UNODC)) and their major contributors to the programs.[2] The

opposite view contends that the military regime is so caught up in the drug business, benefiting both as an organization and on an individual level, that its moves to suppress the trade are not genuine. This side argues that the regime should cease cooperation with the major drug producing groups and demonstrate genuine commitment to address the effects of the trade before the international community should resume aid.[3] There is now a standoff that reflects virtually all debates about the country regarding the nature of aid and international engagement.

This report argues that combating the drug trade would best be achieved through a more open political system that benefits the Burmese people and grants the ethnic groups which live in main drug producing areas more recognition and a greater role in the running of their affairs. The argument that drug policy and politics should be seen as separate issues is not a viable strategy. Drugs and politics have been intertwined in Burma for decades, and drug production has been utilized by the state, anti-government forces, and the private sector to pursue political, economic and social agendas. Only when the SPDC pursues effective programs to limit the activities of major drug producing militias and end the involvement of state actors should international assistance be resumed on a gradual reward based system. To be successful, any sustainable drug policy in Burma must take a long view in conceiving strategies for a process that will likely take decades. The short-term gains that characterize SPDC and United Nations projects should be replaced with long term thinking toward alternative livelihoods for opium growing communities, and participatory development instead of top down projects designed to please Burma's international critics and attract donors.

Structure of the Report

The report begins with an overview of the drug debate in Burma, presenting the central arguments of the dynamics of drug production, international assistance, involvement of state and non-state actors, and whether the drug trade is a social policy issue or a political problem. This section also includes an overview of the main trends of the drug trade, using United Nations and United States Government (USG) figures to explain the decline in opium cultivation, but also the controversy over the use of the figures.

Part I looks at the drug debate in Burma and within the international community over assisting the SPDC in their eradication and development projects. It overviews the attempts by the SPDC to remove the ban on assistance from the US government and convince the international community that the regime is serious about eradication. It argues that despite shortcomings in the US certification procedure, this policy should be maintained to pressure the regime into pursuing more genuine counter-narcotics policies. Part II provides an overview to the dynamics of the drug trade in Burma, including trends in the production and transit of heroin and methamphetamines. The main actors and groups suspected of involvement in the drug trade are listed. Part III looks at the domestic effects of the drug trade on Burma, including the level of military complicity in protecting and profiting from the trade, the extent of money laundering in the financial system, and the spread of HIV/AIDS as a result of drug abuse.

Part IV is concerned with the international effects of the drug trade, including Burmese narcotics producer's links with international organized crime, terrorist networks and rogue states such as North Korea. The direct political, law and order and health effects on Burma's neighbors, China, India, Thailand and Laos are also investigated. Part V presents the SPDC's drug eradication efforts through government departments and its ambitious 15-year eradication scheme. It assesses the role of the military in drug eradication and the deleterious effects on land use in Burma as a result of military rule, civil war and eradication efforts. Part VI looks at the current funding and assistance by the international community, particularly United Nations projects, through the UNODC and the World Food Program (WFP), and key donor states such as the United States, Japan, Australia, China and Thailand.

This report is the result of several field trips to the Shan State of Burma, Thai-Burma border and Northeast India, as well as numerous interviews and consultation with NGOs, non-state actors in Burma and along the border, and a number of government officials in Thailand and India. The report primarily uses open sources; most of them listed in the appendices. It is designed to provide a comprehensive overview of the drug trade in Burma and show why current SPDC efforts are below the benchmark required for sustainable eradication across the country. The drug trade is a complex issue that affects many other sectors of the country. Issues of political and

financial reform, regime corruption, social corruption and health, forced labor and relocations, human rights abuses and the still postponed process of peaceful reform and national reconciliation, are all exacerbated by the drug trade. By investigating the effects of the drug trade on Burmese society in general, it provides a more rounded picture of the current regime's failure in narcotics eradication.

Debating the Dynamics of the Drug Trade

The debate over the drug trade in Burma rests on two polarized arguments. The first is that the drug trade should be de-politicized and eradication efforts should not be subject to sanction by the international community. Eradication efforts are as much concerned with poverty alleviation and development as law and order, and as such should receive greater international assistance. The second position argues that the drug trade in Burma is inexorably linked with politics, ethnicity, the economy and a decades-long civil war. Any efforts to solve narcotics production should be pursued in tandem with a political solution involving major societal stakeholders. The current debate over the drug trade in Burma does need to go beyond these polarized arguments. Yet seeking more 'nuance' should not translate into a vehicle for increased aid. Failed aid projects - more to do with structural inadequacies in the Burmese state and SPDC pressure on implementation agencies than with shortfalls in international funding - are partly to blame for the current humanitarian crisis and more aid, if it is not adequately directed, is not necessarily the answer. This report finds that having a more open and detailed debate about the drug trade should be pursued, but must be designed to instruct greater international narcotics eradication aid when the time to resume that aid is right. However, now is not the right time. The sections below outline the main arguments in this debate.

Drugs and Politics

The major reason the SPDC does not want to politicize the drug debate is that it knows that narcotics production is deeply embedded in notions of ethnicity, territoriality, disenfranchisement, history and greed. Opium has fuelled and prolonged civil conflict in Burma since the 1950s, and Burmese

military regimes have been an actor, not an antagonist, in the trade. The only sustainable way to eradicate narcotics production is the development of border regions and a solution to the civil war, which resolves the autonomous aspirations of all ethnic groups. The current ceasefire structures are temporary solutions, not sustainable ones. The emerging mini-polities in the border regions - many of them supported by drug profits - are seeking greater aid and investment. However, without a multilateral solution to Burma's political future, they will not be sustainable. Effective counter narcotics programs must be seen as primarily a political project.

The United States government recognized this in the late 1980s, when its fifteen-year US$86 million aid program was suspended following the suppression of the 1988 pro-reform uprising. The US General Accounting Office (GAO) argued that any aid program would be limited unless "the Burmese government (1) seeks a political resolution to the ethnic insurgencies, (and) (2) pursues policies that encourage development in the opium growing region."[4] The most astute observer of drugs and conflict in Burma, journalist and author Bertil Lintner, states clearly that "(no) anti-drug policy in Burma has any chance of success unless it is linked to a real political solution to the civil war and a meaningful democratic process in Rangoon."[5] The SPDC needs to begin consultation with ethnic groups at all levels of society in a peaceful and constructive dialogue that seeks possible solutions towards achieving peaceful development. Ceasefire and non-ceasefire groups, local communities and organizations, need to be included in a consultative process that is mutually empowering.[6] Top down eradication methods, which ignore the deep political nature of the drug trade, cannot succeed in the long run.

The April 2004 International Crisis Group (ICG) report, while calling for increased engagement with the SPDC, acknowledged the politicized nature of the drug trade in Burma, seeing it as "a significant obstacle to political and economic liberalization."[7] Another ICG report in September of 2004 called for the international community to increase aid to border areas, including areas under control of ceasefire groups long suspected of involvement in the drug trade.[8] By failing to outline the moral and material hazards involved in development projects in drug producing regions of Burma, international donors and NGOs are seeking to separate aid programs from the wider political impasse in the country.

The late Chao Tzang Yawnghwe, a notable Shan leader and intellectual, argued that poppy replacement programs are not sufficiently cast in a political framework, and that recognizing the deep political nature of drug production in Burma will better assist efforts to end the trade. He said: "Its eradication will require substantial political reform accompanied by socio-economic development measures that will require good governance, transparency, the rule of law, and functional state-society relations."[9] By eschewing 'deadline fever', the SPDC could embark on a realistic, long-term eradication program that would produce more positive results and be a force for peace more than an investment in future conflict and instability.

The Greed versus Poverty Debate

UNODC Burma country representative Jean-Luc Lemahieu claims that "opium is about poverty and *yaa baa* (ATS) is about greed."[10] The cultivation and sale of opium at the 'farmgate' stage is certainly about poverty, but seeing as much of it is eventually transformed into heroin it eventually is about greed. As pithy as Lemahieu's statement is, it distances the facts from the debate. Opium is about necessity, to survive for the peasants who grow it, to make money to buy weapons and build roads for the militias who protect it, and another tool of leverage for the Burmese military to divide and manipulate ethnic aspirations in the hinterland. The fact that many labs processing heroin also manufacture ATS should alert the UNODC to the essentially greed-based nature of most narcotics production, and that UNODC 'partners in development' projects are major ATS producers. The fact that greed is tied to poverty-stricken communities makes the whole drug trade political. Simplistic dichotomies such as this conceal the complexity of the drug trade, and seeing it as a simple developmental project is an approach that the UN and their INGO partners seem willing to take in isolation from the bigger picture.

This statement by Lemahieu also demonstrates the failure of the UNODC Burma office to take action on methamphetamine production, despite the agency ringing alarm bells about the growth of ATS being the world's major drug problem and naming Burma as the region's biggest supplier.[11] Estimates of annual income from the drug trade are contentious and almost impossible to accurately gauge. Jean-Luc Lemahieu claims that

UN figures of gross annual income generated by the drug trade in Burma is approximately US$540 million.[12] The previous year the value was estimated by the US Government as anywhere between US$700 million to $1 billion.[13] In the 2004 opium survey, the UNODC estimates that the 'farmgate' value of opium production in Burma was 74 billion kyat (US$87 million), or roughly one percent of Burma's gross domestic product (GDP).[14] The price of opium has risen dramatically in the past year because of a decline in cultivation, a trend that the UNODC claims "could act as strong incentives for farmers to expand opium production next year."[15]

Growing opium may start with the poverty of the farmers, but the drug trade is conditioned on greed, and the control over territory, people and markets that these profits accrue. The debate also assumes that there are no other actors between the desperate farmer, who must be helped, and the faceless Chinese drug lords, who must be blamed. In Muse on the border with China, there are assumed to be four other categories of players in the drug trade. First, "(f)inanciers who own refineries and whose principal markets are outside the country, secondly, (b)rokers whose job is to locate distributors for each community, third, (r)etailers pushing drugs to addicts, and last, (d)ealers in precursor chemicals."[16] Such a complex trade employs a host of participants, from the thousands of farmers, the middlemen and protection providers, and then the scores of criminals involved in the manufacture, transit and sale of narcotics to global markets.[17]

In an interview in 1995, the former Chairman of the Shan National Congress, Sao Gun Yord, outlined the five operational mechanics of the drug trade in Burma.

1. Opium production is done by the Shan farmers,
2. Buying and selling is done by the traders,
3. Transportation is arranged by ceasefire groups and militias,
4. Safety passes are issued by the Burmese authorities; and,
1. Taxes are imposed and collected by the Resistance.[18]

The 'resistance' are those groups which oppose military rule, but continued resistance by non-ceasefire Karen, Karenni and Shan groups are not funded by proceeds of the drug trade, nor, in the case of the Karen and Karenni, have they ever been funded by narcotics profits. Poverty, politics and local

power are all part of the complexity of the drug trade in Burma, and only when viewed as the interplay of multiple agendas can strategies to end the drug trade be developed.

Are eradication efforts succeeding?

It is clear from the official figures that opium production in Burma has undergone a remarkable downturn. This has been the result of work done by the UNODC, the SPDC's Central Committee for Drug Abuse Control (CCDAC), and ceasefire groups that have undertaken eradication programs and initiated drug free pledges to the government. Yet these efforts are not the only reason for the decline. Claiming that heroin production in the Golden Triangle could be nearing its end is premature. A market shift from opiates to ATS is one reason that eradication has been successful, but a gradual reduction, which manages to please the SPDC, neighboring countries and the ceasefire groups, is being pursued.

As the 2003 opium survey by the UNODC made clear, the 'balloon effect' is happening even inside survey areas, with decreases in some areas and increases in others. In the 2003 survey, with a much-trumpeted 24 percent reduction, little was made of a 21 percent *increase* in the Wa special region.[19] In 2004, the UNODC declared that an 'overall' decline of 29 percent of cultivation was another positive gain, yet the annual survey actually states that there was a major decline only in Northern Shan State. The other three major opium-growing zones experienced limited reduction, static results, or an increase in opium cultivation. Surveys were conducted in Kachin and Chin States and Sagaing Division, but these were limited in scope, resources and produced little concrete evidence. No survey was conducted in Karenni State, despite evidence to suggest that opium cultivation in the Northern part of Karenni was on the increase.

Self-congratulatory pronouncements about complete eradication are premature and pitched more as a funding exercise than a reflection of real trends. Even United Wa State Army (UWSA) officials have stated bluntly in the past that if eradication efforts do not succeed they will return to opium cultivation. A Wa liaison officer, Khin Maung Myint, told foreign journalists at the start of the project, "If these (alternative income) ventures do not succeed financially, we will definitely return to growing opium."[20] In

desperate times many farmers will return to cultivating opium for survival, and the UNODC takes credit for reductions but no responsibility for the human consequences.

There is currently no independent assessment of the eradication project being undertaken in Northern Shan State, the main area of the SPDC's efforts. Routine allegations that Burmese authorities use strong-arm tactics to force farmers to destroy their crops by certain deadlines, plant alternative crops that are unsuitable for local conditions, and that the projects target some areas while ignoring 'protected' zones are worrying trends. Other areas of the Shan State are yet to be targeted, and reports indicate that planting is spreading to areas in the South, and are also being situated in harder to detect locations. According to the *Shan Herald Agency for News* report on the eradication efforts, one farmer was told to "plant on the nape of the neck, not the forehead", by a Burmese army officer. This would convince international observers that targeted areas had been cleared of opium production.[21] The emphasis on the Shan State also obscures positive work being undertaken by some ceasefire groups to reduce drug consumption and opium cultivation, particularly by the Kachin Independence Organization (KIO) in Kachin State and the Shan State Army-South (SSA-S).[22] It also diverts attention from spreading drug production to the Indian border and along the Karen State-Burmese border. A more systematic and independent survey of the SPDC and UNODC projects should be mounted to assess the progress of the regime's efforts before these programs are expanded.

Should the SPDC's efforts be rewarded?

It is clear that elements within the SPDC and state bureaucracy are committed to narcotics eradication. Members of the police force and other sections of the bureaucracy are pursuing policy that is aimed at interdicting the networks of drug production, and many health officials are trying hard to stem the growing tide of drug addiction and HIV infection. Not all elements of the Burmese counter-narcotics system are corrupt, ineffective and insincere. Yet efforts are still below the benchmark good enough to deserve renewing any aid. Frequent seizures of narcotics by joint counter-narcotics taskforces are not matched with serious efforts aimed at curtailing the activities of major drug protection militias. The allocation of regime resources to pursue drug eradication projects is inadequate for a sustainable

program. Communities will continue to suffer the effects of forced eradication unless there is a comprehensive plan written and a project pursued which grants rights and agency to local communities.

The UNODC acknowledges that the SPDC can do better. Jean-Luc Lemahieu stated that to keep getting better at drug eradication the situation "demands added effort from the government."[23] Some perspectives argue that the imposition of economic and political sanctions on the regime erodes the ability to allocate sufficient resources to combating the drug trade and stymies the SPDC's genuine efforts.[24] This argument has some merit, but what it avoids is that sanctions were imposed because of systematic human rights abuses, the suppression of a peaceful pro-democratic movement, and the lack of progress on political and economic reform. Sidestepping this reality would result in drug program funding that does not have any guarantee that human rights abuses would be avoided. This report argues that current SPDC efforts are designed more for public relations than the sum of their capabilities. It is clear that the SPDC can do more, both in real terms and in demonstrating sincerity that gradual, peaceful drug eradication is a positive outcome for rural communities.

The Wa people have been unfairly blamed

It has been argued that demonizing the Wa people is erroneous and counterproductive. This report agrees that the Wa people should not be held completely responsible for the drug trade in Burma, nor should they be subject to simplistic caricatures as a "Speed Tribe."[25] The Wa people have been adversely affected by decades of poppy growing and conflict in Northern Shan State, and were largely neglected by development projects and central government assistance until after the ceasefire of 1989.[26] Tens of thousands of Wa and Lahu people were forcibly displaced from Northern to Southern Shan State between 1999 and 2002. Thousands died from disease, the rigors of the journey and establishing new settlements. Further forced relocations from elevated ground to lower fields have also been conducted in the Wa Special Region to deter opium cultivation. "We had no choice but to move. (S)ince then we have hardly been able to eke out a living and many of us have become ill with malaria."[27]

The Wa people should be viewed independently from their nominal political overlords and given equal treatment during considerations for aid and assistance from the international community. Sustainable development in the Wa areas should be a long-term goal of opium eradication.

However, to divert attention away from an organization that is one of the major actors in the regional drug trade is dangerous. The United Wa State Army (UWSA) has been listed by the USG as Southeast Asia's largest narcotics producing and trafficking organization. The Thai Army routinely apprehends or kills members of the UWSA either on the border or inside Thailand with large amounts of narcotics. To argue that the UWSA is not a major player in the drug trade is a dishonest and shortsighted approach. What should be emphasized is that the UWSA is not the unitary, structured organization that many people presume, and many officials may operate independently in the drug trade. As the Wa 'state' expanded from the Northern Shan State to Southern Shan State along the Thai-Burma border, the opportunities for outlying commands to increase their involvement in drug production presented themselves.[28]

Wei Hsueh-kang, often cited as a key figure in the Golden Triangle drug trade (and an ethnic Chinese, not Wa), is the exemplar of this. The split between the Northern and Southern commands also demonstrates that while the top USWA leadership may be genuinely seeking a reduction of narcotics production, many in the Southern Command are commercially motivated, and drug production is a major source of their income. Pao Yuchang, the UWSA leader, claims never to have met Wei Hsueh-kang, although they did for a time "communicate by telegraphic wire", and claimed that the matter was "between Wei Xiegang (Wei Hsueh-kang) and Thailand. This doesn't have anything to do with the Wa people."[29]

The Wa people, forcibly displaced from their land and ordered to grow opium one year and then not the next, are caught in the middle of a political contest between the UWSA and the SPDC.[30] It is true that too much emphasis on the Wa has concealed the involvement of other actors, amongst them the Kokang group of Phone Kyar Shin, many of the Lahu militia directed by the SPDC, Pa-O, Kachin, Palaung, Shan and other actors in the drug trade including ceasefire groups, the pro-SPDC Karen group the Democratic Karen Buddhist Army (DKBA), and other private merchants.[31] It is certainly the case that the main profit level of the drug trade resides with

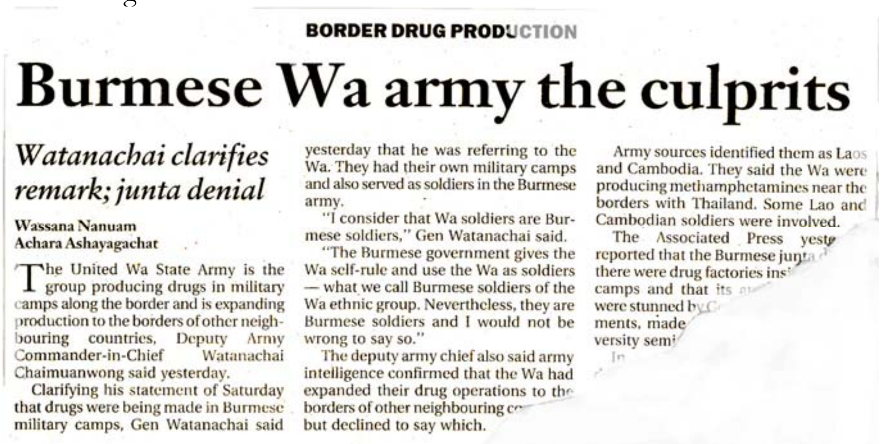
ethnic Chinese organized crime networks that smuggle narcotics from Burma to regional and international markets.[32] Yet the UWSA is the main 'muscle' in the trade. The role of the UWSA leadership in narcotics production has been downplayed to better portray top leaders such as Pao Yuchang as a suitable partner in development projects. Doubts remain as to the sincerity of the UWSA leader to achieve his increasingly unlikely call for a total ban on opium cultivation in the Wa area by 2005.[33]

To blame the trade on a handful of unidentified 'ethnic Chinese merchants' ignores the reality that the drug trade has many actors, not just a handful of drug barons. The well known Wa leader (and hereditary Prince) Maha San of the Wa National Organization (WNO, a non-ceasefire armed group), states clearly that, "if we want to stop opium growing…we need a political settlement in the whole country, not just with the Wa."[34] Widespread Chinese involvement in the drug trade at many levels is due to the organized crime networks that order and distribute narcotics through the region. One of the consequences of closer ties between China and Burma has been unchecked migration of increasing numbers of Chinese into Shan and Kachin State, increasing the density and reach of Chinese diaspora networks in which drug smugglers can evade detection. This migration has been aided by the military regime in order to appease China, their major patron in weapons and diplomatic support.[35]

Burmese army involvement

Since the ceasefires of post-1989, there have been numerous allegations that members of the military regime have been profiting personally from the drug trade, and directing drug profits to state weapons purchases. Proponents of greater engagement with the SPDC and increased counter narcotics aid argue that there is "no smoking gun" for regime involvement.[36] Hard conclusive evidence is unlikely to be produced, but this doesn't change the fact that Burma is one big smoking country. There is no grand conspiracy by the SPDC to assist the drug trade. The SPDC and *Tatmadaw* as institutions are unlikely to control production, distribution and smuggling of opiates and ATS throughout the country, but they have a symbiotic relationship with the major producers. What these key institutions do is maintain a political and economic system that makes the production of narcotics easier. For the sake

of national stability they do not adequately confront large narcotics producing militias or adequately curb their activities. The leaders of major narcotics producing groups are regularly feted as 'leaders of national races' and their past or present activities played down by the regime. Retired drug lords are permitted to do business and live freely in the country, without fear of arrest or extradition. Members of the SPDC maintain personal business links with drug producers and enrich themselves personally through investments in real estate, manufacturing, transport, and tourism projects. Army units regulate drug activities in their area of operations for localized fund raising.



BORDER DRUG PRODUCTION

Burmese Wa army the culprits

Watanachai clarifies remark; junta denial

Wassana Nanuam
Achara Ashayagachat

The United Wa State Army is the group producing drugs in military camps along the border and is expanding production to the borders of other neighbouring countries, Deputy Army Commander-in-Chief Watanachai Chaimuanwong said yesterday.

Clarifying his statement of Saturday that drugs were being made in Burmese military camps, Gen Watanachai said yesterday that he was referring to the Wa. They had their own military camps and also served as soldiers in the Burmese army.

"I consider that Wa soldiers are Burmese soldiers," Gen Watanachai said.

"The Burmese government gives the Wa self-rule and use the Wa as soldiers — what we call Burmese soldiers of the Wa ethnic group. Nevertheless, they are Burmese soldiers and I would not be wrong to say so."

The deputy army chief also said army intelligence confirmed that the Wa had expanded their drug operations to the borders of other neighbouring co[untries] but declined to say which.

Army sources identified them as Laos and Cambodia. They said the Wa were producing methamphetamines near the borders with Thailand. Some Lao and Cambodian soldiers were involved.

The Associated Press yeste[rday] reported that the Burmese junta ... there were drug factories ins[ide] camps and that its ... were stunned by ... ments, made ... versity semi...

From the *Bangkok Post*, 9 December 2002.

Involvement of Burmese army personnel, whether it be part of an unspoken 'shadow' policy from Rangoon designed to maintain stability, or the product of personal corruption, is an inescapable reality at all levels of military rule. The UNODC has admitted this, recognizing that "military, or local authorities…or responsible people" are involved, although stopping short of asserting either way the involvement of regional military commanders because of lack of evidence.[37] Retired executive director Antonio Maria Costa stated that, "There has been in the past evidence of some relations, or links, between those in power in Myanmar and narcotics traffickers. There is no such evidence today."[38] Given that the same individuals are in power in both the regime and the major narcotics producing groups, and the Burmese army still operates in opium growing areas, acknowledgement of past

involvement points to continuing involvement. Until the SPDC makes greater progress at stamping out corruption in its ranks, from the bottom to the top, no aid should be forthcoming. The stigmatism of deep institutionalized involvement must be addressed by the SPDC and concerted steps taken to end speculation of the military protecting the trade.

SPDC aggrieved by US Certification process

Some critics contend that the United States, through its strong policy, has squandered opportunities to influence the SPDC. One observer stated that "by promising that certification would be granted and then failing to deliver, it made the SPDC feel betrayed by the United States." In the regime's eyes the US had misled them on the issue. As a result, the US "lost leverage and credibility" with the regime, according to the Western observer based in Rangoon.[39] This is a view supported by pro-engagement commentators such as Professor David Steinberg, who claim that the USG isolation of the SPDC has seen a rise in narcotics production, HIV spread and other diseases.[40] Pro-engagement lobbyists contend that drug certification is based more on judgments of human rights abuses and the treatment of Daw Aung San Suu Kyi than an objective assessment of drug eradication efforts. This may very well be true, but there are parallels between the deplorable state of human rights abuses against the majority of the population, and the shortcomings of drug eradication that also produce egregious human rights abuses.

The suffering farmer as hostage

Opium farming communities in eradication areas are suffering from the effects of poor planning, lack of crop alternatives, and inadequate government services and aid from their own local leadership. In the Kokang area of Shan State Special Region 1, thousands of civilians left their homes in search of food and employment after a brutal project by the SPDC and Kokang authorities to destroy the plots of opium farmers ahead of the 2003 ban. Clinics were closed and schools experienced a sharp decline in attendance as people traveled in search of food and employment.[41] The authoritarian nature of SPDC crop replacement projects have promoted

deadlines as more important than long term sustainable projects that provide alternative livelihoods to communities.[42]

By downplaying the deleterious effects of government actions, the UN agencies and NGOs involved are complicit in the human rights abuses perpetrated during eradication campaigns. The entire rural sector of Burma suffers, not just opium farmers. By promoting the plight of farmers to lobby for aid, its proponents are ignoring the plight of millions of other Burmese citizens who receive no aid and are at the daily mercy of the *Tatmadaw* and ceasefire militias. The UNODC, surveys by UN and Japanese needs assessment teams, plus many visitors to the areas, claim that the targeted communities in Kokang and Wa areas, hundreds of thousands of people, face serious food shortages and lack of alternative livelihood. Common estimates claim that poppy-farming households whose crops have been forcibly destroyed face serious food shortages for six months of the year.[43] These communities represent a fraction of the estimated two million people involved in opium cultivation who stand to face similar hardships in 2005 when the total ban comes into effect.

This report acknowledges that farmers in crop eradication areas are facing a dire cycle of poverty, hunger, displacement and death. The international community and the UN has responded to this situation with aid through the UNODC and World Food Program (WFP), but it must be stressed that this responsive attitude plays into the hands of the SPDC and local ceasefire groups who have themselves manufactured the crisis through coercive and violent tactics. Behind the scenes of the looming humanitarian crisis are scores of INGOs, who stand to gain lucrative contracts to operate in these regions, with a dozen already operating extensively to support SPDC and UNODC initiatives. For donors becoming increasingly frustrated by the inability to institute programs because of the political deadlock, premature engagement without the active participation of on the ground, local civil society groups, would produce more suffering for the population. As evidenced by the 'creation' of the present humanitarian crisis in Kokang and Wa, enforcing bans but failing to provide sustainable livelihoods for community produces catastrophe.

One often-overlooked part of the drug debate is that SPDC announcements rarely, if ever, talk about the rights and conditions of farmers. The UNODC has justifiably expressed concern over the pace of

poppy eradication and sustainable alternatives for farming communities.[44] Demonizing farming communities is also counter-productive. Poppy farmers are not drug dealers; they are poverty stricken communities with very little central government infrastructure like schools, clinics and electricity. Average annual income per household was calculated in 2003 to be between US$185 and $232 per household, with one recent survey claiming that of a US$232 income, $159 is derived from opium cultivation.[45] This represents a 69% budget loss from the cash crop being forcibly eradicated, a serious blow to most regional households.

The UNODC has been warning of the looming humanitarian crisis for several years, much of it caused by unrealistic deadlines, but it still continued to cooperate with the SPDC on attaining these targets.[46] It also causes projects to respond to food shortages and income shortfalls with poverty alleviation projects, not the 'alternative development' that was originally planned. The direct result of failed crop replacement projects will be greater suffering by Wa and other ethnic nationality civilians.[47] Criticizing the international community for withholding aid is blame shifting when the cause of the famines are manufactured by the SPDC and their unrealistic deadlines. The suffering farmer is being used as a vehicle to attract more aid without consideration of the effects more reductions will have on these communities.

Debating the Figures

Yearly reports released by the UNODC claim a steady success story in narcotics eradication in Burma. In June 2003, Antonio Maria Costa, the executive director of the UNODC, stated, "If the current reduction of opium cultivation is sustained, the Golden Triangle could well become a minor source of narcotics in the next few years."[48] While a credible claim, and one that could be justified by a cursory glance at the trends, this sort of pronouncement is dangerously premature. Reductions in cultivation have often led experts to forecast a permanent downward trend. Testament to the resilience of the Burmese drug producers, they always rise again.

In 2004 the optimism was more guarded, and the humanitarian effects of dramatic reductions was more prevalent than upbeat news of dramatic downturns. "If we do not provide for the basic human needs of farmers in

Myanmar, they will never escape the vicious circle of poverty and opium cultivation. The opium communities will remain vulnerable to human rights abuses, human trafficking and forced relocation", Costa claimed at the launch of the opium survey in Brussels.[49] While the UNODC reports have some merit, due to the constraints of their mandate and their less than trustworthy partners in narcotics eradication, their opium surveys and predictions must be accorded more scrutiny.

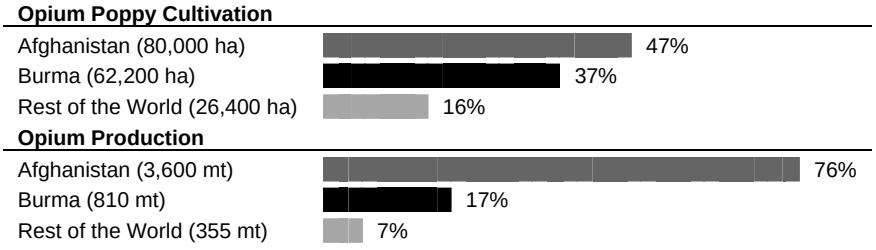
The UN drug eradication system in Burma has always suffered from questionable credibility. This is partly a result of having to work under the constraints of their mandate through the SPDC and in cooperation with police and military officials suspected of involvement in the drug trade, but also as a result of blind faith in their methodology and reports that do not always include the broader picture.[50] Bertil Lintner has long criticized the optimism of the UN drug eradication system. "They are useless bureaucrats and the quality of their work is not surprising."[51] Sao Sengsuk, the President of the Shan Democratic Union, dismissed the 2004 survey as "just an account put together by people who went to the ground only once in a blue moon."[52]

Trends and Downturns

Looking at trends in cultivation and production of opium, there as been a steady decline since Burma's peak opium growing season in 1996 when the country was the world's largest supplier of opium and heroin. Burma now ranks a distant second to Afghanistan, but outpaces by far the rest of the world total in the cultivation of poppy and the production of opium (See Table I.1). In the 2004 opium survey, the UNODC claimed a triumph of an overall 29 percent reduction in Burma, from the 2003 decline of 24 percent. Most of the drop in cultivation comes from Northern Shan State, including the Kokang region, which experienced a decline from 19,600 hectares in cultivation in 2003 to 6,000 hectares in the 2004 season. The other survey zones in the Shan State remained largely static. In Southern Shan State the figure stayed at 10,500 hectares. In the Wa Special Region it dropped from 20,400 to 16,750 hectares, although the survey makes no mention of the previous years 21 percent rise in cultivation. In Eastern Shan State where travel is extremely difficult and fighting between a range of groups continues, detected opium cultivation increased from 6,700 to 7,750 hectares.[53]

The 29 percent national reduction was achieved through the dramatic experience of Northern Shan State. If one were to concentrate on the performance of the other three survey zones, then the average decline would only have been between eight to ten percent, taking into account the 'steady' decline, stasis or increase in other parts of Shan State. Serious doubts also remain as to the effectiveness of the UNODC surveys in the Western border regions, due to their limited survey sites and many difficulties of access and information (see below). Reliance on the CCDAC figures for Karenni State is also a serious shortcoming, and despite the security concerns, the UNODC should have lobbied harder to undertake a survey in this area and respond to reports that claim that opium cultivation is on the rise. The egregious human rights abuses and continuing conflict in many of the areas under review are never taken into consideration however.

Figure I.1: Global Opium Poppy Cultivation and Opium Production, 2003



SOURCE: United Nations Office on Drugs and Crime, *World Drug Report 2004*, Vienna: UNODC, June 2004: 67.

Yet the UN agency did make a strong appeal for assistance in helping farmers displaced by rapid eradication, with Jean-Luc Lemahieu using dramatic figures of two million being affected by eradication in the coming year. The UNODC country head promoted the agencies Kokang Wa Initiative, which seeks to provide alternative development projects to an estimated 540,000 people, although he complained that because of sanctions and budget shortfalls, the US$26 million program could only cover half the population of the area. Lemahieu compared Burma with Afghanistan, which experienced a dramatic rise in cultivation after the fall of the Taliban, and warned that if alternatives were not reached then cultivation in Burma would experience a similar resurgence.[54]

In terms of yield, the UNODC claimed that production in Burma had declined by 54 percent, to an estimated 370 metric tons of opium compared to 810 tons in 2003. The UNODC still refers to these figures as 'potential'. There is no way to accurately gauge the yield of opium, only a way to reflect broad trends. As an economic consequence, the 'farmgate price' of opium in Burma increased by 80 percent to an estimated US$234 per kg.

While the SPDC and UNODC claim that the overall reduction is in main part due to eradication efforts, the decline in poppy cultivation over the past several years can also be explained by three crucial counter-factuals. First, adverse weather conditions in the late 1990s and again between 2003-2004 that destroyed much of the crop in Northern Shan State. Eradication efforts account for only 21% of the reduction reached. The rest of the crop lost was due to weather conditions or disease. This suggests that 79% of the crop in the survey area of 2003 could potentially have reached the market if the weather had been less harsh. The severe drought in Northern Shan State also had a significant impact on the 2004 season, with 80 percent of the crop reported damaged. The UNODC concluded then that "The overall weather conditions for this growing season thus explain the strong reduction in opium yield in Myanmar."[55]

Table I.2: Reported Opium Eradication in Burma 1993-2004 (ha) (United Nations Figures)

1993	1994	1995	1996	1997	1998
160	1,041	3,310	1,938	3,093	3,172
1999	**2000**	**2001**	**2002**	**2003**	**2004**
9,824	1,643	9,317	7,469	638	2,820*

* This figure is from the SPDC Central Committee for Drug Abuse Control (CCDAC).
SOURCES: United Nations Office on Drugs and Crime, *World Drug Report 2004*, Vienna: UNODC, June 2004: 69, and United Nations Office on Drugs and Crime, *Myanmar Opium Survey 2004*, Vienna: UNODC, October 2004: 2.

Second, a major market shift from opiate based narcotics (heroin) to ATS products from 1997 to 2002. Third, the mass relocations of Wa civilians from Northern to Southern Shan State, ostensibly to remove them from prime opium growing territory, but more likely to give them more land for cultivation closer to Thailand and away from the Chinese border. There has not been discernible cultivation around the relocation sites, but anecdotal evidence suggests that small opium cash crops have sprung up. The

relocation areas around Mong Yawn were also in a major ATS production zone, something the UNODC and SPDC failed to acknowledge. Forced relocations of Kokang farmers, while on a much reduced scale, is also a contributing factor to the 2004 decline.

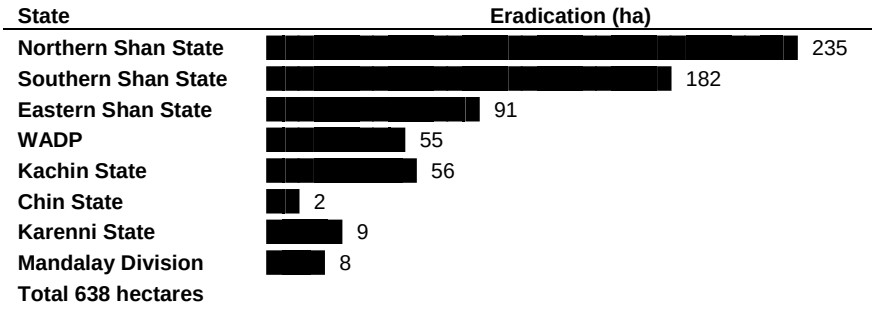
Reports by the *Shan Herald Agency for News*, which has the benefit of clandestine access to opium growing regions off limits to the UNODC, indicate that opium planting has markedly increased in Northeastern Shan State, in particular Mongpawk, Mongka, Mongngen and Mawfah townships on the east bank of the Salween River. SHAN further claims that Chinese and Kokang merchants, and in some cases Burma army officers, are offering advances to farmers to plant more opium.[56] This is partly in response to the looming opium ban, but also reflecting the trend of increased cultivation in Eastern Shan State partly propelled by dramatically higher prices for raw opium.

This is a different story than one of managed reductions and alternative development. What major reductions have been achieved are through violent displacement and inclement weather. Opium eradication figures, if they are accurate, have fluctuated dramatically in the past twelve years (See Table 1.2). The trade regularly experiences 'market fluctuations' which explains why Burma and Afghanistan jockey for position as world leader in production, although Afghanistan has far outpaced recent Burmese production. Also, the annual report on *Global Illicit Drug Trends* claims that the yield from Burmese opium plants is lower than that from Afghanistan, mostly because poppy plantations in Afghanistan are irrigated, while Burmese fields are predominantly rain fed and more vulnerable to adverse weather conditions. The strains of plants used in Afghanistan are also more robust than those in Burma, something that has been changing slowly as farmers in the Shan State use higher yielding seeds.[57] The slight rise in opium resin production from Shan State opium poppies, from a base 10% yield per hectare in 2002, to 13% yield per hectare could signal a trend in which cultivation declines but yield remains roughly the same (See Figure I.4). Profits would then commensurately remain static.

The SPDCs effort to curtail this trade should be looked at in perspective of regional drug production trends. In global seizures of heroin, Burma did not even rank in the top twenty-two, remarkable given its massive

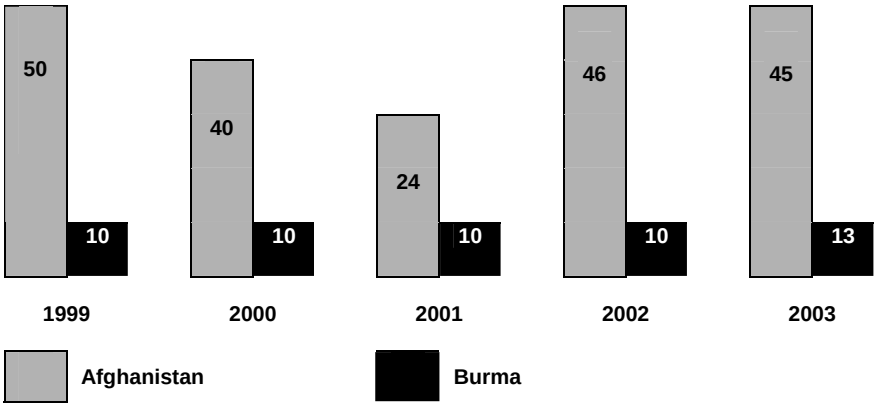
production and trumpeted interdiction efforts. Tellingly however, and congruent with shifts in export patterns for Burmese heroin, China topped the list for seizures, with twenty percent of the world total at 13,200kg. India seized 915kg, and Thailand 501kg. Much of this would have originated across the border in Burma. The report also states that global seizures of opium *halved* in 2001 from 213 tons the previous year to 107 tons in 2001.[58]

Figure I.3: Opium Eradication by region and state in Burma, 2003



SOURCE: United Nations Office on Drugs and Crime, *World Drug Report 2004*, Vienna: UNODC, June 2004: 220.

Figure I.4: Opium Yields in Afghanistan and Burma (kg/ha)



Differences in opium yield between Afghanistan and Burma are due to differences in opium poppy varieties and growing conditions. Variations of yields from year to year in the same country are mostly caused by changes in weather conditions and/or, as in the case of Afghanistan in 2001, by a shift in the relative distribution of cultivation from irrigated to rain-fed land.
SOURCE: United Nations Office on Drugs and Crime, *World Drug Report 2004*, Vienna: UNODC, June 2004: 67.

Thailand and China continue to vie for the top ranking country in ATS seizures, which reflects the volume of the drug coming from Burma. In 2002, Thailand seized 39 percent of the world total of ATS, and China 14 percent.[59] Burma was ranked seventh, with 3 percent of total global seizures. Thailand is the largest per capita consumer of ATS in a recent UNODC report, predominantly as a result of being swamped by hundreds of millions of Burmese manufactured ATS pills.[60] The UN report also states that Burma is the largest producer of ATS in Asia, although since the Thai government's 2003 'War on Drugs', trends indicate that Burmese ATS production may have plateaued. A one-page reference to ATS production in the 2004 opium survey, outlining seizures of ATS in Burma, claims that "there is no evidence or fears that the decline in opium production could be compensated by rising levels of ATS production."[61]

The profit margins of many syndicates have also remained static because of a shift from heroin to ATS, or labs producing both drugs. The former UNODC head of East Asia, Sandro Calvani, stated in May 2003 that ATS trafficking from Burma had spread to new markets in response to Thailand's 'Three Month War on Drugs', appearing as far a field as Western India, the first time that Burmese narcotics had reached this far. He called this "the balloon effect", when the trade is squeezed in one place and emerges at another point.[62] The rise in global methamphetamine production is a deep cause of concern to the UNODC and governments who are also seeing a rise in consumption.[63] The emphasis on opium production and heroin trafficking is only half the story of Burma's drug eradication efforts.

United Nations Methodology

The UNODC uses a combination of satellite imaging systems and ground surveys to gauge the extent of opium cultivation in Burma. This project is part of the UNODC's Illicit Crop Monitoring Program (ICMP), which uses similar methodology in Laos, Afghanistan, Peru and Colombia. In the opium-growing season of 2002/2003, the UNODC used two phases of satellite surveying in the planting period, then the harvesting period. If land shows signs of recent change in early March after harvesting it points to opium cultivation.

The satellite images attempt to differentiate between four types of land use. The first is non-agricultural land, which is unsuited for cultivation of any kind. The second is agricultural land of no potential for poppy cultivation, which are irrigated fields close to urban centers and in low elevation. The third is agricultural land with low potential for poppy cultivation, usually prime land for other crops. The fourth, land with high potential for poppy cultivation, are located on slopes with non-continuous patches of agriculture. The UNODC tasks the satellites with looking at the third and fourth land types for gauging opium cultivation.[64]

Table I.5: Illicit Cultivation of Opium, Afghanistan, Burma, and Laos 1990-2003 United Nations Figures

	Cultivation in hectares						
	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**
Afghanistan	41,300	50,800	49,300	58,300	71,470	53,759	56,824
Burma	150,000	160,000	153,700	165,800	146,600	154,070	163,000
Laos	30,580	29,625	19,190	26,040	18,520	19,650	21,601
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Afghanistan	58,416	63,674	90,583	82,171	7,606	74,100	80,000
Burma	155,150	130,000	89,500	108,700	105,000	81,400	62,200
Laos	24,802	26,837	22,543	19,052	17,255	14,000	12,000
	Potential production in metric tons						
	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**
Afghanistan	1,570	1,980	1,970	2,330	3,416	2,335	2,248
Burma	1,621	1,728	1,660	1,791	1,583	1,664	1,760
Laos	202	196	127	169	120	128	140
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Afghanistan	2,804	2,693	4,565	3,276	185	3,400	3,600
Burma	1,676	1,303	895	1,087	1,097	828	810
Laos	147	124	124	167	134	112	120

SOURCE: UNODC, *World Drug Report 2004*, Vienna: UNODC, June 2004: 61.

Satellite imaging attempts to cloak UNODC reports in scientific certainty, and reliance on this technology is not always total. Landsat7 is a commercial satellite launched in 1999 by Space Imaging, which provides pay per view images and remote sensing maps and graphics for a range of clients.[65] In the 2002/2003 and 2003/2004 seasons, the UNODC utilized both Landsat7 and IKONOS satellites for the operation, using a range of 30 meter, four-meter, and in selected areas, one-meter resolution (one-meter resolution is what most people think of when they see highly detailed satellite pictures).[66] The UNODC satellite images, in both color and black and white, are not highly

detailed, so that spectral imaging must be utilized to gauge what types of plants they are, by estimating the extent of light reflection, or a 'spectral signature.' In this way poppy can be differentiated from other crops. The UNODC admits that this method is "not conclusive."[67] In 2004 the methodology was markedly different. 69 IKONOS images were taken of the Shan State and an integrated database created with ground surveys and socio-economic data.

To support the satellite imaging, the UNODC conducts what it calls 'ground truthing', which is a series of interviews with poppy farmers in selected townships in the Shan State and WADP area, and measurement of opium plots and opium plants. In 2003, the UNODC had 156 Burmese staff conduct the survey between January and late March. The ground survey is in three parts, the Village Leader interview, which is a questionnaire given to the village head, the Opium Growing farmers interview, which a questionnaire given to on average eight farmers in poppy growing areas, and the Field Measurement survey which measures plot size, density and bulb size. The surveys also look into broader socio-economic conditions in the village, such as the rest of agricultural production and sales, livestock, and general village and household income. Immigration traffic and ethnicity in and out of the village are also asked.[68]

In the 2003 season, the agency surveyed a total of 1,962 villages, with 556 of them "growing poppy." 3,916 fields were surveyed, although only a fraction of the field was studied and several opium pods measured.[69] In the WADP area, all the townships were surveyed, unlike the broader Shan State survey, which was sample based. In 2004, the survey encompassed a total of 1,600 villages, although the survey did not include data on how many fields were surveyed or provide details on field size or pod measurements.[70] Due to security concerns, the field surveyors were unable to 'ground truth' 16 of the 69 multi-spectral IKONOS satellite images. This means that approximately eleven percent of the survey relied purely on satellite imaging, a process that the UNODC admits is not "wholly accurate."

Satellite imaging and ground surveys are then merged into estimates of cultivation and yield which are extrapolated to the entire Shan State, and of course the entire country. The UNODC's methodology is rigorous, but hardly conclusive. For a start, not all the Shan State is surveyed, although all

the state is covered by grainy satellite images. The survey is directed at suspected opium producing regions, including the WADP, which increased its cultivation by 21 percent in 2003, although in 2004 it decreased by 18 percent. [71] The ground survey reaches a fraction of village tracts in the Shan State, the largest and most consistently mountainous of Burma's states, and is conducted under the supervision of CCDAC authorities, supported by the *Tatmadaw*.[72] The methodology takes into account weather conditions and market fluctuations in 'farmgate price', but it fails to analyze the nature of dispersal of plots away from survey sites and interspersing of small plots with other cash crops.

UNODC 'ground truthing' is predicated on poppy farmers volunteering the truth to government-affiliated investigators. Why farmers who use opium to buy rice for their families in lean times would casually dispose of over 60 percent of their annual income without compensation is a giant leap of faith on the part of the UNODC. Many opium cultivators see opium plots as their insurance policy for survival; it is the only lucrative cash crop in these impoverished areas. Isolated rural communities are less likely to trust outsiders, even, or in some cases especially, Burman state officials, and must negotiate their survival with whatever localized power governs them.

Ground truthing also presumes that the UNODC and CCDAC investigators can find opium plots that have been hidden in inaccessible areas away from roads and villages. SHAN claims that villagers interviewed for the *Show Business* report told the ground surveyors very little in order to protect their crops.[73] A major change to UNODC methodology in ground truthing during the 2004 process was that many opium plots were moved "very far away from the villages" and that mix cropping (interspersing opium rows with crops such as mustard, onions or Chinese bean) to conceal the poppy was far more prevalent than in the previous years survey.[74] In short, there are many ways to dodge detection for small plots, and UNODC surveys, while the best way so far to reflect trends, should not be seen as conclusive and completely accurate.

The shortcomings of the Western Burma surveys are made clear in the 2004 report, even by the formal title of the component, called "Rapid Assessment Surveys." Burmese staff from the Forestry Department were given brief and limited training, little resources to draw on including no transportation and outdated maps, were limited to a fraction of the

state/division they were operating in and experienced many difficulties with local officials who had not been informed of the project.[75] In Chin State, 52 village tracts were surveyed, 22 in Kachin State and 66 in Sagaing Division over a ten week period between February to April. In all three areas, two Burmese staff conducted the surveys. The surveys claimed to have seen limited poppy plantations and assumed they were for medicinal use. The UNODC estimated 3,200 hectares of poppy in Sagaing Division, Kachin State and Karenni State (Chin State has inexplicably not been included) and then claims a 36 percent reduction from 2003. The report does not make clear whether this reduction was based on last years 'estimate.' While a first attempt at extending the survey to these areas, before the UNODC can conclude that opium cultivation is negligible they should mount a far more systematic survey and look at conditions on the ground far more closely.

The United States conducts its annual joint opium survey in the harvest time of early March. In 2004, the team completed a one-week mission through the Shan State, which entailed plotting and measuring designated opium fields, plot density, poppy size, and potential yield. Samples of opium fields were identified and studied, then the method extrapolated to the remainder of Shan State. It also included the obligatory visit to 'model drug free villages' and inspections of alternative crop projects, such as the contentious high yield corn variety *Bonmon Hsin Shweli*. The joint team was permitted to interview farmers and inspect opium fields that had been destroyed by government action. These joint surveys are suspect because of their low sampling area, and the concentration on SPDC designated zones in Northern Shan State, often in UWSA controlled areas.[76]

Table I.6: Illicit Cultivation of Opium, Afghanistan, Burma, and Laos 1994-2003, United States Government Figures

	Potential Harvest (ha)				
	1994	**1995**	**1996**	**1997**	**1998**
Afghanistan	29,180	38,740	37,950	39,150	41,720
Burma	146,600	154,070	163,100	155,150	130,300
Laos	18,052	19,650	25,250	28,150	26,100
	1999	**2000**	**2001**	**2002**	**2003**
Afghanistan	51,500	64,510	1,685	30,750	61,000
Burma	89,500	108,700	105,000	78,000	100,257
Laos	21,800	23,150	22,000	23,200	18,900
	Cultivation (ha)				
	1994	**1995**	**1996**	**1997**	**1998**
Afghanistan	29,180	38,740	37,950	39,150	41,720
Burma	149,945	154,070	163,100	165,651	146,494
Laos	18,520	19,650	25,250	28,150	-
	1999	**2000**	**2001**	**2002**	**2003**
Afghanistan	51,500	64,510	1,685	30,750	61,000
Burma	99,300	108,700	114,317	103,862	47,130
Laos	-	-	-	-	18,900
	Potential Yield (mt)				
	1994	**1995**	**1996**	**1997**	**1998**
Afghanistan	950	1,250	2,099	2,184	2,340
Burma	2,030	2,340	2,560	2,365	1,750
Laos	85	180	200	210	140
	1999	**2000**	**2001**	**2002**	**2003**
Afghanistan	2,861	3,656	74	1,278	2,865
Burma	1,090	1,085	865	630	484
Laos	140	210	200	180	200
	Eradication (ha)				
	1994	**1995**	**1996**	**1997**	**1998**
Afghanistan	**-**	**-**	**-**	**-**	**-**
Burma	3,345	0	0	10,501	16,194
Laos	**-**	**-**	**-**	**-**	**-**
	1999	**2000**	**2001**	**2002**	**2003**
Afghanistan	**-**	**-**	**-**	**-**	**-**
Burma	9,800	0	9,317	25,862	683
Laos	**-**	**-**	**-**	**--**	4,000

SOURCE: Bureau for International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report 2003*, Washington DC: U.S. Department of State, March 2004.

Notes

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Part I
Drugs and Politics in Burma

- The drug trade in Burma has experienced a serious move from heroin production to ATS production. This is not a result of genuine efforts to eradicate opium, but is a market shift into more lucrative products.
- The drug trade is a result of deep poverty and disenfranchisement from the political and economic affairs of Burma
- It is a direct result of SPDC vacillation toward center-periphery relations for decades, when collusion with narcotics producing syndicates was seen as complementary to national security
- Failure to engage the ethnic minorities in a free and fair dialogue on the prospects for a federal system of government has prolonged the problem
- Decades of civil war which has hardened the ethnic minority groups attitudes towards the central government and the military which has long perpetrated egregious human rights abuses
- The largest narcotics producing syndicate, the United Wa State Army (UWSA), is nearly twice the size of the Colombian FARC. Unlike FARC which is outlawed, the UWSA is a key business and military partner of the SPDC, having been granted economic concessions and investing its profits into the legal economy in return for fighting genuinely political insurgents for the SPDC.
- The Certification process is an effective policy device for pressuring the SPDC into taking more genuine and effective action against the drug trade in Burma.
- The Kingpin Act should be extended to include members of SPDC and the *Tatmadaw* to gauge the extent of their involvement in the drug trade and money laundering in Burma.
- A closer look into the drug trade demonstrates that while the SPDC have been doing much to combat the production of opium cultivation in some regions, few steps have been taken to curb the production and trade in heroin and ATS, nor have the main dealers in the drug trade been targeted.

Rangoon's Plea

The SPDC has publicly made narcotics eradication a primary policy objective. It has mounted a systematic domestic and international campaign to convince the international community that it is serious about ridding the country of drug production. The SPDC's basic position on drug eradication

hinges on two elements: certification from Washington that the regime's efforts are complying with UN treaty conventions and in accord with the US government's priorities in the War on Drugs, and greater funding for existing UN agency projects in crop replacement, poverty reduction and harm minimization. By the late 1990s the SPDC began stepping up their annual displays of drug eradication efforts. The public burnings of seized drugs increased; the trips organized for foreign journalists and the diplomatic corps became more numerous. According to the former head of the UNDCP, Richard Dickens, "(The generals) are their own worse enemies in the sense that they don't know how to present themselves".[1] The CCDAC and the SPDC began trumpeting their efforts and inviting the international community to join the fight. In 2001, Lt. Gen. Khin Nyunt stated: "We are committed to dramatic reductions in opium production as well as all narcotic drugs, including methamphetamines."[2] The importance placed on the public relations exercise in drug control is demonstrated by the position of Vice-Chairman of the CCDAC, who up until his unceremonious dismissal in September 2004 was the Minister for Foreign Affairs U Win Aung.[3]

The SPDC stages public rallies that denounce the evils of drugs and the progress being made by the regime in border areas development. These ceremonies are often undertaken with the participation of the leaders of some of the biggest drug producing syndicates in the country. Far from being demonized as druglords, they are accorded respectability as "leader of national races" (despite many of them being ethnic Chinese) and congratulated for their cooperation in eradication tasks. This often amounts to signing pledges for their areas to be opium free, something that is not accorded independent international verification, building opium museums in their areas to testify to their efforts, and participating in nation building tasks which often means accepting national government funding for infrastructure projects. The state controlled press trumpets drug eradication constantly as a 'national task' and crop replacement efforts and drug arrests are accorded primacy.[4] Yet the drugs keep coming despite the charade.

One of the most spectacular methods is public drug burnings that are often thought a charade by foreign observers.[5] Stories abound that some of the drugs were in fact ground rice made to appear like processed heroin, that some of the drugs burnt were actually damaged and unsaleable, or that some

of the opium poppies seized and burnt had already been scored, meaning that the opium resin had already been drained. Even the cost of the drugs destroyed is a sham. At a drug burning at Namhsan in Southern Shan State in late 2001, the SPDC claimed that the destroyed opium seeds, opium resin, and 130,000 ATS pills was worth US$462 million, yet this was admitted as the projected street value of the highest yield from the opium seeds.[6] In the Kokang region, a drug burning in June 2002 destroyed a reputed US$3.89 billion haul of drugs, chemicals and cough syrup.[7] UNODC head Jean-Luc Lemahieu downplayed the drug burnings as having little more than symbolic value, "(w)hat is more important, the burning of the drugs? Or the interception of the drugs?"[8]

Photograph 1.1: SPDC Drug Burning

SOURCE: *New Light of Myanmar*

In June 2003, the SPDC staged their 17th drug burning in Rangoon destroying a claimed one-ton of opium, 220 kilos of heroin, and 600,000 ATS tablets on World Anti-Drug Day. The ceremony was boycotted by most

Western diplomats in protest at the continued detention of Daw Aung San Suu Kyi. In a neat twist of logic, the SPDC's spokesman placed the blame on western countries for stirring the drug trade and broadening its complexity: "Clandestine organizations of neo-colonialists are instigating the problem to make it more wide and complex with political connotations." The regime pointed to the recent UNODC report that argued a real decline of 24 per cent of the opium harvest to demonstrate their progress. SPDC spokesman Col Hla Min stated: "We are fighting the war (on drugs) for them (the international community) and they boycott us. This drug thing is not a big problem for us in this country and these efforts are for the benefit of the international community." [9]

The UN agencies in Rangoon have cooperated with the SPDC in asking for more cooperation and funding. In early 2001, Jean-Luc Lemahieu, stated that without international funding Burma would take the place of Afghanistan if help was not forthcoming. Yet the two major producers often switch places for top heroin producer, and the expected rise in Burmese production did not occur, for the same reasons that production had declined in the previous three years, reasons not necessarily the same as the SPDC and UNDCP claimed.[10]

The quest for narcotics legitimacy is not a recent phenomenon. As far back as the early 1990s, when Burmese heroin clearly dominated the global market, the same nexus between regime lies and expensive Washington lobbyists existed. The Paris based Geopolitical Drug Dispatch claimed a 1994 visit by US politicians to observe Rangoon's counter-narcotics effort was organized by politician turned public relations man Lester Wolf. This included the 1994 offensive against infamous drug warlord Khun Sa and his Mong Tai Army (MTA). This incident demonstrated the SLORC's previous reticence to militarily engage such a tough opponent and occasional ally, but also their eagerness to balance the usefulness of their mutual ties with the desire for counter-narcotics assistance and to clean up their image with the West.[11]

Efforts in the late 1990s with the company Jefferson Waterman International also foundered when the SPDC could not pay their bills to the firm, or demonstrate a willingness to cooperate with a strategy of making their rule seem more balanced.[12] The current round of cleaning up their drug

image was engineered by Arizona based DCI Associates, another firm of Washington lobbyists who specialize in making dictators look more palatable. This effort included Barry Broman, a former US Central Intelligence Agency (CIA) station chief in the Rangoon Embassy now turned independent 'film maker' and consultant, who worked for DCI during their brief contract with the SPDC.[13] Beginning in May 2002, the contract with DCI was designed to get Burma certified as cooperating on drugs and show the State Department the positive side of military rule in the country.[14] This included the controversial visit to Washington of Burmese anti-drug bureaucrat, Colonel Kyaw Thein of military intelligence, in May 2002, despite the ban on members of the regime and their families visiting the United States.[15]

By the end of 2002, it looked as if the joint lobbying by the SPDC, UNODC and DCI Associates, was going to successfully achieve Burma's certification for the first time in 15 years. The press started looking at the SPDC's record on drugs in a more positive tone and indicated that the US would remove them from the list of non-cooperative drug producing countries. Observers were taking the positive spin put on Burma's counter narcotics efforts by the State Department and US Embassy in Rangoon and predicting that Washington would relent.[16] Long time Burma observer Professor David Steinberg of Georgetown University admitted: "This would bring the regime a great deal of prestige."[17] While the press coverage was positive it still noted the long standing arguments that the SPDC had long been suspected of profiting from the drug trade and that while opium reduction was commendable, ATS production had greatly increased.[18]

In December 2002 the SPDC jumped the gun before the USG was scheduled to make its February 2003 announcement, claiming that Washington had indicated their unwillingness to take Burma off the list of decertified countries, despite positive signals emanating from the US Embassy in Rangoon. State Department spokesman Richard Boucher didn't deny the speculation, but he did signal what would occur. "The announcement (by the SPDC), I would say, is premature at best…we're not considering any bilateral narcotics assistance for Burma."[19] The SPDC spokesman Lt. Col Hla Min was pouty in his response,

> We are encouraged that huge reduction in opium reduction has been made, even though the certification process fell victim to US politics, an overwhelming landslide of media and political pressure to deny our progress by connecting politics to narcotics law enforcement.[20]

A more sober decision prevailed in denying the SPDC once again full certification for its role in combating illegal drugs. Lobbying from the US Senate and House of Representatives was a key factor in exposing to the Bush Administration the public relations facade that Burma had mounted.[21] Press coverage which indicated the extent of the mistake the State Department was close to making also played a role by highlighting the human rights abuses the SPDC is guilty of and the political impasse in the country.[22] DCI Associates, having failed to make the SPDC palatable to the Bush administration, ended their agreement with the regime after the February certification process denied Burma a place on the cooperating list.[23]

In the wake of the Depayin attack on Daw Aung San Suu Kyi and her motorcade on 30 May 2003, and the subsequent imposition of US sanctions, certification of the SPDC as cooperating in the fight against drugs is highly unlikely in the near future. In September 2003, President Bush declared that Burma had once again "failed demonstrably" to make progress in narcotics eradication, and would be denied US assistance.[24] Of all the countries in the world for which the United States grades narcotics policy, only Burma and Haiti remained de-certified: Burma the most out of any country since the policy was developed. Haiti was given a waiver and continues to receive US aid. Burma is thus the major country in the world deemed as insufficiently cooperative with the international norms in cooperating with drug eradication.[25]

The SPDC released a statement in October 2003 that criticized the US decision to deny certification for 2004, claiming that the failure to fund counter narcotics programs was tantamount to the US failing in its obligations. "We would remind the United States that it has a responsibility as a member of the global community to help fight against the spread of drugs. If it does not help, it strengthens the drug traffickers."[26] The SPDC also blamed the continued trade on the imposition of US sanctions earlier in the year. "Myanmar is doing everything it can, with its limited resources, to

fight drugs. US sanctions undermine the Myanmar economy, taking away resources that could be used to fight drug production, help those who have been addicted, and fight diseases associated with drugs", an SPDC statement claimed.[27] In a commonly used strategy, the SPDC appealed to the spirit of mulilateralism to seek more aid, by stating that: "The drug menace is a global problem that can only be solved through international cooperation. No single country can surmount the challenge by itself."[28] When the USG released the 2004 International Narcotics Control Strategy Report, US Assistant Secretary for International Narcotics and Law Enforcement Affairs, Robert B. Charles, stated Washington's view of Burma's drug trade and why certification would not be granted.

> Burma has reduced poppy production modestly, but remains far from demonstrating a counter-narcotics commitment that would confront major traffickers, prosecute trafficking organizations, including those with significant political influence, and get itself out of the drug trafficking business.[29]

In other words, the junta failed to make the grade. Responding to the 2004 decision to deny certification again for fiscal year 2005, the SPDC controlled press responded that, "this is an irresponsible act. As the US, the largest narcotic drug market in the world, wants to hide its image as the country with a large drug addict population, it is hurling slanders against others." The CCDAC held a special meeting 2/2004 several days after the White House announced the list of majors, and in response trumpeted its drug seizures, infrastructure projects, and somewhat disingenuously, the amount of emergency food supplies distributed to farmers employed in failing crop replacement projects in the Wa Special Region.[30]

Continuing to deny the Burmese increased counter-narcotics aid is clearly a political decision by the United States. It is part of a comprehensive sanctions regime, a key tool in their approach to Burma policy, and a reflection of how they view the performance of the military regime. Failing to trust the SPDC on political reform and observance of human rights is echoed in failing to trust them on narcotics eradication, demonstrating that while the regime wishes to separate drugs and politics, some members of the international community see them as inseparable.[31]

US Certification of Burma's Drug Efforts: Process and Issues

Every year the President of the United States releases a list of countries that details cooperation in international narcotics suppression. The drug certification process originates in the 1961 Foreign Assistance Act Section 489 (a)(1) (1961) that identifies major drug producing or major drug transit countries. The Act was amended in 1986 and has been little changed until 2004.[32] This policy instrument bars countries from receiving several forms of US economic aid if the President decrees them as not cooperating in counter narcotics efforts. A certified country is one which "cooperates fully with the US Government" on combating the illegal drug trade. A decertified country is one that has failed demonstrably "during the previous 12 months to make substantial efforts to adhere to their obligations under international counter narcotics agreements and take the counter narcotics measures specified in US laws".[33] In other words, failed demonstrably is to fail to take serious actions against the drug trade.

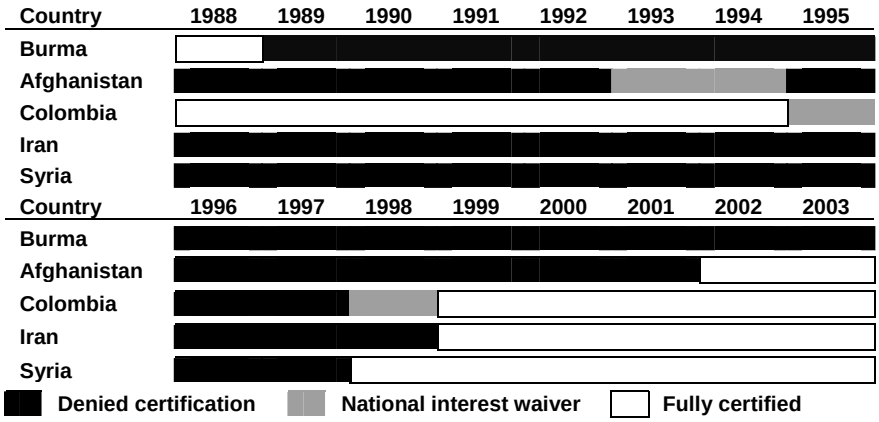
The process involves the President sending a report to Congress on the progress of countries to curb drug production and trafficking. The report is compiled by the Secretary of State who receives submissions from US Embassies around the world reporting on the drug strategies of each country in suppressing the drug trade. The Secretary of State then forwards the recommendations to the President who compiles the "Majors List" of serious drug producing nations. The report lists those countries that are "major drug-transit or major illicit drug producing countries".[34] A major drug producing country is one in which;

1. 1,000 hectares or more of illicit opium poppy are cultivated or harvested during the year;
2. 1,000 hectares or more of illicit coca are cultivated or harvested during the year; or
3. 5,000 hectares or more of illicit cannabis are cultivated or harvested during a year, unless the President determines that such illicit cannabis production does not significantly affect the United States

A major drug transit country is one "That is a significantly direct source of illicit narcotic or psychotropic drugs or other controlled substances

significantly affecting the United States; or through which are transported such drugs or substances."[35] While some countries may be decertified, such as Guatemala and Haiti in 2003, they can still be eligible for US aid if the President decrees that it is in US vital national interests for them to do so. This caveat has never been applied to Burma.

Figure 1.1: List of Top De-Certified Countries 1988-2003



SOURCE: Storrs, K. Larry, *Drug Certification/Designation Procedures for Illicit Narcotics Producing and Transit Countries*, Washington DC: Congressional Research Service, Library of Congress, 22 September 2003 and Bureau for International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report 1997-2003*, Washington DC: U.S. Department of State, March 2004 (1997-2004).

The benchmark of the certification process is the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. This has been drawn from three previous international conventions created to fight the drug trade; the 1961 Single Convention on Narcotic Drugs, the 1971 Convention on Psychotropic Substances, and the Convention as amended by the 1972 Protocol Amending the Single Convention on Narcotic Drugs 1961.[36]

The United States has declined to certify Burma as contributing to the fight against drugs since 1988. Since the military took power in 1988 in Burma, the United States has suspended all bilateral aid. The US Government refused to certify Burma as sufficiently cooperating on eradicating narcotics production and transit between 1989 and 2004. During 1993-2004 the SLORC/SPDC governments received small amounts of aid for specific projects, and were mostly assisted by the US Drug Enforcement

Agency (DEA) in intelligence gathering, police training and planning for drug operations. Despite what the USG report cited as renewed efforts at eradication this was deemed insufficient to warrant certification.[37]

The certification policy is contentious. Its critics claim that it overly demonizes countries where the drug problem is more complex and long standing than such a simple judgment would imply.[38] Part of this is rooted in the belief that the expensive US War on Drugs could be better served by cooperation with source countries and domestic harm reduction programs than bullish source country interdiction efforts and "the score card approach".[39] Much of the opposition to the certification process is that it places the blame on producer countries instead of consumer countries.[40] According to one critique, "The drug certification process has skewed spending on drug control programs, as it allows the US government to place the blame abroad without taking a serious look at the failure of US efforts to curb demand."[41] Despite claims that the certification process "generates conflict and breeds resentment" over the USG's finger pointing, this is mostly in regards to Central and South American governments. The policy has been contentious in particular with its application to Mexico and Colombia, especially as it is seen as hypocritical when the judgment is imposed and then the threat of sanctions waived for national security reasons.[42] (See The Colombian Comparison, Box 2.1)

In 1997, US Senators John McCain (Rep-AZ) and Christopher Dodd (Dem-CT) attempted to suspend the policy. In January 2001, the work of four Senators produced S.219, a resolution to suspend the process for two years in order for more effective tools to be created.[43] This move was defeated, but it has raised possibilities that the policy could be reformed in the future.[44] While the Senate held hearings to investigate possibilities for reform, they were not successful.[45] Some modifications were made in late 2001, some of which originated from the Congressional proposals, and were generally seen as giving more latitude to the extent of the judgment. In particular, the modifications did not require the US to vote against loans to worst offending countries by multilateral lending institutions. The changes were predominantly forged to accommodate the recently elected Mexican President Vincente Fox, seen as more cooperative with the USG on drug

control.[46] Such an adaptive approach to the policy as applied to Burma is not likely soon.

This report argues that the certification process is an effective tool for denying the SPDC aid and pressuring the regime into taking serious measures against the drug trade. As the regime desires international legitimacy for its counter-narcotics policy and efforts, the certification process is a key bargaining chip for the US Government. The generals in Rangoon perceive the certification ritual as a touchstone for their progress on other fronts and have lobbied the USG very hard to have the de-certification overturned.[47] While some individuals in the SPDC appear honest and genuine in their desire to eradicate drugs, some of the hard-liners see certification as a symbolic hurdle to overcome so that the US government will resume assistance on the SPDC's terms.

Drug Kingpin Act

The United States has further pressured the drug trade in Burma by the use of the strengthened Foreign Narcotics Kingpin Designation Act (FNKDA), signed into law in December 1999.[48] This policy instrument is designed to "target, on a worldwide basis, significant foreign narcotics traffickers, their organizations, and operatives. Its fundamental objective is to deny those foreign individuals and entities access to the US financial system and all trade and transactions involving US companies and individuals."[49] The Director of the Office of Foreign Assets Control (OFAC), R. Richard Newcomb, stated that the Act was designed to "de-certify foreign drug lords rather than foreign governments and countries."[50] The Act is complemented by the Foreign Narcotics Kingpin Sanctions Regulations (FNKSR), which overviews the implementation of the Kingpin Act and its role in the US sanctions arsenal.[51]

The initial list in 1999 included Khun Sa (named as Chiang Chi-fu) and the UWSA's Wei Hsueh-kang as Significant Foreign Narcotics Traffickers (SFNT). In mid-2003 the US named the entire UWSA and the commander of the UWSA-South faction, Wei Hsueh-kang, as being on the list. This now means that any US company or individual doing business with the UWSA is technically prohibited from operating within the United States. This is potentially damaging to Burma's economy given the spread of UWSA business in the country. It also potentially affects Thailand, China and

Singapore, who have long been conduits for UWSA companies such as the Hong Pang Group, and in its new incarnation, the Greenland Inc. company.[52] Given the increasing use of US sanctions to influence change in Burma, the Kingpin Act could have far reaching effects on the SPDC and place further pressure on it to cut its ties with the UWSA and divest individually from business linked with them.[53]

Box 1.1
The White House
STATEMENT OF EXPLANATION
March 2003
Burma

The United States has determined that Burma failed demonstrably to make sufficient efforts during the last 12 months to meet its obligations under international counternarcotics agreements and the counternarcotics requirements set forth in section 489(a)(1) of the Foreign Assistance Act of 1961, as amended. Burma remains the world's number one producer and trafficker of methamphetamine and the world's second largest producer and trafficker of heroin. Judging from the situation in neighboring countries, production and trafficking of methamphetamine from Burma continues to be one of the most serious problems facing Southeast Asia. Drug gangs operate freely within Burma along its borders with China and Thailand, producing several hundred million methamphetamine tablets annually by using precursors imported from neighboring states.

Although Burma banned the import, sale, and use of 25 precursor chemicals and related substances used in the production of methamphetamine in 2002, Burma has yet to take effective measures against methamphetamine production and trafficking or the importation of precursor chemicals from neighboring states used in the production of methamphetamine. Hundreds of millions of methamphetamine tablets flooded the region, and seizures of methamphetamine went down significantly in 2002 (about 9 million tablets compared to 32 million in 2001), representing only a tiny fraction of the estimated production. In addition, the government destroyed a smaller number of methamphetamine and heroin labs in 2002 compared to the previous year.

Burma has also yet to curb involvement in illicit narcotics by the largest, most powerful, and most important trafficking organization within its borders, the United Way State Army (UWSA). Although the government claims it has increased pressure on the UWSA to end opium production, major UWSA traffickers continue to operate with apparent impunity and UWSA involvement in methamphetamine production and trafficking remains a serious concern.

While the United States gives Burma a failing grade due to the magnitude of the above issues, we do note some progress on several counter narcotics fronts. Although Burma remains the world's second largest producer of illicit opium, opium production in Burma declined 26 percent in the past year, seizures of heroin

and opium increased, and the government has initiated several cases against accused money-launders under new anti-money laundering laws.

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Part II
Dynamics of the Burmese Drug Trade

- According to the US *International Narcotics Control Strategy Report 2002*, the SPDC "did not take significant steps to stop ATS production and trafficking."[1]
- Eighty percent of all Burmese manufactured heroin moves through Southern China, causing a major security threat and social disorder, and the spread of HIV-AIDS.
- Heroin production has decreased largely as a result of a shift from opiate-based narcotics to amphetamine type stimulants (ATS).
- Production shifts of opium fields from Northern Shan State to Kachin State in the west and Southern Shan State indicate that opium production may well increase in the coming years, despite a major UNODC effort at eradication.
- ATS products have sharply increased since 1994 and now constitute a major security threat to surrounding countries such as Thailand, China, India, Laos, Cambodia, Malaysia, and increasingly to the United States and Australia.
- The post-1989 ceasefire strategy has permitted formerly anti-government militia rights to invest profits from the drug trade into the legal economy.
- The SPDC harbors known drug traffickers, permitting them to reside in the capital and invest in the legal economy.

Ceasefires and Criminal Enterprise

Conflict and narcotics production often conceals complex political and social agendas. Decades of civil war and underdevelopment have plagued the two major opium producers, Burma and Afghanistan, with an emphasis on the drug trade obscuring the underlying grievances that also fuel conflict.[2] The Golden Triangle became famous for its drug trade, but not for the complex civil war and political situation in Burma which fuelled it. While ethnic militia armies conducted most of the trade, ostensibly to fuel their fight against the Burmese government, or in the case of the Nationalist Chinese forces, the Kuomintang (KMT), to invade China, it became increasingly criminalized and profit oriented.[3] This gave the central Burmese government opportunity. The drug trade in Burma has always had a symbiotic relationship with the government. Successive military regimes since the 1960s have viewed drug

consortiums as a counterweight to genuine ethnic or ideological insurgents. Starting from the early 1960s, the socialist government raised village defense units, *Ka Kwey Yey* (KKY), to augment regular military forces. In return for acting as government militia, the KKY were permitted to engage in almost any business activities. For the Shan State in particular this translated into protecting opium convoys. Many of the prominent druglords of the Golden Triangle emerged from this system, including Khun Sa and Lo Hsing Han, both of whom were armed and directed by the military regime. From the 1970s, the Communist Party of Burma (CPB) also began protecting heroin caravans and opium fields. This complex nexus of collusion between druglords, insurgents and local military commanders is a system that has changed little since its formation four decades ago.[4] Indeed, many of the senior members of the SPDC would be well versed in these dynamics, having cut their teeth as officers in the volatile border regions where markets, drugs, security and crime blend into a complex system.

The current dynamics of the drug trade in Burma stem from dissolution of the Communist Party of Burma in 1989. Following a mutiny from its largely ethnic rank and file that drove the aging leadership into China, the SLORC had to stop the Communists from reforming into a range of smaller anti-government groupings. The head of the Directorate of Defense Services Intelligence (DDSI-*Tatmadaw* military intelligence), Brig. Khin Nyunt, flew to the north and negotiated with the mutineers. He enlisted the help of former Kokang opium warlord Lo Hsing-han, as well as retired Kokang warlady Olive Yang. The Communist forces had broken down into four new organizations: the Kachin dominated New Democratic Army (NDA), the Myanmar National Democratic Alliance Army (MNDAA) in Kokang and Mong Ko, and the Kokang Chinese constituted National Democratic Alliance Army (NDAA) in Möng La. The major deal was done with the largest mutiny group, the United Wa State Army (UWSA), commanded at the time by Chao Nyi Lai (Kyauk Nyi Lai).[5] The SPDC refers to the UWSA by its original post-mutiny name, the Myanmar National Solidarity Party (MNSP).[6]

The accord reached with these groups set the pattern for the string of agreements that soon followed. All groups would be permitted to retain their weapons and organization and full control over agreed territory. They were permitted to engage in any form of business activity, although with an

evident preference for SLORC or *Tatmadaw* controlled companies or contacts. They were promised increased infrastructure funding and social services provisions in their area through the newly created Border Areas Development Program (BADP), and would eventually be given a measure of legitimacy by participation in the National Convention to write the new constitution.[7] Often, the DDSI or local *Tatmadaw* commanders would engineer a split within a large group, signing separate agreements with splinter movements to bring more pressure to bear on large groups to cease fighting.[8] These splinter forces would often be designated as *Pyithu Sit* (People's Militias), a kind of resurrected *Ka Kwe Ye* (KKY-see below), and augmented by forced village sentry duty monitored by the *Tatmadaw*.

The other conditions were that the groups were no longer to target government forces, they were to remain in their agreed cantonment areas and not traverse government held areas unless granted permission, they were to withdraw from multilateral resistance organizations, and they were forbidden to maintain contact with other armed groups still fighting the government. According to one of the key facilitators of these agreements, "(i)nstead of focusing on the weapons issue, the negotiations centered around cooperation and coordinated efforts aimed at regional development and building mutual confidence, with the weapons issue relegated to secondary importance".[9] The SLORC propaganda for these agreements heralded the ceasefire groups as 'returning to the legal fold'. The state press gave daily attention during the 1990s to insurgents of any group or number 'abandon(ing) the path of armed struggle' and pursuing development. By 1996 the SLORC had achieved a cessation of hostilities with seventeen armed groups, although the Karenni National Progressive Party (KNPP) soon broke their agreement signed in 1995 and resumed hostilities after *Tatmadaw* aggression continued in Karenni State. Only the Karen National Union (KNU), KNPP, and Shan State Army-South (SSA-S) were the main groups that still defied the government after 1996. With the fall of the KNU headquarters at Manerplaw in early 1995, the SLORC appeared the strongest since the war started in 1948.

Table 2.1: Status of Insurgencies in Burma 2004

Group	Leaders	Ceasefire
Arakan Liberation Party (ALP)	Khine Ye Khine	-
Chin National Front (CNF)	Thomas Thangnou	-
Communist Party of Burma (CPB-Arakan State)	Saw Tun Oo	1997
Democratic Karen Buddhist Army (DKBA)	Tha Htoo Kyaw	12/1994
Gods Army (*Kersay Doh*)	Htoo brothers	*not active*
Kachin Defense Army (KDA)	Mahtu Naw	13/1/1991
Kachin Independence Organization (KIO)	Lamung Tu Jai	1/10/1993
Karen National Union (KNU)	Ba Thin Sein	temporary
Karen Peace Force	Saw Tha Mu Hei	24/2/1997
Karenni National Defense Army (KNDA)	Lee Rey	1996
Karenni National Progressive Party (KNPP) *	Hte Bupeh	1995
Karenni State Nationalities Peoples' Liberation Front (KNPLF)	Sandar & Htun Kyaw	9/5/1994
Kayan National Guard (KNG)	Gabriel Byan	27/2/1992
Kayan New Land Party (KNLP)	Shwe Aye	26/7/1994
KNU Special Region group (Toungoo)	Saw Farrey Moe	8/11/1997
Lahu National Organization (LNO)	Paya Ja Oo	-
Mergui-Tavoy United Front	Saw Han	-
Mon Army, Mergui District (MAMD)	Ong Suik Heang	1997
Mong Tai Army	Khun Sa	2/1/1996
Myanmar National Democracy Alliance Army (MNDAA-Kokang)	Phone Kyar Shin	21/3/1989
National Democratic Alliance Army (NDAA)	Sai Lin	1989
National Socialist Council of Nagaland (NSCN)	Khaplang	
NSCN East and NSCN Main faction	Isaac & Muivah	
National United Party of Arakan (NUPA)	Shwe Tha	-
New Democratic Army (Kachin) (NDA-K)	Ting Ying	15/12/1989
New Mon State Party (NMSP)	Nai Shwe Kyin	29/6/1995
Palaung State Liberation Party (PSLP)	Aik Mone	21/4/1991
Pa-O National Organization (PNO)	Aung Kham Hti	11/4/1991
Rakhine State All National Races Solidarity Party	Saw Tun Oo	24/2/1997
Rohingya National Alliance (RNA)	Nural Islam	-
Shan State Army (SSA) (aka SSA-South)	Yord Serk	-
Shan State Army-Shan State Progress Party (SSA) (SSA-North)	Loi Mao	2/9/1989
Shan State National Army (SSNA) (aka SSA-Central)	Karn Yawd	1995
Shan State Nationalities Liberation Organization (SSNLO)	Ta Kalei	9/10/1994
United Wa State Army (UWSA)	Pao Yuchang	9/5/1989
Vigorous Burmese Student Warriors (VBSW)	Kyaw Ni	-
Wa National Organization (WNO)	Maha Sa	-

* *ceasefire brokedown*

SOURCES "List of Cease-fire Agreements with the Junta", *The Irrawaddy*, January 2004, [http://www.irrawaddy.org/res/ceasefire.html], and Smith, Martin, *Burma. Insurgency and the Politics of Ethnicity*, London: Zed, 1999 (2nd Edition).

The ceasefires are a system of keeping ethnic forces in place, stopping the fighting by granting them business concessions which are often extra-legal,

and postponing genuine political dialogue on the place of ethnic nationalities in the Union. Trade concessions have included resource stripping, particularly logging, but also manufacturing, road building, hotels and casinos, and some agricultural projects. The lure of the drug trade is that it can be combined with legitimate business and concealed within other commercial activities. In this way, low- level involvement by groups such as the Pa-O, Palaung and some Kachin evade everyday scrutiny. The timber trade along the China-Burma border is deeply implicated in drug smuggling and money laundering profits.[10]

The ceasefire system is conditioned on durable disorder and violent competition for resources in place of a negotiated settlement.[11] The SPDC has evolved a policy of further complicating the borderlands by nurturing a range of groups whose prime motivation is now profit over politics, and through the support of the *Tatmadaw*, develop the border regions with drug money.[12] This has been aided and abetted during the past 15 years by the growing level of 'warlordism' by *Tatmadaw* regional commanders who see the benefits of 'regulating' illegal and informal trade to maintain order and attract funds for personal and corporate portfolios.[13] The result has been a widening of the drug trade since 1989 with new players, new products and an even deeper involvement of the leaders of the central government.

Heroin: Production, Transit and Markets

Heroin production in Burma begins in the mountain fields of Shan State, where an estimated 92% of the country's opium is grown.[14] From the fields to the global marketplace the transformation of opium into processed heroin goes through four major steps.[15]

1. Harvest

Opium (in Burmese, *bain*) poppies (*papaver somniferum*) grow in optimum conditions in the cool elevation of Northeastern Shan State. The farmers plant their opium fields in October, tending them until late February or early March when they are harvested. In the Southern Shan State, due to lower elevation, planting can begin as early as August. The average growing time is five months or approximately 120 days. Opium plantations tend to be in flat fields, but to avoid detection by satellite imagering systems, they are increasingly being planted in terraced fields in deep valleys. This avoids both

aerial detection and is also far away from roads where authorities and international observers could detect them. Investors in poppy fields provide the predominantly poor farmers with fertilizer to increase the yield. According to DEA reports, these investors can range from local merchants in the hills to business elites in Mandalay and Rangoon and major cities in the Shan States. They also often include business interests in China's Yunnan province.[16] The United Nations Office on Drugs and Crime estimated that in 2003 the number of people involved in poppy cultivation in the Shan State was 350,000 households, down from 440,000 in 2002.[17]

The average poppy field is one acre (0.4 hectare). It can hold approximately 100,000 poppy plants in the acre in densely planted rows. The plants can produce between 120,000 to 200,000 resin-producing pods. The yield per pod can be between 10 to 100 milligrams of opium resin. The average plot in 2003 produced an average yield of 13 kilos, up 30% from the previous year's average yield of 10 kilos. In 2003, the total opium poppy cultivation was estimated between 49,500 ha to 71,900 ha (mean average 62,200 ha).[18] The opium poppy bulbs in the 2003 survey were larger than those in 2002, indicating a larger yield. To harvest, the farmers come along the rows of poppies, scratching them with a small three-pronged knife. The white sticky juice of the poppy slowly oozes out where it turns into a black/brown sticky resin, when it is scraped into a broad spatula, a process known as 'lancing.'[19] The opium is dried for several days to remove the 15% water content. The farmers store the collected resin in their village to sell to the local merchant wholesaler. If the resin is dried and stored properly it can last indefinitely, and with reduced water content can also fetch a higher price.[20]

2. Refinement

Local merchants purchase the opium resin from the farmers at designated market towns. The 'farmgate price' for opium resin in 2003 was estimated at US$130 per kg or 107,000 kyats. In 2004 the farmgate price increased by eighty percent, to US$234 per kg.[21] The resin is then transported through the Shan State to a clandestine refinery for processing into No.4 heroin (*aye-ado-lei*), where the purity can be as much as 99%. The resin is stored for a certain period until an order comes through from a syndicate for processing. The refineries are technically mobile, but as they need to be physically stable,

stock many chemicals and be near a reliable water supply, their mobility is relatively limited. The opium goes through six stages to become heroin:

1. Water is heated in a large drum and raw opium added when the temperature reaches the correct level. Fertilizer is then added to help separate the morphine base from the resin. Ammonia is added to further purify the morphine. The reduction rate from the original resin is about 10%.
2. The morphine base is added to same part acetic anhydride (10 kilos to 10 kilos). After cooking for approximately six hours at 185 degrees F (85°C), the mix becomes a raw form of diacetylmorphine.
3. The mix is further purified by filtering through a mix of water and chloroform.
4. The mix is transferred to another container and filtered through sodium carbonate. This is where the raw heroin particles are separated.
5. The mix is further filtered through a mixture of alcohol and charcoal, heated until the alcohol is evaporated and only heroin flakes remain.
6. The heroin flakes are dissolved in alcohol, and then ether and hydrochloric acid are mixed in. The flakes are filtered out of the solution and then dried, producing high-grade heroin, which can be between 80-99% pure.

The whole process can take up to 20 hours and produces heavy chemical waste that can be detected using aerial surveillance. The chemists who manufacture the heroin are often highly skilled, as the procedure is quite difficult and the probability of explosion or fire is quite real as the chemicals are unstable. The processing yields one kilogram of heroin from 10-12 kilograms of raw opium.[22] The heroin is often marked with the brand of the lab or region it was produced in, the most famous brand being Double UO Globe (also known as Double Lion), the Golden Triangle's oldest and best known heroin brand, but also the '999' brand.

3. Domestic Transit

Armed militia groups often undertake the shipment of processed heroin from the refineries. These are predominantly UWSA cadres, sometimes caravans of up to a hundred heavily armed men who are paid to guard the transportation as contractors, or they transport heroin that their group has manufactured.[23] Other ethnic militia groups such as the Lahu (Muser), Akha and Kokang groups escort the heroin by jungle caravans or on government controlled roads concealed in trucks. Some shipments only practice a cursory concealment however. Part of the deal reached with the UWSA for instance, gives their marked trucks free transport through military and police checkpoints.

Photograph 2.1: Double UO Globe Brand heroin

They mount a large card with the UWSA flag or logo in the front window of the cab, which often gives them free passage through official checkpoints. The involvement of Burmese Military Intelligence (MI) is also a routine allegation, as drug shipments often have MI passes which permits them free and unfettered transit through the country. UWSA vehicles are easily spotted, because their licence plates are prefixed with UWN (north) or UWS (south). There is also evidence that MI personnel travel with the shipments to avert any other official interdiction. The price of Burmese manufactured heroin has fluctuated as opium production declines. One source claimed that heroin cost 120,000 baht per kg 11,000 baht per viss (1.6 kg), a sharp

reduction from 200,000 per kg, and 11,000 baht per viss in mid-2003. In Central Shan State the price is only 8,500 baht.[24]

4. International Transit

From the time processed heroin leaves the Golden Triangle, it can travel through a host of regional countries as it winds its way to North American, East Asian and Australian markets. Smuggling routes change in response to interdiction methods by neighboring countries. There are three main routes for Burmese produced heroin: through Southern China, Northwest India, and along the Thai-Burma border and through Burma via Mandalay and Rangoon.[25] In China some estimates put the product flow at 60-80% of the total.[26] The late 1990s also witnessed the western and northern routes of heroin transit upgraded. A significant but unquantifiable amount of the Golden Triangle's heroin moved through the wild frontier on the Indian border. *Tatmadaw* military intelligence units, which protected the transportation of heroin through Northwest Burma, could have facilitated a majority of this.[27] Recent routes have also shifted to Northern India, Laos through to Cambodia, and further south in Burma to leave by ship from the capital Rangoon.[28] Despite the constantly shifting routes, Thailand still intercepts major hauls of Burmese produced heroin.[29] Heroin is often shipped through Burma and outside the country in logs, which have holes drilled in them and then packed in order to conceal them from law enforcement. Heroin has been discovered this way in smuggling attempts into China and India and in Thailand in the past.[30]

The increasing Indian connection is worrisome. The four bordering states of India, Arunachal Pradesh, Nagaland, Manipur and Mizoram, are special administrative zones in the Northeast, which are plagued by insurgencies and separatist movements. In order to raise funds for their armed struggles, many of the groups, predominantly in Manipur, have been tempted to become increasingly involved in drug smuggling activities.[31] Given the shifts in production in the Shan States, it has also been observed that many of the opium fields 'decommissioned' by SPDC and UNODC efforts could merely be shifted to the western end of Kachin State.[32] The geography of northern Burma makes it unlikely that shipments of narcotics and precursor chemicals could move through this region without some level of official connivance. Roads are not numerous, the *Tatmadaw* presence is heavy, and most

observers have pointed to the shift in production and export along these routes. Might this be a silent shift to the West and South while the SPDC promotes its success in the Shan State?

The export syndicates tend to be dominated by Asian organized crime gangs, based in Hong Kong and Taiwan, with their affiliates in major cities in North America.[33] There is also evidence in a recent drug bust off the coast of Australia that North Korean intelligence agents are increasingly involved in purchasing and smuggling Burmese heroin to the West. Much of the heroin exported from Burma is directed at East Asian markets, and Australia.[34] The heroin that does reach the US is now more likely to arrive through Chinese Triad smugglers shipping it through Vancouver and Toronto in Canada. A recent report by Canadian counter narcotics officials placed the domestic Canadian demand for heroin at one to two tons of processed No.4, the vast majority of it originating from Burma.[35]

Heroin exports to the United States is much reduced, having been supplanted in the past decade by rising production in Colombia, Peru and Mexico. Burma remains the major supplier of processed heroin for East and Southeast Asian drug users. A recent report by the US Department of State claimed that: "(s)urveys indicate that heroin produced from Burmese opium is of little importance in the U.S. heroin market. Although methamphetamines produced in Burma do not enter the United States in significant numbers, they pose a significant threat to the countries of the region."[36] A US report on the nature of drug trafficking networks argued:

> Heroin trafficking organizations are not vertically integrated, and heroin shipments rarely remain under the control of a single individual or organization as they move from the overseas refinery to U.S. streets. Since responsibility and ownership of a particular drug shipment shifts each time the product changes hands, direct evidence of the relationship among producer, transporter, and wholesale distributor is extremely difficult to obtain.[37]

The heroin trade in Burma experienced a major increase in the early 1990s as a direct result of SPDC policies towards ceasefire groups. The recent downturn in production is due to three factors. The first is due to genuine efforts by UN agencies and the SPDC in crop replacement programs and development projects. Secondly, weather conditions, which seriously affected

the opium crops for the past four-five years, and third, a major market shift, away from heroin production to ATS production.

This does not mean that the heroin trade is in terminal decline in Burma. A temporary downturn as a result of government efforts to present a more positive international image, inclement weather and a market shift is not a reason for optimism when the system that perpetuates the drug trade has not changed at all. As long as the military rules the north of Burma in conjunction with major armed groups that are not given adequate political representation, then the allure of cheap and easy funding, for the disenfranchised ethnic groups *and* the military authorities, will be strong. Profit and power will not change as a result of Burma claiming a reduction in poppy cultivation, when yields are increasing, smaller and more dispersed plots are being cultivated, and projected opium plantation as a result of the forced relocations in the past four years are soon to emerge.

Table 2.2: Mark-up Value of Burmese Heroin, Burma – United States 2000

Shan State Burma	Northern Thailand	Bangkok	Hong Kong	United States
2,500-3,200	4,800-7,500	7,400-9,200	13,440-15,876	60,000-70,000

Prices in US$ per 700 grams of No.4 grade heroin

SOURCE: Drug Enforcement Administration, "The Price Dynamics of Southeast Asian Heroin", *Drug Intelligence Brief*, February 2001.

Amphetamine Type Stimulants (ATS): Production, Transit and Markets

The production of methamphetamines in Burma, known as amphetamine type stimulants (ATS), or by its Thai nickname, *yaa baa* (crazy medicine) began in the early 1990s (the Burmese name is *yaa maa*).[38] It provided heroin producing syndicates with a market alternative and proved quickly to be a cheap, easy to produce, transport and market product. Burmese production corresponds with a global rise in ATS as a serious drug issue.[39] Since 1997, the production and shipment of ATS from Burma has increased from tens of thousands to nearly one billion pills a year according to Thai Army intelligence sources.[40] In early 2004, some assessments claimed that 500 million ATS tablets were waiting to enter Thailand along the joint border.[41] Consumption in Burma is quite low, although there is anecdotal evidence that suggests consumption is rising in the border regions with farmers and

workers.[42] Methamphetamine is a hydrochloride, different from standard amphetamine, which is a sulphate. Methamphetamines are twice as strong as standard amphetamines and their effects last double the usual 'high'.[43] ATS production in Burma goes through three general stages.

1. Precursor Chemicals

Being a synthetic drug, the production of ATS requires a great deal of precursor chemicals. In the early days of ATS production in Burma, the laboratories used an abundant supply of natural ephedrine (*Ephedra vulgaris*), which grew wild in China's Yunnan Province.[44] A combination of exhaustion of the crop and Chinese government control of its exploitation, have caused the labs to move increasingly to synthetic ephedrine. Ephedrine for Burmese ATS manufacture primarily comes from China, India and to a lesser extent Thailand.[45] Most of the chemical travels overland, although Indian ephedrine is often transported by ship to Rangoon. In the past five years, SPDC customs and police have seized 8.7 tons of Indian ephedrine and 5.2 tons of Chinese ephedrine.[46]

Table 2.3: Regional Seizures of Ephedrine 1998-2002 (Metric Tons)

Country	1998	1999	2000	2001	2002
Burma	3.819	6.485	2.671	3.922	1.711
China	5.10	8.80	10.15	2.50	NA
India	1.051	2.134	.532	1.017	0.27

SOURCE: Drug Enforcement Agency (DEA), "Methamphetamine: The Current Threat in East Asia and the Pacific Rim", *Drug Intelligence Brief*, Washington D.C.: September 2003.

The manufacture of ATS also needs caffeine, which constitutes 70% of an average *yaa baa* pill.[47] A new form of *yaa baa* was detected in Thailand in late 2003, in a small cylindrical shape, but also pentagonal and octagonal. The ingredient structure was comparatively weaker, 15-20% methamphetamine, 35-44% of caffeine and large amount of ethyl vanilin (a strong vanilla flavoring), and pointed to Southern Burmese manufacture.[48] Many of these chemicals come into labs in Burma and Thailand from Northeast India, Southern China, and Northern Thailand.[49] The SPDC blames the production of ATS drugs on the suppliers of precursor chemicals, and increasingly that supplier is India. As CCDAC chairman Col. Kham Aung told one reporter recently: "Thailand has effectively controlled the smuggling

of caffeine, most of it is coming down from the Indian border and passing through Mandalay."[50]

All of Burma's neighbors have attempted to curb the illegal flow of precursor chemicals into the country, and the SPDC has similarly banned illegal imports. In mid-2003, a meeting involving representatives from China, Laos, India, Thailand and Burma met in Chiang Rai to start a more effective project of cooperation between the states to reduce precursor smuggling.[51] SPDC foreign minister Win Aung attempted to divert blame for ATS production in late 2002 by blaming the suppliers of precursor chemicals. A Shan leader in Thailand replied, "While no one argues that precursors are coming from outside Burma, we should also stop a while to figure out why there are so many drug refineries in Burma but very few in its neighboring countries."[52]

2. Manufacture

The manufacture of ATS is a relatively simple procedure. Often the machines used are no bigger than a small motor engine. An average machine can produce 800 pills a day. Some labs can produce up to a million pills a day according to a western anti-drug agent.[53] There are three sizes of compressors that manufacture the pills, the largest, which can produce eight per press, medium, which can produce three per press, and the smallest which can produce one. The chemists manufacture a series of pills and move the laboratories to another point after orders are filled to avoid detection. The ATS are produced into pill form and stamped with the brand name of the lab. These are often '99', '44', 'WY', and 'Star' brands, many of them UWSA or UWSA affiliated products, but the market shifts according to taste.[54]

The Thai Office for Narcotics Control Board (ONCB) monitor the market shifts quite closely and promotes awareness of the different pills that number close to 90 different brands. This market responsiveness even includes different coloring and the addition of flavoring such as chocolate, grape or vanilla to make it more attractive to users as young as eight years old. The competition between labs often sees a rapid marketing change, which Thai consumers claim is more exciting, and where cheaper manufactured pills 'copy' the design and color of popular brands to carve out greater market share.[55] Many of the labs that produce heroin also

manufacture ATS, as evidenced by trace elements of opiates in Burmese manufactured methamphetamines.[56]

Thai anti-drug officials are well aware of many of the labs along their border. As part of the SPDC's response to Thai pressure, many of the labs were relocated deeper inside Shan State, north to the UWSA capital at Pangshang, and into Eastern Shan State bordering the Mekong.[57] At the start of 2004, Thai counter-narcotics officials were estimating that 500 million ATS pills would enter Thailand that year, with many of them transiting the border town of Tachilek.[58] In response to the greater pressure on the Thai-Burma border, UWSA plants have for the past few years also moved into neighboring Laos. These refineries are often situated along the Lao-Burma border, but are moving further inland to the Luang Prabang region. From there they are moved in small lots into Northeast Thailand across the Mekong River.[59]

In the past three years, the labs and smuggling routes have moved further along the Mekong into Cambodia, which now boasts a significant share in the production of ATS with labs having emerged in Poipet and Pailin on the Thai-Cambodian border, Koh Kong and the capital Phnom Penh.[60] The considerable presence of Chinese organized crime networks in Cambodia have facilitated this trade, with some level of support from Burma based drug manufacturers such as the UWSA. In 2003, seizures of ATS in Cambodia increased by 50%. The UNODC claimed that 100,000 Lao or Burmese manufactured ATS tablets daily into Stung Treng Province.[61] While 80% of Burmese produced *yaa baa* still comes into Thailand through its Northwest border with Burma, this is a trend that will diversify with more points along the rugged and conflict wracked 2,400-kilometer borderline.[62]

In mid-2003 a new and more potent version of Burmese ATS, reputed to be five times stronger than an average *yaa baa* pill, was manufactured in the southern UWSA 214 Brigade area.[63] This market responsiveness also extends to looking for new types of ATS. Ecstasy consumption is growing in the regional capitals of Asia, and it was reported that Dutch chemists had been employed by Burmese ATS labs to produce batches of this designer drug.[64] In early 2004, four types of Ecstasy tabs were reportedly making their way into Thailand, having been produced in UWSA and Burmese army areas around Mongjawd across from Chiang Mai Province, and wholesaling for approximately 500 baht (US$10.10) each.[65] Another potent form of ATS,

called 'ice' (or *shabu* in the Philippines) is reportedly being manufactured in the Wa area.[66] It is this mobility and the ease with which they can avoid detection that has bedeviled Thai efforts to locate the labs inside Burma. There are currently approximately 60 labs strung along the Thai-Burma border, as far north as Kachin State and as far south as Karen State, and into Western Laos in Bokeo and Luang Namtha Provinces.

Photograph 2.2: Burmese ATS

Many labs moved further inland from the border after Thai Prime Minister Thaksin Shinawatra's visit to Burma in June 2001 when he asked Senior General (now President) Than Shwe to relocate the labs. 18 labs controlled by Wei Hsueh-kang were relocated from Mong Yawn close to the Thai border and shifted, with Burmese army assistance, to the Lao border and deeper into Shan State.[67]

3. Regional Transit

The smuggling of ATS into Thailand from both Burma and Laos follows a different pattern from heroin. The smugglers receive loads of ATS pills from UWSA and other syndicates to transport into Thailand through inaccessible jungle trails in small groups. Often these are only several thousand pills in backpacks and constitute what Thai counter-narcotics officers refer to as the

"ant trail." With the number of internally displaced people along the border fleeing fighting, refugees along the frontier in camps and non-camp environments, diverse ethnicity, cross border traders and a fluid and un-demarcated borderline, smugglers can often move drugs without hindrance.[68] This can constitute a squad of heavily armed UWSA soldiers or other ethnic militia groups such as the Lahu, at times a caravan of up to a hundred soldiers, or sometimes just a few poorly armed farmers. In early March 2003, it was reported that millions of ATS tablets were being prepared to enter Thailand in sizeable packages from the Wa controlled town of Hwe Aw, which the UWSA 171 Brigade had taken control of three years previously. "Day and night they are wrapping up 100,000 pill-packets", said one source.[69] After the downturn produced by the Royal Thai Government's (RTG) 'War on Drugs', these packets soon started flowing into Thailand. The larger groups such as the UWSA often employ poor farmers living along the border to transport the drugs across into Thailand. One Wa farmer who had been forcibly relocated from Northern Shan State told an NGO researcher how this operation worked:

> Before we came to this new place, we had only heard the name "Ya Ba". We had never seen it. Here there was a lot. If we transported it into Thailand, which would take one day and one night, we could get 10,000 Baht (approximately US$250). The people who did this earned a lot of money and brought things which we had never seen before. I simply grew four plots of opium".[70]

Trafficking from Karen State by elements of the regime-backed Democratic Karen Buddhist Army (DKBA) and *Tatmadaw* have markedly increased in the past few years as evidenced by increasing seizures in Thailand's Tak Province.[71] Using existing heroin smuggling routes, by trawler from Karen State or Rangoon, through the Southern Thai port town of Ranong is also on the increase.[72] One tried and tested method of shipping narcotics is for a human 'mule' to ingest the pills in condoms and then swallow the bags. In November 2003, Thai police arrested a number of ethnic Burmese men in Bangkok after one of them had been found to be in 'possession' of 22 bags of ATS, 4,340 pills in all. The man had swallowed the drug-filled condoms, boarded a flight in Chiang Rai and traveled to the capital, where he was waiting for nature to take its course when arrested by the police.[73] In India

and along the Thai-Burma border, cows have been utilized in a similar smuggling procedure, as using livestock means that the volume of smuggled product can be increased.[74] Once the pills reach the large Thai domestic market, they enter distribution networks and this is where the involvement of the Burmese narcotics syndicates and military generally ends. [75]

The price of an average *yaa baa* tablet, before the Royal Thai Army (RTA) crackdown on domestic distribution, was 30-50 baht (US 60 cents – $1.10) in a regional center such as Mae Sot, and 80-150 baht (US $1.80 cents – $3.20) in the capital Bangkok. The average price for manufacture is about 5 baht.[76] Most surveys record a nine-fold markup from production to retail. One estimate puts the price of the entire trade in Thailand at US$1.8 billion a year.[77] Thailand's 'War on Drugs' crackdown also had a perverse effect on spreading the distribution of *yaa baa*. At the end of the three-month operation, prices for *yaa baa* on the streets of Phnom Penh in Cambodia had dropped from 100 baht to 30 baht, as traffickers sent more products into Cambodia, encircling Thailand.[78] The mark up price for when *yaa baa* hits the street in the industrialized world is remarkable: in Bangkok US$1, in Japan US$20.[79] Burmese manufactured ATS has been seized in Australia, Brunei, Hong Kong, Indonesia, Malaysia, Singapore, Taiwan, Vietnam and Switzerland.[80] Australian Federal Police Commissioner Mick Keelty stated recently that ATS production is the biggest emerging drug threat in the region, reflected by increasing seizures of the drug and precursor chemicals. "In Burma now, the production of amphetamines is just huge", Keelty said in October 2004.[81]

The appearance of *yaa baa* in US markets is both a recent trend and a growing one.[82] The major seizure of *yaa baa*, in Sacramento California in August 2002, alarmed US counter narcotics officials. It is likely that exports to Thai and Laotion expatriate communities in California will expand to bigger markets. Already there is increasing use of the drug in the rave dance scene in the United States where it has already gained a sinister street name, 'Nazi Speed', for its strong effects.[83]

Main Players in the Drug Trade

The SPDC government provides a haven for semi-retired drug lords who have spent decades on the US wanted list. These figures have long been

involved in the narcotics trade and have chosen to reside in the capital Rangoon in order to launder their profits from the drug trade, engage in semi-legitimate business, and maintain some control over the narcotics trade by remote control. The two most notorious retirees are Khun Sa (alias Chiang Chi-fu) and Lo Hsing-Han, but there are many more who escape public attention and receive assistance from the Burmese authorities to continue their activities. The SPDC have two main rationales for harboring these fugitives who are also indicted in neighboring Thailand. Firstly, the information they have regarding Burmese government involvement in the drug trade. The SPDC has ignored repeated US requests to extradite Khun Sa and Lo Hsing Han, and many other lower ranking drug traffickers. Secondly, the millions of dollars they invest into the legal and semi-legal economy when they come into the cities. Without the investments of major drug dealers and their laundered money, the Burmese economy may have collapsed in the 1990s. The SLORC/SPDC needed to tax this investment in order to pay for its arms deals and keep the Burmese economy afloat. For the SPDC to claim they are serious about combating the drug trade and be harboring drug lords in the capital city is evidence of a deep collusion between the government and criminal elements, and lack of seriousness about cracking down on major figures in the drug trade. The most notorious figures are listed below.

Lo Hsing Han (Law Hsit-han)

Lo is a Kokang Chinese druglord from Burma's northern borderlands. He rose to prominence in the 1960s as a militia leader and major dealer in heroin. After his capture by Thai authorities in the 1970s, he was sentenced to death but was eventually extradited to Burma where he served a jail sentence between 1973-1980, before he cut a deal with the then Socialist government to retire in the capital.[84] He was brought out of semi-retirement in 1989 to assist the SLORC in achieving ceasefire deals with the Kokang and Wa leaders of the former communist forces. Lo Hsing Han was instrumental in carving out the peace deals that granted these groups privileges in economic enterprises, which led to a doubling of heroin production in the country. His reward was unfettered access to the Burmese economy in any legal or illegal activity he wished.

His family company, Asia World, was soon one of the biggest in the country and was notorious for its drug trafficking, money laundering and semi-legal interests in shipping, construction, hotels and manufacturing.[85] His interests also extend to road building, with Asia World upgrading the strategic road between Lashio and Muse on the Chinese border, from which it can extract lucrative tolls from transport.[86] Several prominent members of the then SLORC regime attended the wedding of his son, Steven Law in 1996, despite the US refusing him a visa on suspicion of involvement in the drug trade.[87] Asia World is now one of Burma's largest companies with offices and ventures throughout the country. Its owner is reputed to play golf and have regular meetings with SPDC officials.[88] In January 2002, a major Chinese language daily in Rangoon published a full-page congratulations notice for his 50th wedding anniversary.[89] Asia World was also supported by the now notorious Myanmar Fund, an investment group supported by Singapore Government capital (21%), which aimed to increase economic development in Burma but was soon alleged to be involved in money laundering.[90] Through the investment of Malaysian-Chinese businessman Robert Kuok, who held shares in Asia World during the 1990s, Lo Hsing Han also has a stake in Rangoon's Traders Hotel. By one estimate in the late 1990s, the Lo family had a controlling interest in 15% of foreign investment in Burma.[91]

Khun Sa (Chiang Chi-Fu)

A former pro-government militia leader in the *Ka Kwe Ye* (KKY), Khun Sa (alias Chiang Chi-Fu) is a Chinese- Shan druglord who was once the United States' primary target for drug capture. The USG still has a US$2 million reward for information leading to Khun Sa's capture, dating from a 1990 summons in a Brooklyn court on charges of smuggling heroin into the US. He is also alleged to have ordered the attempted assassination of a New York Assistant District Attorney for her investigation of his activities in the late 1980s.[92] Through a series of different groups, Khun Sa attempted to portray himself as a Shan nationalist, when he was in fact simply a commercially motivated druglord. His Mong Tai Army (MTA) was named as one of the biggest drug trafficking organizations in the world in the 1980s, and part of his success was in balancing Shan politics and the regional military authorities who he so effectively paid 'protection money'. Present

Army Chief Gen Maung Aye was Triangle Military Commander in the early 1990s, and was reputed to have amassed a small fortune from kickbacks from logging, precious stones, and narcotics. He never made a serious move against Khun Sa's forces.[93]

The SLORC regime did however stage a major offensive in 1994 to dislodge Khun Sa, and when the fortunes in the Byzantine drug trade of the Golden Triangle turned against him and in favor of the UWSA, he surrendered to the central government in early 1996.[94] He was given immunity from prosecution and permitted to engage in a range of business activities in Rangoon, where he was permitted to retire with his numerous young 'wives.' Allegations of bribery to facilitate this anti-climatic retirement are widespread. Far from ending opium production in the area, many new opium fields were planted and the business transferred to the direct control of the *Tatmadaw*.[95] Khun Sa invested much of his narcotics derived fortune into the 'legal' economy, in real estate, bus routes, hotels and other business ventures.[96] A recent report claims that his son's business interests include casinos and other ventures in the border town of Myawaddy.[97] In June 2004, the former druglord was reported to have died, causing much consternation along the border and in Shan State.[98] Khun Sa has been rumored to be ill in Rangoon, but maintains control of his extensive business holdings. After a lifetime in the narcotics business it is shameful that he has been given the reward of a peaceful and prosperous retirement and direct his profits through the SPDC controlled economy.[99]

Wei Hsueh-kang (aka Prasit Chivinnitipanya)

While not as visible as Lo Hsing Han and Khun Sa, Wei Hsueh-kang is well known in Thailand for being the chief of the UWSA-South faction. He is a long time dealer and kingpin in the Golden Triangle heroin trade. Originally a member of the Kuomintang drug smuggling ring, Wei was formerly a senior member of Khun Sa's MTA. Wei joined the UWSA in the early 1990s to assist them in their rise to power in the drug trade.[100] He was captured in Thailand in 1988 for the importation of 680 kgs of heroin into Prachuap Kiri Khan Province, although managed to bribe his escape from jail. A Thai court sentenced him to death in absentia in 1990.[101] He was indicted to stand trial in the United States in 1998.[102]

Wei has since been portrayed as the major ATS producer in the region, becoming so ostentatious in his activities that even his nominal commanders in the UWSA have asked for his activities to be curbed. In mid-2001 his Thai citizenship was revoked. Several months later many of his assets and business ventures in Thailand were seized, as well as those of one of his wives.[103] Pressure from the Thai government caused the SPDC to warn Wei to keep a lower profile.[104] The UWSA ordered their errant Southern commander to move deeper inside the Shan State, and in response he left Mong Yawn and relocated many of his ATS labs away from the border.[105] Reports that Wei had been arrested in June 2003 have not been confirmed and it is likely that he remains at large but has been requested to keep a low profile by members of the military government that protect him. His nephew Yutachai Sae-sim was killed in September 2003 in the Thai border town of Mae Sai after being caught trying to sell two million ATS tablets to undercover agents.[106] He was alleged to have been a major figure in the smuggling of precursor chemicals.

Latest reports on Wei's whereabouts claim he is staying at Tangyan in Northern Shan State in a UWSA controlled area. The report claims that he has changed his name to Aik Nyok and may have undergone plastic surgery, although such reports are difficult to verify. He reportedly still travels around quite freely, although well protected by a reported 200 soldiers.[107] SPDC officials regularly deny knowledge of Wei's location or business dealings, claiming he is beyond their control.

Sai Lin (aka Lin Ming-xian)

The leader of the National Democratic Alliance Army (NDAA-aka Eastern Shan State Army ESSA) and the Mayor of Möng La, in Shan State Special Region 4, Sai Lin is a former Chinese Red Guard volunteer who came to Burma to fight for the Burmese Communist Party. He is feted as a 'leader of one of the national races', and despite his Chinese ethnicity and lack of Burmese citizenship, is a participant in the National Convention and portrayed by the government as a partner in the struggle for narcotics eradication. He was appointed the Chairman of the Möng La Action Committee on Narcotics in the early 1990s by the then SLORC regime. Möng La "boasts gambling dens, karaoke bars, brothels, strip joints and clubs featuring transvestite shows".[108] Many of the Burmese government,

United Nations, and US Drug Enforcement Agency (DEA) show burnings of seized narcotics have taken place here. In April 1997, the enclave was declared 'drug-free' by Sai Lin and the SLORC, along with the Nampan and Silu areas.[109] In 2004, the UNODC conducted a limited opium survey in the region and declared it was still opium free. Lin maintains a Museum of Drug Suppression in the town that promotes the regime's 'efforts' on drug eradication. Until its sharp downturn in mid-2003, Möng La attracted 500,000 Chinese tourists a year, and is still the capital of a de-facto drug state used to launder illegal funds and bolstered by central government and United Nations Development Program (UNDP) funding.[110] As Bertil Lintner points out, "Lin Mingxian especially is reported to have been given generous contributions to high-ranking officers in Burma's military intelligence. In exchange, he enjoys protection from the government, which has enabled him to invest in legitimate business."[111]

Sai Htun Aye

A 39 year old ethnic Shan businessman who operates casinos and hotels in Muse on the Chinese border and Mandalay, Sai Htun Aye is close to former Prime Minister Khin Nyunt and the *Tatmadaw* commander of Northeastern Shan State. His nickname, So So Pyay Pyay Sai Htun Aye (Fresh and Lively Sai Htun Aye) derives from the name of his hotel in Mandalay. His emergence in the top ranks of drug dealers around Muse stems from a 2 million kyat bet on the lottery (he chose the last three digits from his pistol's serial number) from which he won 30 million kyat (US$30,000). Recently he was rumored to have arranged a drug deal with a Chinese associate for 500 kilos of heroin. Before the exchange was made, Sau Htun Aye replaced half the bags with fake drugs (*a-thuk*). The stolen heroin was then presented to North-East Regional military commander Gen. Myint Hlaing as a gift. His regular greeting to *Tatmadaw* officers is "*aba, ba lu lei*?" (Father, what do you need?), and around Muse people refer to Sai Htun Aye as the "oil that cooks the fish the SPDC eat."[112]

His other business dealings include smuggling of goods from China, factories and casinos in Mandalay, Lashio and Muse, and it is claimed that he launders money through construction and donations to charity in Shan State. He is rumored to have paid for the 600-million kyat (US$650,000) sports stadium in Muse opened in March 2004. His business networks include

many known drug producers who operate on the Chinese and Indian borders. His rise as a well-connected prominent businessman was facilitated through the information he supplied to Burmese military intelligence, and he carved out his present role as a result of the power shifts in the Kokang region of Shan State.[113] He is also known to provide generously to charities in the Muse area, including sponsoring Shan New Year celebrations.

Pao Yuchang (Bao Yu-chiang, Ta Pang)

The leader of the United Wa State Party (UWSP), Pao is a former Communist military officer who led the revolt against the Burman leadership in 1989. Having largely overseen the expansion of the 'Wa State' and its military and economic enterprises, Pao has been vocal in asserting the Wa organization's commitment to narcotics eradication. He promised that if the Wa region was not opium free by 2005 "you can come and chop my head off."[114] Soon after this statement, the Wa debated extending their opium free deadline to 2007.[115] Despite vigorous debate at Pangshang, the proposal was not adopted and the Wa are now running out of time to eradicate opium, especially as cultivation increased by 21% last year in the SSSR-2.

There is also increasing pressure on the UWSA by the Chinese authorities, who have warned Pao to curtail drug production. He is viewed as unpopular by the Wa people, who see him more as an entrepreneur than a leader. His position inside the UWSA is strong, but rumors persist that his deputy, Li Zu Ru, may eventually replace him.[116] Pao is a crucial figure in the drug trade as the strongman of the largest militia group, and despite his promises to the central government he expanded his narcotics business and used the funds to establish a semi-autonomous zone in the north that will bedevil attempts to achieve national reconciliation. Many observers who have met Pao are convinced that he now wishes to drastically reduce the UWSA's involvement in drug production. For the top leadership such as Pao, visible and easy targets, this may be true. He may be sincere in his desire to eradicate opium and provide alternatives to his people, but he has still consolidated a mini-state on the proceeds of the drug trade, and he continues to oversee a sizable part of the region's production.

Liu Szu-Po (aka Damrat Namsuwakhon)
Indicted in 1998 for smuggling heroin into the United States, Liu Szu-Po is a former associate of Khun Sa and a major operator of heroin refineries along the Thai Burmese border. He has evaded capture for several years, although it is highly likely that he has been accorded protection by Burmese authorities and continues to be involved in the processing of heroin.[117]

Chang Ping-Yun (aka Khun Saeng)
Another close associate of Khun Sa, Chang is believed to be living in Rangoon under the protection of the authorities.[118]

Phone Kyar Shin (aka Peng Jiasheng, Pheung Kar-shin)
The leader of the Kokang region, SSSR-1, was the first of the former CPB leaders to reach a ceasefire with the then SLORC regime. During the Opium War of late 1992, Phone and his brother were supported by Khun Sa's MTA, although they lost out to the traditional ruling family, the Yangs. He returned to China, and then to his son-in-law's enclave in SSSR-4, before re-establishing power in Kokang with the help of the SPDC.[119] Named for several years as a major drug producer by the USG International Narcotics Control Strategy reports, Phone Kyar Shin is a major drug producer who has been 'laundered' by the SPDC and is now seen as a respectable and cooperative partner in drug eradication. He participates in crop replacement ceremonies, meets UNODC and foreign aid groups, accepts World Food Program (WFP) emergency food aid, and has also been invited to attend the National Convention to write a new constitution. He was shown shaking hands with Khin Nyunt on the front page of the state run *New Light of Myanmar* in January 2004.[120]

Main Narcotics Producing Groups

Myanmar National Democratic Alliance Army (MNDAA)
Leadership: Phone Kyar Shin, Yang Mao-ling, Lui Go-shi
Strength: 1,500-2,000
Following the mutiny of the CPB, SLORC intelligence Chief Lt Gen. Khin Nyunt flew to the Kokang region to sign deals with the leaders of the emerging formations. He took with him Lo-Hsing Han, former KKY commander in Kokang and semi-retired opium king of the Golden Triangle

who was well connected to the ethnic Chinese warlords who rule the fiefdom of Kokang region. The Phone brothers, Jiafu and Kyar Shin, were granted leadership of the MNDAA, and in uneasy partnership with the warlord Yang family, control of the regions opium trade. They are headquartered at Laukai in Northern Shan State and are designated the Northern Shan State Special Region (1). In the years following the ceasefire, 23 new heroin refineries where opened in the region. Exports from Myanmar to Thailand, Laos and China, and from there to world markets, doubled in the first year after the ceasefire.[121]

In 1992 a contest for control of the MNDAA erupted between the Phone and Yang factions. This soon drew in other players to the dispute, with the UWSA supporting the Yangs and Khun Sa's MTA attempting to shore up the Phones. While Phone Kyar Shin lost out in the 1992 round of the heroin wars, he has eventually clawed back the reins of leadership. Despite an ostensible role as 'a leader of one of the national races' and 'assisting the government in opium eradication efforts' according to Burmese government pronouncements, Phone Kyar Shin and the MNDAA has little revolutionary or political motivation apart from a partnership of convenience to maintain its narcotics empire.

Maintaining a force of approximately 2,000 militia, but well equipped and connected to government figures, the MNDAA only poses a threat to the central government should they attempt a concerted curtailment of their business. The Peace Myanmar Group, headed by Yang Mao-liang, is but one of the businesses used by the MNDAA to launder drug profits and reinvest them in the legal economy. Their interests include electronics, distilleries, refineries and mills. Despite close links to Chinese authorities in Yunnan, this does not grant the MNDAA complete immunity. Enraged by continued drug shipments into Southern China and the concomitant rise in intravenous drug use, in 1994 the Chinese arrested and executed Yang Mao-xian, one of the Kokang Yangs and joint partner with Phone Kyar Shin of the militia.[122] The MNDAA merely changed their routes, despite pledging complete opium eradication by 2000. The *Bangkok Post* reported in late 2003 that nearly fifty percent of the narcotics still being produced in Northern Burma were originating in the SSSR-1.[123]

National Democratic Alliance Army (NDAA)
(aka Eastern Shan State Army)
Leadership: Sai Lin (Lin Ming-xian), Kyi Myint (Zhang Zhiming)
Strength: 3,500-4,000

The second of the former CPB forces to reach ceasefires, the NDAA is led by ethnic Chinese and former Red Guard Sai Lin (aka Lin Mingxian) and Kyi Myint (aka Zhang Zhiming). They signed their deal in June 1989 and maintain a base at Möng La, in the old CPB 815 War Zone in Eastern Kengtung on the Chinese border. As the son-in-law of MNDAA commander Phone Kyar Shin, Sai Lin has led the NDAA into a prominent role in the regional narcotics network as Shan State Special Region 4. The militia is organized into three units; the 369 Brigade under Khun Sanghu, the 815 Brigade under Lo Chingpao, and the 911 Brigade led by Sai Htoun.

Möng La was declared drug free in April 1997, and Sai Lin is feted as the head of the Möng La Action Committee on Narcotics. One of its board members was arrested in 1997 in a joint Thai police USG-DEA sting and extradited to stand trial in the United States on drug trafficking charges. Part of the Wa Alternative Development Project (WADP) is in SSSR-4, and despite the area being declared drug free, reports persist that opium fields are still being maintained in deep valleys and away from roads.[124] Möng La is also a major conduit for increased people smuggling, with established links with Chinese organized crime networks.[125]

United Wa State Army (UWSA)
Leadership: Pao Yuchang, Chao Nyi Lai (North), Wei Hsueh-kang (South)
Strength: 20-25,000

The United Wa State Party (UWSP) and their armed wing (UWSA) was created from a union of northern Wa at Panghsang near the Chinese border and southern Wa troops originally called the Wa National Army (WNA) at the town of Mong Yawn on the Burma/Thai border in 1989. The UWSA is commanded by Pao Yuchang (aka Ta Pang). His deputy Li Zi Ru is a former Chinese Red Guard. The former leader of the UWSP Chao Nyi Lai (aka Ta Lai) suffered a stroke in 1995 and was replaced by Pao. The leader of the southern Wa, ethnic Chinese Wei Hsueh-kang was indicted by a US court in June 1998 on charges of drug smuggling, and a US$2 million bounty put on his arrest. Thailand and the US have repeatedly called for Rangoon to arrest

Wei but to no avail. Pao Yuchang was also portrayed in *The New Light of Myanmar* shaking hands with Rangoon Mayor U Ko Lay after the purchase of a new office building in the capital.[126] The behavior of UWSA cadre in Mandalay caused resentment against the regime, which permitted their wild and unruly behavior to go unchecked. In November 1996, UWSA men shot and killed a Mandalay policeman sent to calm a rowdy party. The Mandalay Division commander ordered the police chief to ignore the incident, to the ire of Mandalay residents resentful over the Wa's wild behavior and their protection by the authorities.[127]

In 1994, the northern Wa forces started sending troops of the 894 Brigade south to shore up the southern faction's forces under the military leadership of Ta Tahng (aka Wei Sai-tang). This was the beginning of the push against Khun Sa's Mong Tai Army (MTA). By early 1996, joint UWSA and *Tatmadaw* offensives had compelled Khun Sa to surrender to the SLORC. The UWSA southern faction virtually stepped into the old warlord's business and took it over, although crucially the *Tatmadaw* maintained control of the MTA stronghold at Homong and its lucrative opium fields close by.

Forced relocations of over 100,000 Wa from Northern Shan State to settlements along the border with Thailand caused major hardships between 1999-2001. Existing Shan villages were forcibly relocated and Wa villagers moved hundreds of kilometers in poor conditions. This was widely seen as a cover for drug refineries. The Wa settlement at Mong Yawn, across from Thailand's Chiang Rai Province, became a major drug-producing zone for the Southern Wa Command. The Wa started building roads, schools, generating power and employing Thai construction workers and Chinese engineers to help them. According to one Western diplomat, this has become a direct challenge to Thai security. "The Thais have a 600-pound gorilla on the border and it's getting bigger and stronger as the months go by."[128] UWSA drug caravans routinely push into Northern Thailand, often clashing with Thai forces while attempting to import thousands of ATS tablets and processed heroin.[129]

The factions of the UWSA have an uneasy alliance, partly from political differences over the autonomy of the Wa area, mostly from competition over the opium smuggling trade which both are immediately engaged in. As a proviso of their ceasefire deal, the UWSA were permitted to engage in all business activity. To this end, the group has maintained close links with

Burmese military intelligence officials and *Tatmadaw* regional commanders in their areas. There are significant trends to indicate military officials have routinely permitted drug convoys free navigation through the country, reportedly for a 10% taxation levy.[130] The Wa admit to taxing opium cultivation, but claim that it only accounts for four percent of their earnings. Tensions between the northern and southern factions resulted in a major effort in late 2003 to remove the southern UWSA commander of 171 command, Wei Sai-tang, who was captured and imprisoned in Pangshang. [131]

Another example of the Wa armies extensive business interests can be seen in the case of the Myanmar Kyone Yeom Group, which had headquarters in Rangoon and extensive interests in construction, mining, real estate, and forestry. Its former chairman, UWSA Col. Kyaw Myint (aka Michael Hu Hwa) is said to have attended business meetings armed, and was reputedly furious that his attempts to wrest control of the Prime Commercial Bank were thwarted by the SPDC.[132] The business was closed down by the regime in late 1998 and Col. Kyaw Myint arrested. The next year he appeared in Bangkok, and from there he relocated to the United States and now resides in Canada, a move reportedly organized by the US Drug Enforcement Agency (DEA). He is seeking an apology from the now defunct news weekly *Asiaweek*, through its parent company Time Inc, for a 1998 article that detailed the Kyone Yeom Groups business interests.[133]

The UWSA also controls the National Races Cooperative Society which in the late 1990s offered 84% interest per annum, a clear money laundering business.[134] Another UWSA company, the Hong Pang Group, was marked for liquidation after *Tatmadaw* chief Lt Gen Maung Aye promised the Thai government he would curtail their drug business during an official visit to Bangkok in April 2002.[135] There has been no evidence that steps have been taken in this direction apart from the company's sign being taken down, and Thai media sources claim the group has transferred many of its interests to a company called Green Land.[136]

To diversify their business empire, the UWSA have become more involved in arms trafficking in the region, reportedly also with Burmese army manufactured weapons including G3 and G4 automatic rifles. These weapons are suspected to have been transported to rebels in Northeast India and Nepal. Other trades include counterfeit DVDs and cigarettes, many of

which can be detected in the border towns of Mae Sai-Tachilek. The Wa area, according to Bertil Lintner, "is truly becoming a criminal republic."[137]

In order to facilitate the transfer of narcotics across the border, the northern faction began resettling thousands of Wa and ethnic Chinese around Wei Hsueh-kang's stronghold of Mong Yawn.[138] The SPDC Government is now faced with a large, extremely well armed and battle hardened force that would take a major effort to curtail. This is despite the UWSA pledging to achieve complete opium eradication by 2005. Counter narcotics experts believe that crop replacement programs in the area around Mong Yawn are unsustainable for the settlers. There are plans in process to stage another major round of forced relocation in the Northern Wa area.

Kachin Defense Army (KDA)
Leadership: Mahtu Naw
Strength: 800-2,000
The KDA is the Kachin Independence Army's former 4th Brigade. Situated in Shan State, north of Lashio, it broke away before the mainstream Kachin group entered peace negotiations, signing its treaty on 11 January 1991. The KDA territory has been designated Shan State Special Region No.5, and while still operative, it is largely under the control of the far stronger MNDAA in the lucrative opium-growing region of northern Shan State. Reports implicate the KDA in narcotics smuggling through Kachin State to Manipur in India.[139]

Democratic Karen Buddhist Army (DKBA)
Leadership: Padoh Tha Htoo Kyaw (Chairman) and Sayadaw U Banddan Thuzana
Strength: 1,500 - 2,000
The DKBA was formed in December 1994 under the leadership of a Karen Buddhist monk, Sayadaw U Banddan Thuzana, the leader of the Kawthoolei Sangha Organization (KSO) at Myaing Gyi Ngu. It is clear that the SLORC and their military intelligence arm, the Directorate of Defense Services Intelligence (DDSI), had a guiding role in the formation of the DKBA. Since 1995 the DKBA have been fashioned into a government militia, conducting cross border raids on Karen refugee camps in Thailand. The ferocity of the attacks was designed to compel Karen refugees back into Burma where the new organization could control them. The DKBA often used these raids as

looting parties to gain goods and money in Thailand, both from Karen refugees and Thai civilians.[140]

The DKBA was until recently organized into four brigades; the 333 Brigade led by Brig. Gen. Pyar Pyar, 555 Brigade, 777 Brigade commanded by Brig. Gen. Maung Kyi, and the 999 Brigade commanded by Brig. Gen. Par Nwee.[141] They are dependent on the *Tatmadaw* for arms, equipment and uniforms and operate almost wholly as support for government offensives and operations. Their recruitment is largely through volunteers or forced recruitment from villages on a quota system. The relationship between the DKBA and the *Tatmadaw* is complex and different between operational regions. According to a report by the Karen Human Rights Group (KHRG), "(s)ome DKBA soldiers and commanders are more interested in personal power and loot than anything else, but there are also those who want to protect Karen people from the SPDC's abuses as much as they can."[142]

The government has permitted the DKBA to become involved in logging, and according to increasingly detailed accounts, smuggling in opium and methamphetamines. New drug smuggling routes for ATS were crossing into Thailand from Myawaddy, across from Mae Sot, and further south at Waley. In October 2001, Burmese police seized 6.9 million methamphetamine tablets in a car in Hpa-an in Karen State, the country's biggest haul.[143] The collusion of the DKBA, UWSA and the *Tatmadaw* is quite evident in Burma. In Myawaddy, the DKBA headquarters are situated next to the headquarters of the *Tatmadaw's* Military Intelligence Battalion 25 (MI-25), and the local UWSA office is reportedly on the same street.[144] According to opposition sources, the head of MI 25 special forces, Saw Si Htoo Wah, has set up five ATS labs in the area near the Karen State capital of Hpa-an. While cooperating with the MI in producing narcotics, the DKBA have also established an independent drug production to ensure revenue keeps coming.[145] Thai security officials interviewed in May 2003 along the central border maintained that most of the *yaa baa* in their area originated from DKBA units operating just across the border.[146]

The increased production is reflected by increased seizures. Increased ATS smuggling moves from the border area around Mae Sot to Phitsanulok in Central Thailand and then to Bangkok, north to Mandalay for transit to China, or by road to Hpa-an and Moulmein where it is shipped to international markets.[147] In late 2002, the Thai authorities arrested two

DKBA members in possession of 22 kgs (48 pounds) of heroin in Mae Ramat District of Tak Province.[148] The largest ever ATS seizure in Tak Province was in late 2003, when 9.43 million *yaa baa* tablets were found by the RTA in fertilizer sacks near Mae Sot.[149] A drug smuggler carrying 90,000 methamphetamine pills, allegedly from the DKBA's 907 Battalion was shot and killed by Thai security forces north of Mae Sot in November 2003. [150] In early September 2004, an officer with the DKBA's 207 Battalion was arrested while trying to sell 100,000 ATS tablets to a Thai undercover policeman under the Friendship Bridge in Mae Sot.[151]

The most likely suspect for the involvement in the Karen State drug trade is the 999 Brigade headquartered at Shwe Ko Ko, and their leader Maung Chit Thu. According to a report by the Centre for Geopolitical Drug Studies, there are three main areas that produce ATS in DKBA areas: in Myawaddy town, at Waley south of Myawaddy, and at the 999 Brigade HQ at Ko Ko.[152] Maung Chit Thu denies these allegations of involvement and claims that revenue for the DKBA comes from legal logging ventures with the SPDC. The DKBA further claim that they are anti-drugs and have stern penalties for any of their personnel that are involved. Nevertheless, the number of seizures of ATS emanating from Tak Province in Thailand, particularly Phop Phra, Waley and Mae Sot District have been increasing.

In late April 2003, an assassination attempt was made against Maung Chit Thu inside Karen State in which he was wounded, his wife seriously injured and his son killed. While there is no evidence to connect this assassination attempt directly with his involvement in the drug trade, given the DKBA's increasingly murky business it would not be surprising.[153]

The Karen National Union (KNU) have made several seizures of *yaa baa* when they attack *Tatmadaw* and DKBA outposts, a claim that is vigorously denied by the SPDC but which is privately verified by Thai security officials. ATS abuse amongst DKBA soldiers is also on the increase. The Karen Human Rights Group reports that during attacks on the KNLA 7 Brigade area in early 2004, DKBA soldiers appeared drugged. "Villagers and KNLA soldiers told KHRG researchers that the heavy casualties, at least among the DKBA, were in part because the soldiers had taken amphetamines before their assaults. KNLA soldiers reported that during assaults the DKBA soldiers charged headlong and did not seem to care about the gunfire or the landmines."[154] In mid-2004, relief teams visiting Karen sites in Pa-an District

reported greater ATS consumption amongst young Karen civilians, and those interviewed claimed that the involvement of the DKBA in drug production locally had risen markedly over the past year.[155]

Government Militia Groups (*Pyithu Sit*)

The SPDC have increased their reliance on paramilitary groups in the past several years, and many ostensibly civil society groups now undergo military training at various times of the year. These include the USDA, Myanmar Red Cross Society, and auxiliary fire brigades. The *Tatmadaw* conducts regular training in many villages and townships where one house selects a member, predominantly men but many women also, to attend compulsory military and 'spirit building' training. The villagers fund the training and they must often provide their own materials including home made weapons. Some militias are supplied with uniforms and insignia, although this is not widespread and is usually limited to a patch that says "Pyithu Sit" in Burmese[156]

A recently formed militia, known as the *Pyithu Swan-ar Shin* (People's Power), participated with USDA and plain-clothed *Tatmadaw* personnel in the harassment of Daw Aung San Suu Kyi's trip in Northern Burma before the brutal attack in Depayin on 30 May 2003.[157] In his 2004 Armed Forces Day speech, Senior General Than Shwe specifically named a "people's militia strategy" to "crush internal and external destructive elements", without elaborating on what such a strategy would entail.[158] Most of the public rallies organized by the SPDC, many to denounce Daw Aung San Su Kyi, Thailand and the Shan State Army, or US sanctions against Burma, have militia groups in attendance and many 'citizens' are organized into militarized formations such as "the Alaungpaya column" (Alaungpaya was a famous Burmese king). While many of the militias organized in urban areas are designed to increase social control and surveillance and spread the regime's propaganda machine, in many border areas the people's militias are routinely charged with being involved in the drug trade.

The democratic administration of U Nu in the 1950s started the *pyusawhti* (local militia) program to assist the *Tatmadaw* in pacifying the conflict-wracked countryside. Poorly paid and barely controlled by the centre, many of the *pyusawhti* degenerated into criminal gangs aligned to local power holders or as muscle for the local political bosses.[159] In 1963, the military

Revolutionary Council government instituted the *Ka Kwe Ye* (KKY-homeguard) program, which armed village militia to assist the *Tatmadaw* in prosecuting the civil war. These were also self-funding units, and particularly in the Shan State, the main source of finance was protecting the drug trade. Khun Sa and Lo Hsing Han are both former KKY commanders. The spread of the KKY units until their inglorious disbandment in 1973 further complicated the politics of the opium growing regions of Northern Burma, and the many of the biggest units transformed themselves into the main drug smuggling syndicates with a veneer of political credibility, such as Khun Sa's Mong Tai Army.[160]

While village based militias continued until 1988, these were largely for self -defense and did not have the sweeping local power of the KKY.[161] The SLORC/SPDC have conditionally resurrected the project, and state controlled militias are called *Pyithu Sit* (People's Militia). They operate in most of Burma's ethnic states, but there is a difference between the small locally raised militias used for sentry duty in villages and along roads and in assisting with local control, and large armed groups that have signed ceasefire agreements with the SPDC, including splinter groups from main formations. It is these large and relatively powerful *Pyithu Sit* in Shan State that have become deeply entrenched in the drug trade.

Many of the people's militias in Shan State are ethnic Lahu. A dispersed hill tribe that inhabits the borderlands of China, Burma, Laos and Thailand, the Lahu, numbering approximately 200,000 in Shan State, have often borne the brunt of fighting between larger lowland ethnic groups.[162] Since the rise of hostilities in the Shan State from the 1960s, Lahu armed groups have often worked in isolated villages and townships as militias aligned variously to government and insurgent forces.[163] One estimate places the number of these militias, also known as *Tha-ka sa-pha* (anti-insurgency militia), in Northern Shan State at ten, in Eastern Shan State there are 16, and in Southeastern Shan State there are ten.[164] Their role in the drug trade is predominantly as a protection force for refineries and transit of both raw and processed narcotics through the Shan State, sometimes in conjunction with *Tatmadaw* units or UWSA forces. The Eastern Shan State militia of Ja Seu-bo, called the Special Mobile Force of Nampang Tract, controls the drug trade in the eastern section of the Golden Triangle.[165]

Lahu militias have also been accused of conducting mercenary activities, undertaking dangerous operations on behalf of the *Tatmadaw* in offensives against the Shan State Army-South, including laying landmines along paths suspected to be used by the Shan resistance. The militias have also been routinely charged with human rights violations including extra judicial killings, looting and rape.[166] Many of the groups are ostensibly motivated to protecting their communities from *Tatmadaw* abuses, and involvement in the drug trade does afford their villages some exception from government abuse, but on other occasions the militia target Lahu settlements if ordered to by the SPDC.[167]

In Southern Shan State, many of the militia's are led by former officers of Khun Sa's MTA, and these have been estimated at six groups in total, with the largest numbered at 500 soldiers. The most visible of these pro-SPDC militias is the Homong Local Defense Force with 200 soldiers, commanded by the ethnic Wa leader Maha Ja. This militia runs the Shan State South Company which has interests in logging, gem mining, road building, construction, precursor chemical flows and methamphetamine production, all set up with the blessing of the SPDC.[168] The company also imports second hand cars from Thailand through the Huei-pheung Pass that connects Homong with Thailand's Mae Hong Son Province.[169]

In addition to the small militias, larger ceasefire groups have been suspected of harboring narcotics refineries within their designated ceasefire zones. Although they are often overlooked in debates on the drug trade, other insurgent forces such as the Pa-O, Palaung, the multi-ethnic Shan State Nationalities People's Liberation Organization, and the Kachin Defense Army (KDA), have been accused of permitting heroin and methamphetamine refineries to operate in their zones of control. Little information circulates about these activities, but seeing as these groups are rarely if ever detected smuggling narcotics across borders or through Burma, their involvement may be simply at the protection level.

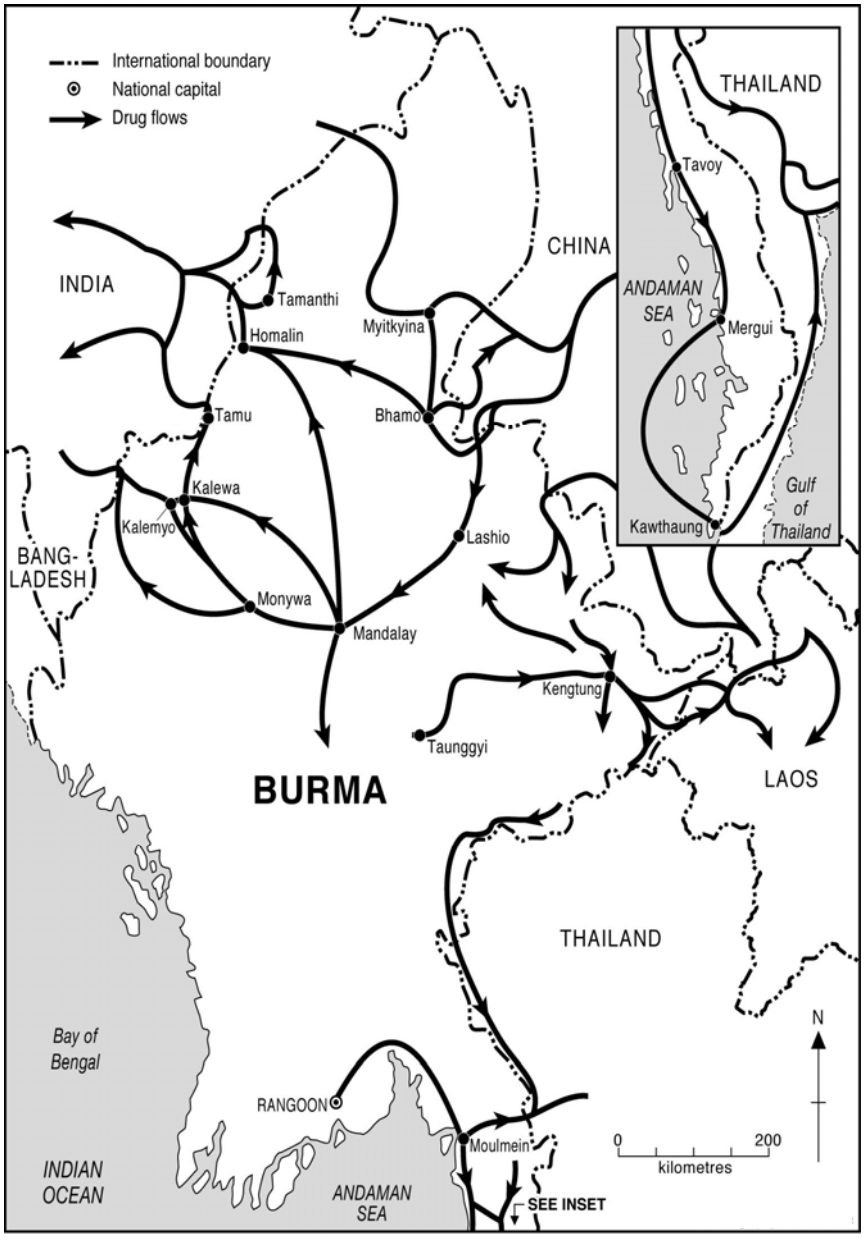
Box 2.1
The Colombian Comparison

The closest narcotics system to mirror what is happening in Burma is Colombia, which is a major supplier of both cocaine and heroin into the United States. The transformation of the *Fuerzas Armadas Revolucionarias de Colombia* (FARC) from a revolutionary movement to a major narcotics syndicate has increased the complexity of the country's long running civil war since the *la Violencia* between 1946-1965. The FARC grew from a force of 900 cadres constituting 9 'fronts' (*frente*) in the early 1980s, to 15,000 cadres on over 60 'fronts' in the late 1990s. The taxation and protection of Colombia's cocaine, heroin and marijuana trade financed much of this expansion.[170] A recent estimate put the annual profits from FARCs illegal fundraising at US$360 million, with 48 percent coming from narcotics protection, and the rest from extortion, kidnapping and cattle theft.[171] According to one study, the FARC directs fifty percent of its forces to protecting its drug business. The organization reinvests 80 percent of its profits into legal business and investments, which it then distributes to communities in the 40 percent of the country it claims control over to garner political support. As the power of the Cali and Medellin cartels dissipated in the 1990s, the FARC stepped into the breach and now taxes (*gramaje*) approximately 80 percent of the cocaine leaving the country. The war against the government has thus escalated as the military strength of the FARC increased, as did the other major insurgent group the *Ejército de Liberatión National* (ELN). As a response, the USG announced in 2000 the US$1.3 billion Plan Colombia to assist the Colombian military in drug suppression.[172]

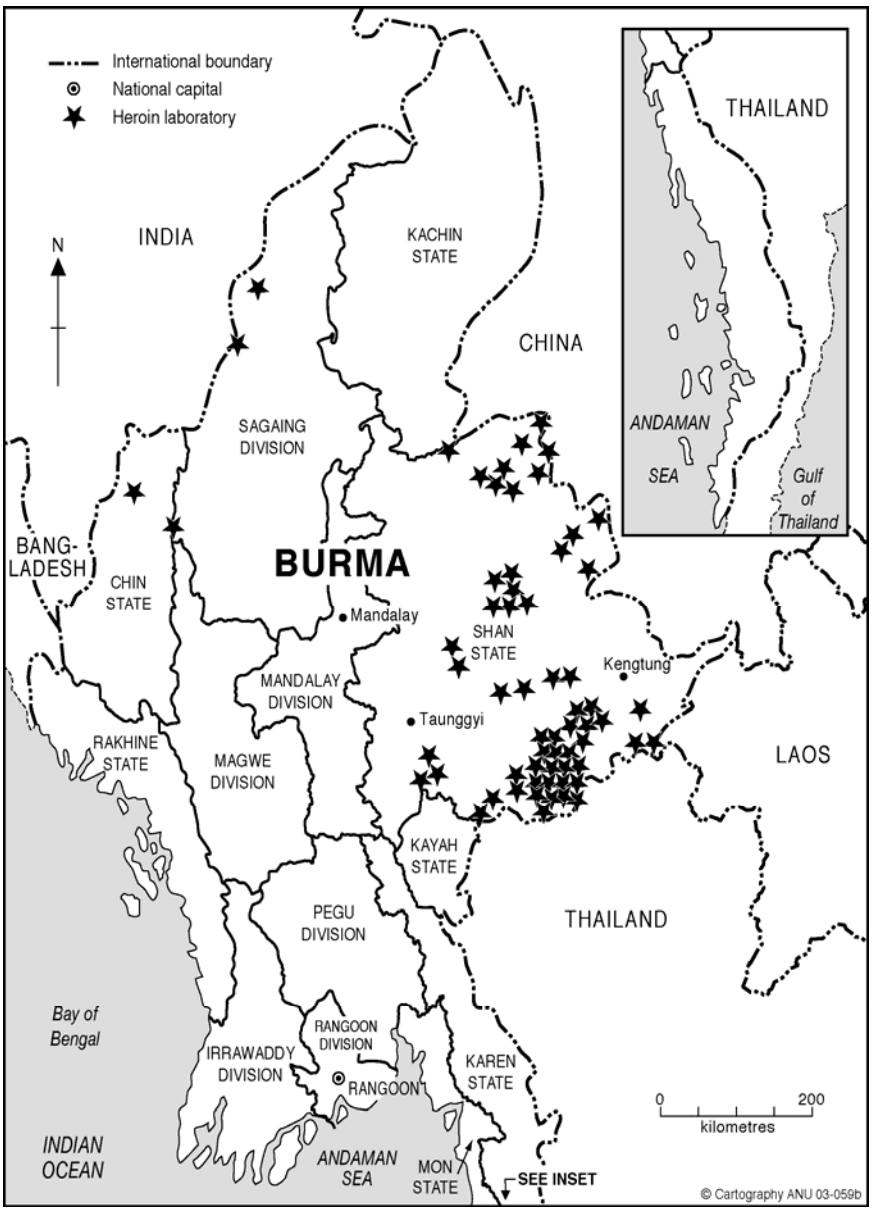
The FARC are the second largest narcotics producing group in the world, and have been listed by the USG and the EU as a terrorist organization.[173] The UWSA is almost *twice* as large as the FARC, and controls comparatively more territory in Northern Burma, although the level of administrative control both groups exert is similar.[174] The difference is the UWSA does not fight against the central government as does the FARC, but has cooperated with the SPDC for the past 14 years in business, development programs, by fighting non-ceasefire ethnic groups, and in the production and transit of its narcotics. The symbiosis between the government, commercially motivated insurgents, transnational criminal groups, and then in a distant way, terrorist organizations, is quite real in Burma.[175] The glaring difference is that in Burma the government sees the UWSA and other syndicates as partners in a peace process, whereas in Colombia they are rightfully outlawed and their activities fought against. Part of this can be explained by Colombia's genuine desire to strengthen its democratic base and rid the country of the crushing effect of narcotics production. While not perfect, Colombia's commitment to democratic governance, a free press and positive development policies open to the world are at serious odds to the SPDC's approach.

Nevertheless, Plan Colombia has been heavily criticized for its attendant human rights abuses by security forces and right wing paramilitary militias. An overwhelming majority of the funding is directed at military aid and law enforcement methods, much less directed to the developmentalist dimension. The alternative development aspects of the Plan, receiving a fraction of the overall budget, are also overrated and systemically flawed.[176] Aerial spraying, corruption by government officials that sees the redirection of development funds from poor rural communities to more urban and developed areas, and the forced relocation of coca growing communities result in systematic human security threats to rural populations. The IDP situation in Colombia has steadily increased since the Plan started in 2000.[177] Colombia provides a cautionary tale for how a post reform drug policy in Burma should proceed, and massive ventures such as Plan Colombia should be avoided and more peaceful and gradual solutions sought.

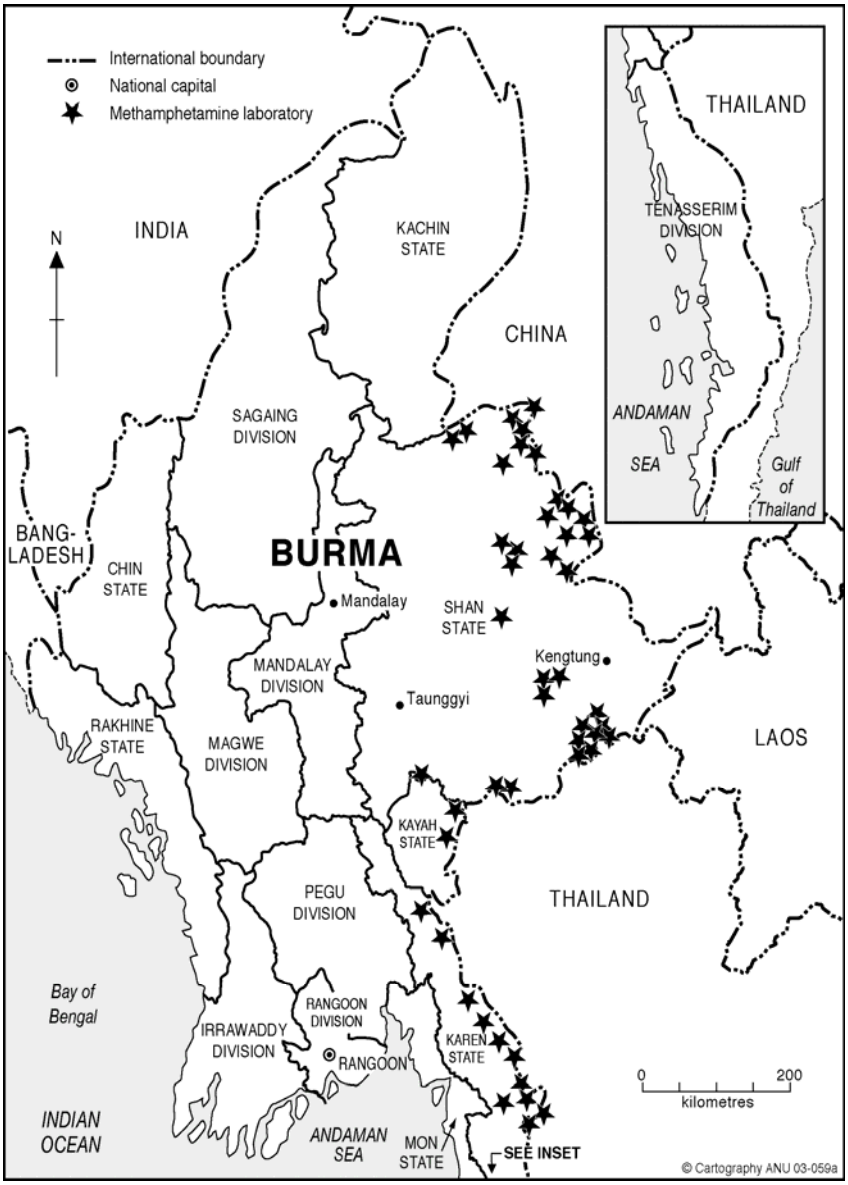
Map 2.1: Main Drug Smuggling Routes from Burma 2000-2003



Map 2.2: Heroin Laboratories in Burma 2002-2003



Map 2.3: Methamphetamine Laboratories in Burma 2002-2003



Photograph 2.3: U Phone Kyar Shin of the Kokang group with Prime Minister Khin Nyunt, Rangoon 19 January 2004

SOURCE: Myanmar Television

Photograph 2.4: A billboard depicts Sai Lin, leader of the NDAA, and Prime Minister of Burma Lt. Gen Khin Nyunt, Möng La SSSR-4

SOURCE: Altsean-Burma

Photograph 2.5: A billboard depicting Pao Yu-chang, leader of the UWSA and Prime Minister of Burma Lt. Gen Khin Nyunt, Pangshang, SSSR-2

SOURCE: Altsean-Burma

Photograph 2.6: Brig. Khin Nyunt meeting leaders of the newly formed United Wa State Party, Northern Shan State, November 1989

SOURCE: SPDC Arms for Peace Website

Photograph 2.7: Wei Hsueh-kang of the United Wa State Army (UWSA)

Photograph 2.8: Khun Sa

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Part III
Domestic Effects of the Drug Trade

- While not an official policy, military involvement in the drug trade is systemic and multi-layered, reaching from the generals in Rangoon to troops on the ground.
- Involvement in protection of the drug trade is on both corporate and personal levels.
- Money laundering provisions are insufficient to address the level of drug profits propping up the national economy, and the degradation of the financial system actively encourages the circulation of illicit drug money.
- Most of Burma's banks are strongly suspected of laundering drug profits from narcotics producers and members of the military government, and some of them are directly controlled by figures with strong links to the drug trade.
- The health impacts on society are exacerbated by the regime's refusal to adequately address the HIV/AIDS epidemic, with nearly 60% of the HIV infection related to intravenous drug use.

SPDC involvement in the Drug Trade: Three Degrees of Separation

Is the SPDC benefiting from proceeds of the drugs trade? While there is no evidence directly linking the regime and the illegal trade on a policy level, there are examples that demonstrate connivance and cooperation at all levels of the military. Several studies on Burma maintain that the gap between budget shortfalls in the 1990s and sizeable weapons purchases could only be explained by proceeds from the drug trade. This, and the increasingly ostentatious display of wealth by top members of the regime, point to the involvement of the SPDC in business ventures that are of dubious legality. The question of involvement by the regime in the narco-economy can be viewed through three main avenues, the budget shortfalls of the government, the banking system and the scope of money laundering in the country.

By analyzing Burma's current accounts, several sources have argued that US$600 million in the fiscal year 1995/96 could not be adequately explained. Many of the conclusions argue that this money was received by the SPDC from narcotics producers to pay for weapons purchases from China. Burma expert Bertil Lintner argues that the regime could not account for US$600

million inflow into the legal economy in fiscal year 1995/96, leading to the only possible explanation that it was generated by proceeds from the drug trade. The only other source for such a huge sum was the jade trade, which had been tightly controlled by the regime since 1988.[1] Proceeds from rapacious logging along the border from China and Thailand is also insufficient to explain the budget shortfall, certainly as most of the profits flow into Chinese companies. Global Witness claims that 11% of foreign exchange earnings come from the timber trade, approximately US$280 million in 2001.[2]

Allegations of suspicious budget shortfalls was supported by an annual survey from the US Embassy in Rangoon, which in 1996 outlined "errors and omissions" in Burma's current accounts, and estimated the export of heroin to be the same as legal exports.[3] Another survey by the US Embassy in Rangoon in the mid-late 1990s is rumored to have established close links between the Burmese regime and drug money, but has yet to be been made public. An independent investigation of the extent of regime financing from drug proceeds since 1988 should be undertaken before any counter-narcotics assistance is renewed.

One report by an Australian academic claimed that members of the regime invested in heroin refineries based on business links gained through their personal relations with druglords.[4] Chief of the Burmese army, General Maung Aye for instance, was close to Khun Sa from when he was the Commander of Eastern Command in Southern Shan State.[5] Lieutenant General Khin Nyunt, the head of Military Intelligence, personally gained from the business relationship he developed with Lo Hsing Han during the ceasefire rounds of the late 1980s and early 1990s, and in links with Sai Lin (Lin Mingxian) of the NDAA. Khin Nyunt was also alleged to hold shares in five ATS labs close to Möng La.[6] His widespread nickname in Burma is "No.4 Khin Nyunt", for his widely suspected involvement in protecting the heroin trade. While these claims seem fantastic, there is no better demonstration of the immunity of many of these labs than the protection afforded by key shareholders in the SPDC, and they are the only logical explanation for why production has stayed so protected.

Yet personal profits by members of the regime is not the only way that drug profits creep into the economy. The business activities of military controlled companies, particularly the Union of Myanmar Economic

Holdings (UMEH), have been rumored to be involved at some level in money laundering, or with joint ventures with drug syndicate controlled business. The UMEH has also been accused of illegal activities at worst, and cronyism at best.[7] Started in 1990, 40% owned by the *Tatmadaw's* Directorate of Defense Procurement and the remaining 60% by soldiers, mostly senior officers, the UMEH is now the most powerful company in the country with interests in manufacturing, petroleum, communications, and construction.[8] The UMEH also completely owns the Myawaddy Bank and Inwa Bank, both under suspicion of laundering drug profits. Even an observer close to the military has argued, "It is a fact that the *Tatmadaw* has access to all sectors of the economy, including those under government monopoly, and it is no longer completely dependent on the government to allocate its budget."[9]

Top Level Collusion

There has long been suspicion that senior members of the SPDC directly benefit from the drug trade, although there has never been a prosecution of any senior member of the military regime. The USG has stated that "there is no direct evidence that senior officials in the Burmese Government are directly involved in the drug trade". Nevertheless, the International Narcotics Control Strategy Report 2002 makes the claim that,

> (N)o Burma Army officer over the rank of full Colonel has ever been prosecuted for drug offenses in Burma. This fact, the prominent role in Burma of notorious narcotics traffickers and the continuance of large-scale narcotics trafficking over years of intrusive military rule have given rise to speculation that some senior military leaders protect or are otherwise involved with narcotics traffickers.[10]

The drug trade is an opaque business, and direct evidence is clearly hard to come by. Yet there is much circumstantial evidence that points to a personalized system of profit and protection. The extent of collusion between the state and these warlords has received some attention, but a detailed work on the governance network that has emerged has, with few exceptions, not been produced.[11] Bertil Lintner recently elucidated the symbiotic relationship between crime and governance that exists in East Asia. He demonstrates the mutually supporting links between business,

criminal syndicates and the state that are particularly salient in Burma. In April 1999, during celebrations on the tenth anniversary of the CPB mutiny, then Colonel Kyaw Thein of *Tatmadaw* military intelligence stood with Pao Yuchang and Sai Lin in Pangshang to argue that ethnic Chinese crime syndicates were behind the drug trade, and alluded to the efforts by the two men in defeating narcotics. Nearby stood Lt Gen Khin Nyunt, now the Prime Minister of Burma, and the staunchest ally of the ceasefire groups. The protection of known drug producers is controlled from the highest level of the SPDC. [12]

The ceasefire deals reached with many of the insurgent groups necessitated the involvement of former drug lords, many of whom still maintain links with the trade and illegal business. The SLORC/SPDC needed these contacts to forge deals with the former communist forces. From there the relationships blossomed into regular contact, mutual assistance, and investment opportunities where top generals purchase "shares" in drug producing labs.[13] The top generals of the military regime soon became closely linked with senior members of the Wa and Kokang groups, which are the major producers of drugs.[14] Convincing the leaders of these militias to sign opium free pledges and divert some of their profits into infrastructure development creates the impression that they are genuinely assisting with national development, when in most cases it is a cooperation in making their rackets more lucrative.[15]

Throughout the 1990s, trends which indicated that drug money was propping up the economy, were clearly evident, and links between business ventures and regime members were close and extended to regional banking and investment hubs such as Singapore.[16] The Singapore Government Investment Corporation maintained shares in the Myanmar Fund, which in turn held a 25% option in the Asia World Company owned by Lo Hsing Han.[17] Singaporean banks were regularly accused as being conduits for Burmese drug profits. The rise in drug production during this period can only be explained by some form of government permission, and the decline since 1998 is the result of changing patterns of patron-client relationships between the SPDC and major drug producing syndicates.[18] Just as an explosion of drug production was 'permitted' during the 1990s, so a reduction to grant the regime and their allies more international legitimacy has been staged.

Middle Level Collusion

The middle level of official collusion involves regional military commanders and the commanders of local battalions that operate in drug producing areas. This has been a close cooperative system since the 1960s, when commanders took a protective role in 'ordering' rackets in their territory, receiving bribes and protection money. It was also a source of intelligence for the *Tatmadaw*, who could gain information on insurgents from drug smugglers, merchants and criminals. According to Colonel Yord Serk of the Shan State Army-South, "At the mid-level, such as Division commanders and Brigade commanders, officers get bribes from drug dealers, cultivation tax from poppy fields, tax from drugs traders and protection fees."[19] Regional commanders in the Burmese military, at the rank of Major General, earn a weekly wage of 50,000 kyats (approximately US$55).[20] This comparatively meager wage is supplemented by income from patronage contributions from a range of business interests. For example, all six casinos in the Burma-China border town of Muse send the Northeastern Regional Military Commander in Lashio, Major General Myint Hlaing, 300,000 yuan (US$36,224) each month for his protection.[21] The large houses with satellite dishes that senior military officers reside, and the expensive foreign cars they travel in, are starkly at odds with the general poverty around them.[22]

The ostentation of Burmese military officers is not as lavish by international dictator standards, and there are no grand palaces for example. Yet they are noticeably better off than the vast majority of the population, they have ready access to alternative sources of income, and their families receive good health and education opportunities and business concessions. Crony capitalism props up the Burmese economy and the military leaders of Burma are the main players.[23]

Allegations that local military units coerce farmers into growing opium to pay for taxes are not new. The 'system' is that farming communities are urged by units to grow opium in locations difficult to detect, pay tax to the unit for the plantation, and then sell the opium to either the unit members or merchants they recommend.[24] In 1999 the average tax for a field was 4,000 kyats (US$8 at 1999 prices) in Eastern Shan State around Kengtung.[25] In late 2003 the tax price per *viss* (1.6 kgs) of opium was between 14-20% for the local military unit, LIB 569 in Southern Shan State.[26]

Tatmadaw Military Intelligence (MI) battalions often directly assist the transit of drugs around the country. In the volatile border town of Myawaddy, across from Mae Sot in Thailand's Tak Province, the local MI Battalion 25 works directly with the local representatives of the United Wa State Army (UWSA), and with the pro-government Democratic Karen Buddhist Army (DKBA). The significant haul of nearly 10 million ATS pills by the Thai army near Mae Sot in October 2003 was rumored to have originated with the help of MI 25 officers.[27] One DKBA defector told a foreign journalist of how easy the arrangement was to transport drugs, claiming it "was no problem".

> They never bothered us. Usually an officer from MI 25 was there and he spoke with our unit commander. When we arrived at Pa-an (the Karen State capitol in Burma) two MI 25 officers followed us in their government jeep. He (the officer) used his radio to warn Myawaddy we were coming through. We had no trouble at any checkpoints. They all had their instructions.[28]

The MI Battalion in southern Burma at Kawthaung, MI 19, is involved in the protection of narcotics shipped through the south to Malaysia. An MI officer in charge in Kyauktaw Township in Arakan State was arrested in July 2003 for "possessing unexplainable quantities of properties", and was reputed to be a major figure in drugs distribution and illegal logging.[29] These MI battalions are under the direct control of the Directorate of Defense Services Intelligence (DDSI) in Rangoon, commanded almost exclusively by Secretary No.1 Khin Nyunt (now Prime Minister of Burma). Given the weight of circumstantial evidence of the complicity of MI units, it would be unlikely that Lt Gen Khin Nyunt would be unaware of these activities. In February 2004, a directive was reportedly issued specifically prohibiting MI employees from using the agency's name in their business dealings.[30]

Tatmadaw battalions also run opium fields in their territory. Evidence gained from a range of human rights groups interviewing farmers point to a system whereby farmers in certain opium growing zones are forced by the local unit to plant, tend and harvest opium poppies. One farmer interviewed for a report on forced labor stated "(T)he military asks us to do opium farming and people can't refuse to do it. The military has done this for a while; if people do not know how to plant opium, the military helps them."[31]

The level of organization is quite straightforward. *Tatmadaw* officers call local militia leaders, merchants, and leaders of drug syndicates and levy taxes on the opium crop. In a recent case, the commanding officer of 1st Company, IB 65 in Mongton Township, 40 kms from the Thai border, called together three Lahu militia leaders who would act as buying agents, and instructed them to purchase opium from the surrounding villages, at the price of 6,000 – 8,000 baht (US$145-193) per *joy* (approx. 1 basket). According to the *Shan Herald Agency for News*, IB 65 controlled all the drug business in the area in cooperation with the UWSA-South 171 Brigade, in particular the brother of UWSA leader Wei Hsueh-ying.[32] At Nampoong in the Tachilek area, the local ATS business is run by the local militia commander and protected by LIB 359. The lab north of Tachilek, run by a Wa and local militia, is protected by LIB 316.[33]

Areas where the SPDC claim eradication efforts have been effective are still operating, albeit now under *Tatmadaw* control. In the Homong area once controlled by drug lord Khun Sa, farmers reported that two years after the 1996 surrender, *Tatmadaw* units were forcing them to grow opium and taxed it. "(T)hey (Light Infantry Battalion 332) force the villagers to grow opium and then they collect opium taxes. They have to pay 12,000 kyats. They had already paid the taxes, but after they had paid and were selling the opium the soldiers arrested them. They took all the opium but they didn't do anything to the people. So they tell the villagers to grow opium, they take the taxes but then they also take the opium from the villagers when they see them selling or buying it."[34] Other examples of collusion include,

- In 2001 when UWSA ATS labs were asked to move away from the Thai-Burma border by the SPDC, LIB 329 under the command of Major Theing Aung in Monghpiak, deployed his forces to facilitate the UWSA moving the labs to the Lao border. "The Burmese army's mission is to tighten the grid of refineries locations, to escort drug convoys and to transport precursor chemicals." For this, units in the area were paid one Thai baht per pill (US$0.02), amounting to approximately 10% of the border price of each pill.[35]
- Seven battalions of the *Tatmadaw* 66 Infantry Division around Mong Pan District of Southern Shan State control opium cultivation, heroin refineries and methamphetamine production in conjunction with the

UWSA-South forces and the Homong Local Defense Force militia of Maha Ja. The *Tatmadaw* units tax the opium yield, receiving 40,000 kyat (approximately US$50) per rai (0.5 acre).[36]

- Troops from LIB 332 guarded two heroin and two ATS refineries near Mongpan in Eastern Shan State. Troops at nearby Artillery Battalion 17 were alleged to have loaded heroin onto two helicopters for transit somewhere in the country during August 2002.[37]
- MI 24 based in Tachilek gave prior notice to UWSA cadre and other ceasefire groups before staging a 'crackdown' on their activities in May 2002. This was to ensure that UWSA and other protected drug dealers were not arrested in the operation.[38]
- *Tatmadaw* Colonel Win Kyi, of the Mong Taw (Shan State) Military Operation Command (MOC) supervised the taxation of local opium plantations run by IB 65 in the area, in conjunction with IB 225, IB 277, and LIB 519. The former commander of IB 65, Lt Col Myint Swe was alleged to be the 'middleman' for drug business in this area, a responsibility passed on to all subsequent commanders of this key *Tatmadaw* unit.[39]
- In Phekhon Township of Southern Shan State, the SPDC units IB 422, IB 421, and IB 336, erected numerous checkpoints around the town to extort taxes from villagers and drug merchants. According to one report, drug dealers "share 90% of the final price of opium to the checkpoints officials along the drugs routes."[40]
- In March 2003, 150-320 grams of opium were extracted in tax from the village of Mong In Tract, Kengtung, for 'protection' by LIB 226 and LIB 314.[41]

Low Level Collusion

Since the expansion of the military during the 1990s and the further weakening of the economy during that period, the SPDC's ability to adequately pay its rank and file soldiers has been seriously affected. Since 1998, certain units operating in border regions have been instructed to "live off the land".[42] According to the authoritative Karen Human Rights Group (KRHG), "(t)he rations were drastically cut in 1998 by the War Office in Rangoon, and orders were sent out to Battalions throughout the entire

country to either produce much of their own food, or take it from the local people."[43]

Andrew Selth, a leading expert on the Burmese military, argues that this order was intended for "the 12 Regional Commanders to meet their basic logistical needs locally, rather than rely on the central supply system."[44] This self-sufficiency program has several elements. One is that soldiers now tend fields, keep livestock, engage in petty trading and collect regular taxes from villages in their area of operations.[45] A Burmese academic, Maung Aung Myoe, has written that this program was instituted in the early 1990s and called the 'five kinds, five plants' program. "Under this program, a soldier had to grow five plants each of five vegetables, such as chilli, tomato, okra, eggplant and cabbage".[46] Reports from a range of human rights groups throughout the country report that this systematic form of coercion and extortion has increased.[47]

While the details of this order are difficult to ascertain, and is probably not a formal, written command, the testimony of scores of *Tatmadaw* defectors point to increased brutalization from their officers and non-commissioned officers (NCOs), who regularly withhold salaries and extort money from the lower ranks. This includes taxing poppy fields located in Burmese army controlled areas. One officer reportedly told a gathering of Shan farmers that, "We soldiers are also desperate, because we have been forced to support ourselves and our own families. But if all of you grow poppies, we may be able to tax you for our own upkeep. At the same time, your own life will be easier."[48]

Secondly, the instances of extortion and looting of the general population has increased. This preying on the population has elements that encompass security concerns: forced portering, tactical road building, sentry duty on roads, and materials for constructing barracks for instance, but also straight out extortion. Military orders published by a range of human rights groups demonstrate that field commanders use civilian populations as a resource to be exploited. According to the *Burma Human Rights Yearbook 2001-2002*, "thousands of acres of land has been confiscated from civilians, without compensation for army food production or factories."[49] This could include opium growing territory, where taxation on fields could provide money to individual soldiers, but more likely to their officers as part of a chain of accountability. Farming, plantation land, and mining sites have been brazenly

expropriated by *Tatmadaw* battalions in Mon State, as a revenue-raising project for officers.[50] Opium production requires more circumspection, but the trends of military units procuring lands and their profits are widespread.

Third, the involvement of soldiers in drug smuggling over the border to Thailand has demonstrably increased since 1989. This differs from the high and medium level collusion, in that the increasingly desperate living conditions of rank and file soldiers have compelled them into greater criminal behavior. Much of their petty drug trafficking would be conducted without an official order to cooperate with certain militias in illegal activity. Along the central border with Karen State, much of the drug smuggling is done by low ranking *Tatmadaw* soldiers, and according to one observer interviewed, it is probably unsanctioned and motivated by personal greed, not organized through a unit structure.[51] Nevertheless, increasingly large shipments of drugs intercepted by Thai authorities indicate a high level of local authorized approval.

Routine evidence also suggests that many Burmese army soldiers are drugged before engaging in combat. A recent report on child soldiers in Burma claimed that many appeared to be drugged, possibly on *yaa baa*, during attacks, which explains the suicidal frontal assaults favored by *Tatmadaw* commanders to take insurgent positions.[52] One anti-government soldier told the Altsean-Burma researcher that he always knew when UWSA troops were preparing an attack because he could smell the *yaa baa* being smoked from their camp, and this was often a prelude to an assault.[53] *Tatmadaw* soldiers are not as notable users as their Wa allies, but officer supplied drugs is still a widely reported phenomenon. This results in large-scale casualties on the government side, mostly of young men press ganged into service and given inadequate training and leadership, substituting alcohol and drugs for efficiency and professionalism. Routine use of drugs for combat operations also leads to the question as to where the military units would find such products if they were meant to suppress drug trafficking.

Money Laundering and the Banking System

The faltering Burmese economy is a result of inadequate management, poor commitment to genuinely needed reforms, and increasingly the infusion of funds from illegal enterprises, many of them money laundering from drug

syndicates. While Burma has a framework and regulatory regime for the financial sector, these are poorly designed and haphazardly enforced. The Economist Intelligence Unit (EIU) argues that the banking system has "inadequate monitoring and enforcement" measures.[54] This is an understatement.

Burma has 20 banks with 350 branches, and many of them are suspected of involvement in laundering drug profits. In early 2003 the Finance and Revenue Minister, Khin Maung Thein, was 'retired' under investigation of corruption and a suspicious gambling spree in Macau which allegedly involved government funds. If this is the stewardship of the financial sector it is no wonder that Burma has become a haven for drug money.

The banking crisis of February 2003 brought into stark relief the shaky foundations of Burma's financial system. After the collapse of unregulated 'private service companies', shady, often Chinese owned investment schemes the financial system was severely shaken.[55] There are also indications that Thailand's efforts to curtail the drug trade, including more robust money laundering regulations and asset seizures, was a contributing factor to the meltdown.[56] This was soon followed by a run on the banks. Caught by surprise, the banks had to close their doors and ration withdrawals. The SPDC ordered debtors to start speeding up their payments to the banks, and branches only released a ration of withdrawals each day.[57] The regime reacted sluggishly to the crisis, hoping it would simply go away, but the climate of impunity and poor regulation had seriously debilitated the entire sector.[58] Asia Wealth Bank (AWB) for instance, reportedly extended loans 50 times more than its reserves.[59] While the situation has stabilized it does not fix the serious deficiencies in the banking system.[60] Having learnt very little from the meltdown, the regime has recently granted Kanbawza Bank the right to finance the condominium boom in Rangoon, widely suspected to be a front for laundering drug profits.[61]

All of these problems emerged because Burma's financial institutions do not act as normal banks; they "function in large measure as a financing arm of the state" according to a recent report from an Australian researcher. Lack of transparency, poor regulatory instruments and too close a relationship with the generals led this researcher to conclude that Burma's "principal financial institutions may be little more than facades for the activity of criminals and a narco-state." [62] The private banking sector has shady origins,

as many of the owners, such as U Aik Htun of Asia Wealth and U Kyaw Win of Myanmar Mayflower, emerged from the drug trade or from close ties with senior generals.[63] There were protests when U Aik Tun attended an Asian Development Bank conference in Thailand in 2002; such is his reputation for involvement in the drug trade.[64] In 1997, the regime closed down the Prime Commercial Bank controlled by the UWSA, due to its embarrassingly blatant involvement in laundering drug profits. Its former director, UWSA Colonel Kyaw Myint (aka Michael Hu Hwa), attended meetings in Rangoon dressed in uniform and armed.[65] These rumors, and the fact that many of the bankers have many other business interests in their portfolios leads to the conclusion that they are well placed to act as money laundering providers.

The scope of money laundering in Burma is clearly deep. In 1992 and 1994, the SLORC regime conducted a form of tax amnesty. Citizens were permitted to lodge money in legal bank accounts with no accounting for its origins, at a cost. It was called a "whitening tax". The government received 25% of the deposits as a "whitening fee". This process clearly demonstrated the extent of Burma's black economy and the poor state of the legal economy. As a commentator for the state press argued soon after the tax amnesties:

> "The State Law and Order Restoration Council permitted turning black money into white money. On payment of fair amounts of taxes the black monies were regarded as white money. No questions where asked as to how and from where the monies were obtained. There could have been difficulties to answer such questions if they were asked. In any case, the government allowed maximum concessions for black money to be turned into white money."[66]

From these relatively crude beginnings, money laundering in Burma soon spread to every sector of the economy facilitated by poor regulatory oversight and the growth of the banking sector. Money laundering in Burma has been directed toward the construction, ports, and transport sectors through investments in legal ventures. During the mid 1990s, laundered drug profits where directed through Singapore and Thailand before returning to Burmese banks.[67] Recently, the UWSA has targeted the lucrative gem trade in the country to launder drug profits, buying up large stocks of gems above their market value in order to convert proceeds into legal currency.[68] While

the SPDC vigorously denied the reported extent of money laundering and narco-profits in the economy, it took few steps to ameliorate the situation and there was literally no action taken against financial crimes of note in Burma.[69]

In June 2002, the SPDC enacted the Control of Money Laundering Law (CMLL) (SPDC Law 6/2002). International critics who claimed that money-laundering provisions were insufficient had pushed this on the regime for years. As positive as the step seemed, the law has since been criticized for having insufficient application and the absence of political will to enforce its provisions. In its 2003 report, the Financial Action Task Force on Money Laundering (FATF) stated that further steps needed to be taken, particularly the fact that suspicious transactions reports (STR) are still not enforced and acted upon. This review made sure that Burma was once again listed as a Non-Cooperative Country or Territory (NCCT).[70] In November 2003, the FATF called on all its members to target Burma for more sanctions and countermeasures.

Table 3.1: List of Banks in Burma Suspected to be involved in Money Laundering

Bank	Suspicious Connections
Asia Wealth Bank	Operated by U Aik Htun, a Kokang Chinese, the bank is reputed to be one of the biggest in terms of business done with drug producing groups, and is reportedly controlled by Phone Kyar Shin of the Kokang
Myanmar Mayflower Bank	Established by U Kyaw Win, a former close friend of Khun Sa, he sold 80% of the bank to the UWSA in 2000
Kanbawza Bank	Established in Shan State by Aung Ko Win and reputed to be the main money laundering operation for SPDC leaders' private wealth from drug profits
Myawaddy Bank	Owned by the Union of Myanmar Economic Holdings Lt. (UMEH)
Inwa Bank	Owned by the Union of Myanmar Economic Holdings Lt. (UMEH)
Myanmar Universal Bank	Reputed to be owned by UWSA-South leader Wei Hsueh-kang and a major financial provider for ATS laboratories
Tun Foundation Bank	Owned by Thein Tun, former holder of the PepsiCo domestic business operation in Burma

SOURCES: Hawke, Bruce, "Burmese Banking: The Yangon Laundromat's Burnout Explained", *The Irrawaddy*, Vol.12, No.4, April 2004: 17-21, Turnell, Sean, *Reforming the Banking System in Burma: A Survey of the Problems and Possibilities*, Washington: Technical Advisory Network of Burma, Working Paper 7, November 2002: 25-26, Maung Maung Oo, "Above It All", *The Irrawaddy*, Vol.9, No.2, February 2001: 10-11, and Zaw Oo, *Throwing Good Money After Bad: Banking Crisis in Burma*, Washington: Burma Fund Policy Brief No.3, February 2003.

The Burma Police Force is ill-equipped to deal with such a sophisticated financial crimes network, and they suffer from being too closely subordinate to the military and MI when it comes to major financial or drug related crimes.[71] Since the law was enacted, SPDC officials have taken on the same tactics as they do with the wider drug war, requesting more international aid to strengthen the anti-money laundering capabilities of the government.[72] In late 2003 the US Government ratcheted up the pressure. For the first time the Treasury Department used its authority under Section 311 of the US Patriot Act to designate two Burmese banks as being involved in money laundering drug profits. These were Myanmar Mayflower and Asia Wealth Bank, and the measure specifically named the UWSA as a source of laundered funds.[73] The naming of the two banks was an added measure by the US government, clearly stating that the two banks would remain blacklisted until "they severed their links with narcotics trafficking organizations."[74] In enacting this special measure, the US recognized "that Burma is a haven for international narcotics drug trafficking."[75]

The response by the SPDC was to enact legislation on 5 December 2003 that bought into force the 2002 Money Laundering Law. The order listed nine predicate offenses of money laundering, and included narcotics production and trafficking, cyber-crime, arms and human smuggling and "offenses committed by acts of terrorism."[76] Provisions were also put in place to start producing suspicious transaction reports, and to have an independent money laundering task force operate in the country. In response to the blacklisting of two prominent banks, the SPDC announced the formation of an investigative body to look into allegations that Myanmar Mayflower and Asia Wealth were involved in narcotics money laundering. The investigators were tasked with establishing the veracity of the allegations within three months. By mid-2004 the investigators had still failed to establish what truth was behind the US assertions.[77] A concerted policy of regulating the financial system and the banking sector to stamp out money laundering can only be pursued if the SPDC makes a commitment to a genuine restructuring of the economy.

In a worrying development, the financial services conglomerate SWIFT (Society for Worldwide Interbank Financial Telecommunications), based in Belgium, was reported to be permitting four Burmese banks into its network of over 7,500 financial institutions and 200 countries, and assisting the SPDC

to convert its currency reserves from US dollars to Euros, a trend evident since the imposition of US sanctions on the provision of financial services to Burma.[78] The four banks, the Central Bank of Myanmar, Myanma Economic Bank, Myanma Foreign Trade Bank, and the Myanma Investment and Commercial Bank, can operate freely with all other members of the network, effectively skirting US sanctions.[79] Businesses with subsidiaries in Singapore and Thailand can convert transactions into Euros and transfer money through SWIFT to the Myanmar Foreign Trade Bank. A key actor in this evasion route is the Singaporean financial institution United Overseas Bank, Singapore's largest, with assets of US$66.5 billion.[80] While not a technical infringement of US sanctions, the conversion of Burma's foreign exchange to Euros, through the involvement of SWIFT and the Singaporean bank, this arrangement has allowed Burmese business, including money launderers, access to the international financial system.[81] Having become so tightly entwined in the profits from the drug trade, SPDC, *Tatmadaw*, and Union Solidarity and Development Association (USDA) officials should be placed on notice that continued involvement should invite greater financial sanctions from the international community that block access by money launderers, not provide them with easy alternatives.[82]

Health and HIV/AIDS

The health dimensions of the drug trade in Burma are also immense, as it is in all the countries of the region where health services are poor and drug addiction is a major concern. Burma has Southeast Asia's most explosive HIV/AIDS spread. The SLORC/SPDC was extremely slow to react to the growing HIV/AIDS crisis in the country, even as it became a serious concern during the 1990s.[83] Only in December 2000 did the SPDC declare the epidemic a "national problem." The regime has since taken several important steps to redress this, but responses to the growing epidemic are hampered by the poor state of the health sector and the deplorable reduction in government expenditure on health by the SPDC. Intravenous drug use (IDU) is the major cause of the spread of the infection, and the SPDC has been reluctant to address the rise in drug abuse.[84] Burma also has one of the highest per capita rates of infection amongst IDUs in the world.[85] The numbers of infection, unlike other countries hard hit by the epidemic, continues to rise. According to the most recent survey, current HIV/AIDS

infection is currently 3.46% of the adult population, or one in 29 adults (687,000). The UNAIDs estimate is lower at 530,000.[86] The highest rate of infection is found in intravenous drug users with 62.7%, total numbers of which are rising steadily in Burma, although the percentage of women infected, around 18%, stays the same.[87] There is estimated to be 150,000-250,000 intravenous drug users in the country.[88]

UNAIDS is directing programs towards IDUs through safe injection and safe sex practices through an expanded harm reduction strategy.[89] There are also numerous projects by the UNODC, Asian Harm Reduction Network (AHRN) and the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM). This includes outreach work in the Shan and Kachin States. Yet despite these projects, a recent assessment by the UNODC stated that: "there exist large gaps in harm reduction service provision. In fact, there are only limited government operated drug treatment and related centers; no methadone provision; no out-patient drug treatment services; no outreach activities, and no peer support."[90]

The poor public health service has been bolstered by the work of several Burmese NGOs and foreign INGOs that have instituted several programs to try and stem the tide. What is problematic is the lack of support by the SPDC for these projects, either through a freer political system or the provision of greater central government funding. Even the foreign funds that do come in are often tied up with poor governmental decisions.[91] In its most recent assessment, UNAIDS stated that: "significant improvements are needed in the country's battered public health system. To date, only piecemeal activities have been undertaken; a coordinated national response is now an absolute priority if transmission through commercial sex and injecting drug use is to be curbed."[92] The International Crisis Group (ICG), a pro-engagement NGO that supports increased aid and investment with the SPDC, reported that the epidemic is a crucial security issue, which "undermines the capacity of the state."[93] In response to the inadequate regime response, many UN agencies and INGOs have increased their funding of health projects. UNAIDS increased their funding in 2004 by US$200,000, promoting Burma as a priority country. Later in 2004, the GFATM announced that from September they would begin dispersing US$35.6 million in aid, with US$19.2 million directed at HIV/AIDS projects.[94]

The SPDC's protection of major drug syndicates has the effect of assisting the spread of HIV through the country through greater domestic consumption and the poor state of the health sector. An observer with long experience in the HIV/AIDS situation in Burma claims that increasing rates of infection in the *Tatmadaw* caused the SPDC to act on the spread of HIV, yet there is little policy linkage between the growing epidemic and the drug trade either by NGO's or the SPDC. "Burma has lagged way behind countries neighbors such as Thailand, China and Cambodia in terms of prevention and control of the epidemic."[95] While the epidemic has "leveled off', the rates of infection amongst IDUs demonstrates that the drug trade is directly responsible for HIV spread in Burma.[96]

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Part IV
International Effects of the Drug Trade

- Burmese narcotics producers utilize networks of arms-dealing, money laundering and human trafficking that are also used by international terrorist groups and other insurgent armies in India and Bangladesh.
- The UWSA is the only armed group that has come close to being named a terrorist group because of its narcotics producing activities. Other ethnic militias, which are not involved, have not been named as supporting or resembling terrorists, despite SPDC propaganda.
- Drug smuggling from Burma fuels organized crime throughout Southeast and East Asia.
- Drugs in Burma have contributed to rising rates of lawlessness and instability in Southern China, Northeast India, Western Laos, Cambodia and Thailand.
- The drug trade is directly responsible for growing levels of HIV infection in neighboring countries, as infection rates follow drug smuggling routes.

To what extent is the drug trade in Burma a question of regional and international security? The narcotics trade in Burma is argued to be a destabilizing element for the country itself, and that the transit of drugs to the world is not a serious concern. Many members of the SPDC have argued this position, blaming the drug trade on demand side factors, not Burmese production. British colonialism, USG support for Kuomintang activities in Northern Burma and decadent drug consumption in the West are the historical determinants of the drug trade in Burma according to SPDC propaganda. In 2001, the SPDC Home Minister Colonel Tin Hlaing claimed that Thai gangsters and drug addicts fuelled the trade, not the UWSA or Burmese groups.[1] The drug trade in Burma perpetuates a climate of disorder, absence of the rule of law, corruption, and generates associated illegal activities including small arms trafficking, money laundering, corruption of officials, involvement in international illegal migration rackets and the smuggling of bonded sex workers, often underage and against their will, throughout the region. The environment of lawlessness feeds other illegal enterprises, producing a direct international security threat by Burma's narcotics industry.[2] Links between Burmese drug producers and regional terrorists networks include the Liberation Tigers of Tamil Elam (LTTE) and

Abu Sayyaf in the Philippines. Both groups are involved in heroin smuggling and weapons trafficking.[3]

The regional threat posed by Burma does not stem from a multitude of problems, but one central problem that encourage other destabilizing factors to thrive. The SPDC rarely acknowledges the regional dimensions of the drug trade because it perceives its obligations as only covering domestic production, not distribution and links to other illicit activities. As US Senator John McCain argued in the wake of the Depayin attack of 30 May 2003, "Southeast Asia will not be secure as long as the generals rule in Rangoon." The senator warned that ASEAN's credibility would be further undermined "as long as Burma festers."[4] While Burma has long been perceived as a strategic middle ground between the Indian and Chinese great powers, its status as a destabilizing threat has always been underplayed. Burma's problems of political instability and economic degradation are internal, yet they routinely threaten neighboring states. These include narcotics, refugees, illegal migration, the HIV/AIDS pandemic, spillover of fighting into bordering countries, and lawlessness arising from unstable borders with China, India, Thailand and Laos. All of these factors combine into what the Republican Senator Richard G Lugar framed as the "seeds of a major threat to Asian security and stability."[5]

Burma's drug trade has significant and often overlooked international effects. Consumption patterns of Burmese manufactured narcotics indicate that the main markets for heroin and ATS are East Asia, Australia and to a reduced extent, the United States. This sustains hundreds of thousands of addicts who contribute to significant law and order problems and social instability. Yet an often-overlooked dimension of the Burmese drug trade is the effect it has on neighboring countries and the links that Burmese drug producers maintain with international terrorist and transnational criminal organizations.

The international narcotics trade puts producers in touch with the international illicit economy in weapons, finance, and to a lesser extent, terror.[6] This is a 'network' that stretches from Cambodia through Thailand, Burma, Bangladesh, Indonesia, Sri Lanka and Northeast India, equipping a range of insurgents and terrorist groups with weapons, financing and training. Burma's drug trade is a large part of this covert economy that

creates an environment conducive for more extremist political movements to thrive.[7]

As drugs transit through neighboring countries, the number of users also rises. Thailand has been seriously affected by the growth of Burmese manufactured ATS, China's drug addict population has grown alarmingly, India has seen a steady growth in its drug consumption, and Laos has experienced the spillover of Wa and Chinese controlled drug production plants which weakens government control over its borderlands. The drug trade crosses international and domestic markets. Burma's drug trade poses a significant threat to international security in three ways: health and the spread of HIV, growing drug consumption in neighboring countries and the user population in the west, and the extension of networks which include the arms trade, transnational criminal syndicates and terrorism.[8]

Terrorism, Narco-terrorism and Burma

In the post September 11 security landscape, many observers have assumed that armed groups that use drug profits as revenue are narco-terrorists, without waiting to ascertain if the group actually employs terrorist methods or has extremist political or social aims.[9] The existence of terrorists in Burma has been a hotly discussed issue. Recent surveys of the number of terrorist networks in the country, either Islamic fundamentalist or other forms have concluded that there is a limited network of groups that could be characterized as terrorist in operation. Their links to groups such as Al Qaeda are negligible or so low level they constitute a minor threat to Burmese national security and very little to global order.

Andrew Selth has concluded that while there are limited numbers of extremist Islamic cells in Burma, which maintain some contact with global terror networks, this evidence when seen in context constitutes a very low level of threat. What is more evident is the persecution of Muslims in Burma by state forces. This includes violence against religious communities and buildings, forced relocations and deportations, rape of Muslim women, and fomenting hatred by portraying the Muslim population as being supportive of extreme fundamentalist Islam, something that is difficult to gauge and more than unlikely.[10] Most observers have overplayed links with extremist Islamic groups in neighboring Bangladesh. There is little evidence that

extremist Bangladeshi groups give much support to Burmese Muslim organizations.[11]

Some commentators have recently argued that the SPDC could be a reliable ally in the war against terror, and bemoan what they see as Washington's missed opportunity to elicit greater support from the regime.[12] While it is obvious that the SPDC have little interest and certainly no ideological congruence with radical Islam or any form of terrorism, their egregious human rights abuses against ethnic minorities and their current support for known narcotics traffickers indicate they would not be wholly reliable partners in the fight against international terrorist networks.[13] Since the US led invasion of Iraq, the state run press in Burma has increasingly sought to portray the coalition forces as brutal, inept, and oppressive against the civilian population. This considered anti-American campaign by the regime, which often entails full-page pictorial essays on Iraq, aims to demonstrate to the Burmese population the results of any US led intervention in Burma, and to propagate a negative portrayal of the United States in the aftermath of sanctions.[14]

Nevertheless, the SPDC was a vocal critic against the September 11 terrorist incident, and (eventually) pledged full support for the United States in its fight against terrorism. While this pledge is genuine, there was also an obvious level of opportunism in the SPDC's offer of support. By publicly endorsing the United States campaign against global terrorism, the SPDC could achieve closer ties with Washington to gain increased foreign aid, the resumption of multilateral lending for infrastructure projects, and deflect criticism of its own human rights abuses against the pro-democracy forces and ethnic nationalities.[15] The SPDC's accord with ASEAN's numerous anti-terrorism declarations, including a joint declaration with the US, reflect its own animus towards religious or ethnically motivated international terrorism as it does its identification of an opportunity for closer Burmese-US ties.

In fact the war on terror has created greater opportunities for the SPDC to label their armed opponents as terrorists. The Shan State Army-South, the only major Shan resistance force still fighting the SPDC is regularly derided as a "narco-terrorist" organization, despite being a well disciplined and clearly structured armed group which has eschewed its narcotics producing

past and regularly cooperates with Thai forces in narcotics interdiction.[16] In 2002, following the release of the Shan Women's Action Network (SWAN) report *Licence to Rape*, which documented systematic rape of Shan women by Burmese government soldiers, the SPDC labeled the human rights group "narco-terrorists", and made a barely cursory investigation of the presented evidence.[17] Narco-terrorist has clearly become a loose term to discredit its opponents more than an accurate reflection of tactics and aims.[18]

The misuse of terminology should not translate directly to any armed groups in Burma being labeled terrorists. The dozens of insurgent groups that have emerged since Independence in 1948 have utilized revolutionary tactics that have largely avoided the random targeting of civilians for the purpose of political terror.[19] While infrastructure installations and transport nodes have been targeted, direct attacks on soft civilian targets have been extremely rare.[20] Kidnapping and the political assassinations of officials have also been exceptions rather than norms.[21] Periodic bombings in Rangoon, always blamed on insurgent groups, are more likely to stem from internecine disputes in the government, or used as a tactic to divert attention from the regime's shortcomings. The US government or any other country or multilateral organization is yet to name any major insurgent group in Burma as a terrorist organization.

This is a fact reflected by the USG's refusal to list the United Wa State Army as a terrorist organization. In 2002, Assistant Secretary of State Rand Beers was reported to have named the UWSA as a terrorist organization. This was an off the cuff remark, and has since not been repeated by USG officials. Beer's testimony actually termed the UWSA as a narco-terrorist organization:

> "The UWSA controlled major drug producing areas in Burma and used the proceeds to carry out an insurgency against the Burmese government until a ceasefire agreement that granted the UWSA enough autonomy to continue drug trafficking for profit. The Wa have also engaged in large-scale production and trafficking of synthetic drugs."[22]

The US Drug Enforcement Agency (DEA) more succinctly states that:

> The UWSA exists primarily as a separatist organization, seeking autonomy from the central government in Burma. It funds its separatist activities by being the

> major international drug trafficking organization in the region. The UWSA is characterized as a narco-trafficking organization but is not deemed to be a terrorist organization at this time.[23]

The Wa army is however listed as a narco-terrorist formation by the United States. The DEA defines a narco-terrorist organization as "an organized group that is complicit in the activities of drug trafficking in order to further, or fund, premeditated, politically motivated violence perpetrated against noncombatant targets with the intention to influence (that is, influence a government or group of people)." This has yet to proceed to the UWSA being listed as a terrorist organization, but a senior DEA official stated that they constituted "a government within a government, primarily funded by drug trafficking activities."[24]

The changes to the security situation in Burma since 1988 have seen many of these narcotics producing and trafficking groups, especially the ceasefire ones, transform into commercially motivated insurgents whose primary concern is profit over the protection and development of their people. It is this trend, engineered and permitted by the SPDC, which should be cause for concern. The increased criminalization of Burmese military units, ceasefire militias, and insurgent groups along Burma's borders are another example of the blurring of lines between profit, opportunity, ethnic grievance and localized power structures within modern civil conflict. These trades lead into transnational criminal networks, which in turn share networks, finances, and in some cases personnel, with global terrorism groups.

North Korea: Brother in Arms

Links between Burmese drug producers and North Korea is also a cause for concern. Recent reports on increased defense links between the two states indicate that some nuclear technology has been transferred to Burma, and that the SPDC is planning to purchase North Korean surface-to-surface missiles. In November 2003, the *Far Eastern Economic Review* reported that North Korea was preparing to supply the *Tatmadaw* with an unspecified number of surface-to-surface missiles to be mounted on Burmese naval vessels. The report quoted Rangoon based Asian diplomats claiming that

North Korean technicians were working at the Monkey Point naval facility near Rangoon. North Korean nuclear technicians were also spotted in the center of the country at the planned nuclear reactor at Natmauk. The *Review* also reported growing links between Burma and Daesong Economic Group; a front company suspected of military technology transfers from North Korea.[25] A CIA/Department of Defense (DOD) Joint Military taskforce is reportedly monitoring weapons transfers between the two countries.[26] No missiles have been delivered yet, in what most observers believe will be a bartered exchange: missiles for teak and rice.[27] Bilateral weapons transfers have been low key since 1990, when the SLORC purchased large amounts of ammunition from North Korea to supply the UWSA.[28]

Increased defense links are also reflected in growing cooperation on drug production. North Korea's increasingly prominent role in the global narcotics trade has been assisted by links to Burmese drug producers. The shadowy Bureau 39 is the group tasked with overseeing P'yongyang's extensive network of drug production and trafficking.[29] The same *Far Eastern Economic Review* article speculated that North Korea was exchanging missile technology for high-grade heroin, as Burmese manufactured Double UO Globe brand heroin has been seized in the possession of North Korean intelligence agents, in both Australia and Russia.[30] Taiwanese authorities have also seized Burmese manufactured heroin transported by North Korean vessels.

Burmese drug merchants have allegedly assisted North Korean agents to produce higher-grade heroin, as the USG claimed that officially sanctioned domestic poppy cultivation grew in the Northeastern province of Yanggang in North Korea since 1992.[31] In April 2003, 125 kgs of allegedly Burmese manufactured heroin was seized on a North Korean smuggling vessel, the Pong Su, off the southern Australian coast.[32] It seemed likely that the heroin was picked up in Burma and smuggled to Australia in a specially modified cargo ship captured by Australian Naval and Customs officials. According to one source, "only the UWSA makes and can deliver this quantity of this brand of heroin."[33] Yet upon testing the heroin, it was discovered that it originated in North Korea, and was manufactured and packaged in such a way as to lead authorities (and consumers) to believe it was Golden Triangle heroin.[34] Whether Burmese connected chemists assisted in the manufacture or not is unclear, but the ship did dock in Rangoon before making its way to

Australia, so what extent Burmese authorities or drug syndicates had in the Pong Su operation is not clear. This should not suggest that the SPDC are directly involved in UWSA-North Korean drug links, and there is little evidence to point in the direction of an official drugs for arms swaps, but there are trends which indicate cooperation in both heroin and ATS manufacture.

This incident reflects growing links between North Korean state directed narcotics smuggling and armed groups in Burma in a criminalized economy which includes illegal arms sales and large scale currency counterfeiting.[35] The recent USG International Narcotics Control Strategy report states that current trends in North Korean drug trafficking "reflect official involvement in the trafficking of illicit narcotics for profit, and make it highly likely, but not certain, that Pyongyang is trading narcotic drugs for profit as state policy."[36] Increasing incidents of North Korean involvement in transnational crime has caused deep concern in the United States. Links to Burmese drug producers, in both heroin and ATS products, is a worrying trend.[37]

China: Titan under Threat

The fallout from the Burmese drug trade has been acutely felt in Southern China. The impact there includes increasing rates of crime and lawlessness, drug addiction and the alarming spread of HIV. The SPDC's dependence on China as a major supplier of weapons, diplomatic support, and a significant market for the extractive industries of Northern Burma, and China's need to maintain Burmese dependence for strategic and trade concerns often masks the tension between the two states arising from the drug trade. The United Wa State Party (UWSP) maintains a close relationship with Chinese authorities. As border enclaves, Special Regions 1, 2, and 4 are dependant on China for access to markets, road building expertise, electricity and other necessities that sustain their conditional autonomy. Similar to Möng La, Pangshang is also becoming a notorious nightspot for Chinese tourists, gamblers and other thrill seekers, the special region leaders are also motivated by profit.[38] That these three groups are the major narcotics producers in Burma means that they must be playing a delicate balancing act between security and profits with their Chinese neighbors. The booming economy of Yunnan is also gearing up for greater trade with Thailand, and

rising rates of drug addiction are a constant threat to these trends.[39] As development in Southern China meets with development in the Burmese border regions, upgraded transport connection and greater mobility of populations assists the spread of drug trafficking.[40] As drug shipments increase and addiction rates rise, the relationship between the UWSA and other ethnic ceasefire groups with China will be contentious.

The rise of organized crime in southern China is a direct challenge to the state. Links between the UWSA and Chinese Triads in Hong Kong is also cause for concern as it spreads the UWSA's influence across the region.[41] In a report that details drug trafficking in China, the People's Republic of China Government (PRCG) noted that seventy per cent of the drugs seized in the country during 2002 occurred in Yunnan Province, bordering Burma. The report stated that seven joint cross border raids had been conducted in 2002 leading to raids on ten drug related sites.[42] In mid-2003 it was reported that up to 16,000 Chinese troops had moved en masse to the border, reputedly to give greater levels of security and deter drug smuggling. [43] Some observers argue that this was as much to do with official Chinese fears of SPDC rule collapsing as it did a serious move against drug smuggling.[44]

While it also noted that cooperation with the Burmese authorities had risen, this is clearly not an effective partnership given the volume of trafficked drugs and the increasing frustration of Chinese officials by a lack of Burmese efforts to curtail major drug producing groups. Between 1995 and 2001, drug seizures in southern Yunnan Province more than doubled, from 4,898 to 11,223 cases. Heroin seizures increased from 1,434 kg to 8,046 kg, and ATS products 16.9 kg in 1997 to 806.4 kg in 2001.[45] The increase in the volume of cross border trade is also making detection of drug shipments problematic. During the 1990s when Burmese drug production rose, it was matched by a dramatic increase in heroin and ATS abuse. The maintenance of Yunnan as a main corridor for Burmese-produced narcotics has meant that significant rates of the product are shaved off for local markets as it is in transit to markets more afar.[46] Shipments of Burmese manufactured narcotics follow the route from the border through the Wa autonomous district of Cangyuan, through Dehong and Xishuangbanna to Guangdong Province, through Xiamen and Fuzhou in Fujian Province and from there to regional and global markets via Hong Kong.[47] In response to increased interdiction by Chinese authorities, heroin is also reaching China's southern

coast by fishing trawler from Burma.[48] The close proximity of Burmese ATS labs has also been matched by trends that indicate greater domestic production. In 2001, Chinese authorities claimed to have seized 44 ATS labs, most of them in southern provinces.[49] In May 2004, the Chinese drug lord Tan Minglin was sentenced to death in Kunming for his role in masterminding Yunnan's drug trade. Tan had learnt the drug business from the Yang family in Kokang, and had lived in Burma since 1993 from which he soon directed one of the largest drug syndicates in Southern China. Arrested by the Burmese police in April 2001, he was soon handed over to Chinese authorities for prosecution.[50]

The growing rate of drug addiction in China has alarmed the country's leaders. In early 2004, the Chinese government acknowledged the scale and dramatic pace of its addict population, which had risen from 900,000 in 2002 to 1.05 million in 2003, with 740,000 addicted to heroin. The National Narcotics Control Commission of China (NNCC) also acknowledged the rise of ATS consumption amongst China's youth, some of it domestically manufactured but with large numbers coming from Burmese producers.[51] Seventy-two percent of China's acknowledged drug users are under the age of 35.[52] In Yunnan, ATS manufactured in Northern Burma, called *bingdu* in Chinese, can be purchased for US$1.50 per pill. Heroin is US$10 per hit for high grade No.4.[53] On the border with Burma, heroin can be purchased for 36,000 yuan (US$4,300) per kilo, reportedly 20% cheaper than on the Thai-Burmese border.[54] The price of Burmese manufactured heroin and ATS has steadily climbed as demand has grown. Ethnic Burmese communities living along the border in China conduct most of the petty drug dealing.[55] Yang Fengrui, deputy secretary general of the NNCC, stated that "Due to the development and overflow of the international drug tide, China's drug situation is extremely severe. Drugs from the Golden Triangle pose the greatest threat to our country."[56]

The large numbers of intravenous drug users has also created an explosive HIV/AIDS epidemic. The NNCC estimates that of China's 50,000 admitted AIDS sufferers, 55% were infected through IV drug use. The spread of the disease through Southern China has been exacerbated by the production and trafficking of drugs through the region, virtually all-originating in Burma. Infection patterns of the epidemic in Burma and

Yunnan directly parallel narcotics smuggling routes. As one report stated: "overland heroin export routes have been associated with dual epidemics of injecting drug use and HIV infection in three Asian countries and along four routes (Burma, China and India)."[57] (See Box 4.1) The spread of HIV began with intravenous drug use, although in Yunnan has rapidly spread through increased drug abuse and other infection methods.[58]

Photograph 4.1: Anti-Drugs poster, Riuli, Southern China, 2004

SOURCE: Altsean-Burma

By 2002, China's HIV population was estimated to be between 800,000 to 1.5 million, and it was projected to rise to 10 million by 2010. This was further exacerbated by the rise in lawlessness, drug trafficking, production and consumption with the "worst areas (being) in the southwest of China, bordering the Golden Triangle, and along the trafficking route from the Golden Triangle."[59] Such is the extent of this epidemic that a recent RAND Corporation study claims that rapidly increased HIV/AIDS in China represents a "wild card" in China's economic development, a factor that

could seriously impede progress and stability.[60] While the Chinese government has waged an aggressive campaign against drug trafficking and the spread of HIV, including regular executions of drug offenders (26 people publicly executed on World Anti-Narcotics Day in 2003), this problem largely stems from the unfettered production of narcotics across the border in Burma.[61]

Despite repeated requests from the Chinese government to the SPDC, the military regime in Burma has done little except promise to stem the flow.[62] This is despite what some observers say is a very close relationship between Rangoon and Beijing, and the deference the SPDC regularly shows to China.[63] Not even their feared northern neighbor can make the SPDC rein in the increasingly powerful drug lords. The growing levels of HIV/AIDS, narcotics consumption and lawlessness in China constitutes what Chalmers Johnson, drawing upon a CIA term, referred to as "blowback", the consequences of poor policy choices which will eventually come back to haunt its perpetrators. Fifteen years of appeasing the SPDC in order to gain advantages in investment, arms sales, and regional influence, has come back at the Chinese government through increased Burmese drug production and an explosion in health and security issues. A more concerted PRCG effort to stabilize Burma would undoubtedly relieve the Chinese authorities of much of the blowback caused by instability and lawlessness along its frontier area.[64]

The Indian Angle

Indian policy toward Burma has experienced a major turnaround since 1993. Prior to this dramatic shift, India was a vocal supporter of the pro-democracy movement and assisted exile groups operating in India. Concern over the SLORC/SPDC's deepening trade and military links with China during the 1990s was the main catalyst in transforming support for the NLD and Daw Aung San Suu Kyi.[65] New Delhi started a 'strategic engagement' policy that sought to increase trade and transport links with Burma, but also sought greater influence in Rangoon with the military regime.[66] The realignment has produced major dividends for the Indian government and for bilateral trade.[67] Trade between the two countries is now estimated at over US$300 million annually, and India has become one of Burma's major

trading partners.[68] Efforts are now being pursued to increase links between the two countries, and new legal border crossings are being regularly opened. The 'Look East' policy that the Indian government is pursuing, is motivated not just by the benefits of bilateral cooperation, but also the developmental windfall it brings to the comparatively underdeveloped and conflict wracked Northeast of India.[69] The Indian government is also funding major upgrades to the Stillwell road leading to the Burmese border at the Pangsao Pass in Arunachal Pradesh, and has funded a road project inside Burma that upgraded the 160-km road between Moreh and Kalewa.[70]

While much of the rhetoric from New Delhi promotes the pragmatism of the new policy and emphasizes the benefits of cooperating in narcotics suppression, much of the engagement is oriented towards countering Chinese interests and supplanting SPDC weapons purchases from China and Pakistan. In mid-2003 it was announced that the SPDC would purchase 80 artillery pieces from India. It was also rumored that assistance and spare parts would be provided to repair Burma's dormant fleet of US-supplied Bell helicopters supplied by Washington during the 1980s, ironically to assist in narcotics eradication.[71]

Cooperation for interdicting insurgent bases along the border has increased between the two countries, as anti-government insurgents operate along the rugged border and use the opposite border as sanctuary from their pursuers. Anti-Indian insurgents hide in Burma and Burmese insurgents such as the National Socialist Council of Nagaland-Kaplang faction (NSCN-K) and the Chin National Front (CNF) use border bases just inside India. Recent agreements between the two militaries focused on cooperating to interdict insurgent bases. While India has conducted several operations against rebel bases in Bhutan and throughout the Northeast, SPDC initiatives in early 2004 have been criticized for being ineffectual and halfhearted, although extremely rough terrain is also a significant factor inhibiting effective operations.[72]

The irony of this increased cooperation in trade and security concerns is that it has also facilitated increased drug production and smuggling.[73] Most of the attention on Indian involvement in the drug trade, like the emphasis on insurgency and conflict is directed at the Western border with Pakistan and Kashmir. India is a major transit country for Afghan heroin, yet in the Northeast, dozens of armed groups are taking advantage of production shifts

in Burma and the pressure being exerted by eradication efforts.[74] Many of the insurgent groups operating along the border and within India's Northeast have become deeply entwined in the drug trade to raise funds. In particular the National Socialist Council of Nagaland-Isaac Muviah faction (NSCN-IM) and NSCN-K factions, United Liberation Front of Asom (Assam) (ULFA), and small ethnic Kuki militias in Manipur, and are either directly involved in smuggling narcotics, minor distribution or, more likely, extracting 'taxation' from drug convoys and smugglers at a rate of between 10-20%.[75]

Photograph 4.2: Anti-Drugs graffiti, Arunachal Pradesh, Northeast India, 2004

SOURCE: Altsean-Burma

The impact of drug production shifts in Northern Burma is also deeply felt in India's Northeast. Since the early 1990s, India's troubled eastern frontier has experienced a significant rise in drug smuggling. This includes importation from Burma of opium, heroin, and ATS. In 1994 it was reported that several heroin processing labs were thought to be operating west of the Chindwin River close to India.[76] In February 1999 Indian police made their first seizure of UWSA manufactured 'WY' brand ATS, with 880 pills being

seized at Moreh in Manipur.[77] Precursor chemicals make their way into Burma destined for ATS laboratories and raw opium also moves across the border to be processed in Burmese labs.

The four bordering states of India; Arunachal Pradesh, Mizoram, Manipur, and Nagaland, are special administrative zones of India, which are plagued by insurgencies and separatist movements. In order to raise funds for their armed struggles, many of the groups have become involved in drug smuggling activities. Given the shifts in production in the Shan State, it has also been observed that many of the opium fields 'decommissioned' by SPDC and UNODC efforts could merely be shifted to the Northwestern region of Burma.

In March 2002, the Paris-based Center for Geopolitical Drug Studies claimed that four heroin refineries were operating in Burma's west, two in Chin State and two in Sagaing Division.[78] In early 2004, Indian counter-narcotics officials claimed that six refineries were operating along the borderline, with "their nerve centre at Kaleymo", and much of the operation controlled by local *Tatmadaw* units.[79] The claim that production of heroin had increased in Western Burma was first raised in the late 1990s.[80] Since then there has been no in-depth study conducted on the level of opium crops and drug production in Kachin and Chin States and Sagaing Division. The UNODC intends to conduct an opium survey in 2004 to gauge the extent of opium plantations in the west. Citing the 'balloon effect', Jean-Luc Lemahieu stated "one of the adjustments in our methodology with regard to the (opium) survey, is to go out especially in the Kachin, Chin and Sagaing to see what is happening there. So this year we will start to check on those areas."[81]

Transit for Indian bound drugs follow two divergent routes. The first is through legal and illegal border crossings along the rugged 1,600 km joint border. Increased seizures of drugs near Moreh are testament to this. Indian narcotics officials also claim that drugs are being shipped through a second route, through the Burmese capital Rangoon to the coast of West Bengal, where they spread to the rest of India and also up to the Northeast.[82] Production within India has also risen. Indian counter-narcotics officers and US narcotics reports trace a rise in opium cultivation in Arunachal Pradesh, the state which shares a long border with Burma's Kachin State, is India's largest producer of illicit opium at nearly 2,000 hectares.[83] Manipur, which

has the largest cross border trading point between the two countries, is also increasing production as government control of the countryside continues to be weak.

Indian security officials are also well aware of the role of Burmese army involvement in production and transit. An Indian army officer interviewed near the border in Arunachal Pradesh confirmed the involvement of elements of the *Tatmadaw*. "Everyone knows they're involved, but they don't come across the border. They get others to do that for them."[84] A Mizzima News Agency report also claims that drugs are "sometimes sold by Burmese army and intelligence personnel."[85] In Tamu and Namphalong close to the border in Manipur, "mini heroin factories are run by drug lords with active cooperation with Burmese army personnel."[86] Despite the positive trade benefits of opening the Moreh-Tamu border crossing, the level of drug production has also seen militancy and lawlessness rise, making travel on the highway between Imphal and Moreh very dangerous.[87] Many Indian defense and counter-narcotics analysts argue that lack of SPDC attention to the problem is a main cause, and claim "India is likely to be flooded by drugs from Myanmar's Golden Triangle in the coming year unless Rangoon takes greater preventive measures".[88] Cooperation in drug interdiction, particularly around the border near Tamu, will be high on the agenda when SPDC leader Than Shwe visits New Delhi in October 2004.[89]

Consumption and addiction rates in Manipur and Nagaland have also increased as the volume of drugs has risen. According to Indian government officials, the majority of drugs consumed in Nagaland come into the state through the legal crossing of Moreh and through the porous border which is difficult to police. The same officials also acknowledged that some level of Burmese official involvement must exist to facilitate the trade.[90] The Mizzima News Agency report on drug production and consumption along the India-Burma border found rising rates of addiction in most of the districts bordering Burma. Consumption included domestically manufactured opiates, and Burmese imported opiates and ATS products.[91]

Increased seizures of crucial precursor chemicals have been reported in India, rising at an alarming rate since 1998.[92] In January 2003, more than 2,000 kg of ephedrine was seized in operations by Indian police bound for the Burmese border.[93] In May of the same year, Indian police arrested three

Burmese and two Chinese nationals with ephedrine and ATS manufacturing equipment in Kolkota (Calcutta).[94] These precursor flows need closer examination. The chemicals travel through India and across the border to ATS labs in Kachin and Shan States (although there are several reportedly operating in western Kachin State, Chin State and Sagaing Division). Following production, some of the ATS is directed back towards India. This gives the SPDC counter narcotics officials two chances at interdiction, yet the number of drug seizures along the Indian border by Burmese officials is negligible.

Arms dealing is also a major source of funds for Northeast Indian insurgents. Arms markets around Cox's Bazar deal with weapons transactions from a range of Cambodian, Sri Lankan, Indian and Burmese sources. In April 2004, Bangladesh authorities seized over 1,000 assault weapons, 150 rocket launchers and 2,000 RPG (rocket propelled grenade) rounds destined for Northeast India.[95] Indian security officials are also concerned about Chinese designed, Burmese manufactured machine guns appearing in Northeast India, supplied to the insurgents by an unknown Burmese group.

Along with fuelling militancy, arms dealing and other illegal activities, the rise in HIV/AIDS is also a matter of concern. US reports estimate that India's HIV epidemic is set to sharply increase in the next two years, with a significant portion stemming from drug use in the Northeast.[96] The state health authorities in Nagaland, Manipur and Mizoram have pursued credible HIV education and awareness campaigns and have been generally successful in controlling the flow of sexually transmitted HIV.[97] Nevertheless, Manipur and Nagaland are India's two most affected states for HIV, mostly due to the high number of intravenous drug users. Manipur's epidemic, identified in the mid 1990s, is predominantly HIV sub-types B & E, the same strains found in Burma, and unlike the sub-types common in India, which are C and A. Subtype C also travels along drug smuggling routes into the Northeast.[98] Estimates of India's total number of HIV infected persons varies from official figures of between 3.8 to 4.2 million, to unofficial figures of 10 million.[99] In 2001 it was estimated that 30 percent of India's intravenous drug users are located in the Northeast states, despite the fact that the population of the region accounts for only three percent of the total population.[100]

Thailand's Burden

Thailand is the country most affected by drug exports from Burma. The growth in production of Burmese ATS found a ready market in Thailand, particularly after the 1997 financial crisis, and the Kingdom now ranks first amongst the highest consumers of ATS in the world. Imports from Burma range from between 700 million to 900 million pills per year. The total addict population according to Thai sources is 2.65 million, of which 90 percent are methamphetamine users. The figure on heroin users is much lower, at around 75,000 addicts.[101] United Nation's estimates place the Thai population who are addicted to *yaa baa* at an estimated 250,000, although this figure is very conservative compared to Thai sources.[102] In the Northern provinces, the addiction rate amongst adolescents is particularly alarming, with some reports claiming 41.3% of male students and 19% of female students.[103] One third of regular drug users in the Kingdom are below the age of 16. Traditionally a drug of choice for truck drivers and construction workers, ATS and its derivatives have come off the road and into homes, the workplaces and nightclubs of the burgeoning middle class of Thailand.[104] Seizures of *yaa baa* have increased, but trends indicate that they have risen commensurate with supply from Burma, with seizures rising from a reported 82.5 million tablets in 2000 to 93.8 million in 2001.[105] The health impacts on Thailand, particularly amongst young people who are a key consumption group, has produced a widespread social problem in Thailand.[106]

Apart from the health effects of ATS consumption, the impact on social and economic indicators due to increased levels of crime, loss of revenue and the state expenditure on stemming the flow of drugs is immense.[107] In the seven years from 1996 to 2002, the number of prisoners in Thai jails increased by 250%. In Bangkok, 70% of prisoners are sentenced for drug related crimes, with 53% being the nationwide figure.[108] The high rates of money laundering in Thailand are predominantly linked to the drug trade.[109] During most of 2003, the Thai Anti-Money Laundering Office (AMLO) investigated 1,563 drug suspects and seized 2,777 million baht (US$70 million) worth of assets.[110] Although this is a domestic issue for Thailand, and the Kingdom is making considerable efforts to reduce the level of consumption, Thailand is the major market for Burmese produced ATS and

lack of SPDC attention to the supply side is a major issue for regional relations. The SPDC have responded to Thai concerns with a crude propaganda campaign that attempts to shift blame onto Thailand for being a major producer of ATS, indeed some counter-intuitive state-run press articles claim that Thailand is flooding Burma with pills. Seizures of pills and precursor chemicals are sometimes blamed on Thai syndicates smuggling them into Burma for consumption, not production.[111]

In February 2003, the Thai government launched its 'War on Drugs', an initial three-month burst of activity, followed by a drawn out campaign to maintain pressure on ATS consumption and domestic distribution networks. It soon turned into a brutal war against suspected drug dealers and distributors, an estimated 2,600 people were killed either by police in legal shootings, extra-judicial killings, or by criminal associates who wished to distance themselves from the authorities.[112] The Thai government seized 40 million ATS tablets, raised the price of *yaa baa* from baht 80-120 per tablet to baht 300-400, saw some 400,000 addicts 'rehabilitated', decimated domestic production of ATS and made significant inroads to reverse rising levels of consumption.[113]

The market result was a backlog of Burmese ATS tablets that are now winding their way through Thai and regional markets. Former RTA deputy chief General Wattanachai Chaimuenwong has stated that the SPDC is doing little to shut down the ATS labs that Thailand knows the general location of, and that drug seizures and arrests do not always translate to genuine interdiction.[114] The then RTA chief, General Somdhat Attanant, was more conciliatory to the SPDC, but admitted that Thailand had told the *Tatmadaw* where the labs are located and the Burmese army had still not taken action against any of them.[115]

The more accommodating approach of the *Thai Rak Thai* government of Prime Minister Thaksin is designed to divert attention away from border issues and to a more business oriented approach, including Thaksin's own family business interests with Burma.[116] This has allegedly extended to a failure to give the RTA latitude to attack drug smuggling, and sent the message to the SPDC, UWSA and other drug producing syndicates that Thailand will not crack down on smuggling, but merely target domestic distribution.[117] The current Thai government on the one hand supports SPDC eradication efforts yet refuses to link involvement of the Burmese

military with main drug producing outfits, a linkage that border observers know so well.[118] Increased harassment of Burmese pro-democracy activists in Thailand, talk of forced repatriation of Burmese refugees, and increased pressure on ethnic insurgent groups to sign ceasefires with the SPDC is part of this campaign to divert attention away from the real culprits of the drug trade.

Photograph 4.3: Anti-Drugs poster with UWSA manufactured ATS pills, Ranong, Thailand

SOURCE: Altsean-Burma
Note: The inscription at top and center reads "Love yourself, love your family, love your country", then center "Just say no".

In mid-August 2003, US senators threatened to cut off aid to Thailand if the RTG continued to harass Burmese pro-democracy groups located in Thai territory. Total US aid to Thailand in 2003 was scheduled at US$10.75 million, most of it in counter-narcotics assistance, military aid and development projects. The proposal would insert a proviso in future aid approvals to Thailand that the RTG actively support the movement for democracy in Burma. The Thai Prime Minister reacted strongly to these threats.[119] Yet Thai policy has pursued a dichotomous approach to drug policy, failing to adequately pressure Rangoon to take a more aggressive line

against drug production along the border.[120] Repeated requests to reign in the Wa have produced many promises from the SPDC, but little action. Prime Minister Thaksin warned the SPDC in August 2003 that Thailand would take care of the Wa army if Burma did not.[121]

The damage to bilateral relations between the two countries has been serious.[122] The Royal Thai Government has also made several approaches to the SPDC for joint border patrols, greater intelligence sharing and border town friendship associations.[123] There are joint drug offices in operation at all three main border crossing points at Mae Sai-Tachilek, Mae Sot-Myawaddy, and Ranong-Kawthaung and all three have been declared 'drug free towns.' Nevertheless, the relationship is tense, and often flares into open violence. In early 2001 and mid 2002, Burma and Thailand fought a contained but still costly border war, over the issues of incursions by UWSA smugglers and clear evidence of assistance by Burmese troops.[124] Thai authorities have also made considerable effort to accommodate the SPDC to gain in return genuine counter narcotics assistance. In 2002 the Thaksin Government even removed the tough and highly respected chief of the RTA Third Army Region, Lt. Gen Wattanachai Chaimuenwong, because the SPDC thought he was being too vigorous in his interdiction of cross border drug smuggling.[125] This was a move which was contentious among political and military circles, as the Thai PM and Deputy PM, Chavalit Yongchaiyudh, are seen as being too accommodating to the SPDC because of their extensive business interests with Burma.

The Burmese *Tatmadaw* supports the United Wa State Army to traffic their drugs across the border, and in turn the UWSA assists the *Tatmadaw* in fighting the anti-government ethnic militia, the Shan State Army-South (SSA-S). The Royal Thai Army has long been suspected of assisting the SSA-S through weapons and intelligence although there is little evidence to confirm this. There is some circumstantial evidence to assume that the SSA-S is being utilized by the Thai army to attack UWSA and *Tatmadaw* controlled drug labs and interdict drug convoys across the border. The strong anti-drugs stance of the SSA-S is a prudent policy designed to attract international attention to the realities of the drug trade and issues of conflict induced displacement in Eastern Burma, and one that should be more recognized. The SSA-S have made several large seizures of drugs along the border, all of which they hand over to Thai authorities as part of their tough

anti-drug policy.[126] The SPDC regularly accuses Thailand of harboring and assisting the Shan resistance. This is likely to some extent, but it is overwhelmingly directed towards drug interdiction. Recent Thai moves to force Shan IDPs and refugees to return to Burma are a result of pressure from the SPDC, despite the humanitarian nature of most Shan projects along the border.[127]

The SPDC state run press derides the anti-drug SSA-S as the Shan United Revolutionary Army (SURA), a former name of the group that was involved in drug running in the 1980s and led by Khun Sa, and claims it is assisted by *Yodaya*, a derisive name for Thailand. The SPDC routinely pins the blame on the SSA-S and Thailand while protecting the UWSA. At a meeting of the diplomatic corps in the Wa region in 2002, the SPDC spokesperson declared that: "cooperative efforts contribute to achieving success at the border with China. Action will be taken against rich people who have given encouragement to produce opium and drug-traffickers. The SURA (SSA-S) drug trafficking group has produced stimulant tablets and used evil ways to create conflicts at the border area."[128] The Thai army, the press and international observers realize that much of the drug threat across the border stems from the UWSA and their allies, the Burmese army.

Laos: The Silent Partner

Laos is currently the third highest producer of opium in the world. During the rise of the Golden Triangle in the 1960s, Laos was a significant transit country and refiner for Burmese narcotics, as well as a major domestic producer tied to corrupt members of the Laotion military.[129] Since then Laos' narcotics production has diminished and despite being the third highest producer it is still far behind Afghan and Burmese production levels, and its contribution to world heroin markets is small. Like Burma it too is experiencing gradual reductions in opium cultivation, although this has been because it has been more cooperative with UNODC and US government initiatives. The Lao government has pledged to eradicate opium production by 2005 through its "Balanced Approach to Opium Elimination in the Lao PDR." In the year 2003-2004, opium cultivation in Laos declined by 45%, opium yield reduced by 34% and the farmgate price for opium increased by 42% reflecting the scarcity of product. The number of households cultivating

opium also nearly halved, to 22,800 down 43% on the previous year.[130] Although the scale of the problem is quite different in Laos, this gradual decline reflects a genuine will on the behalf of Lao government officials to end the trade. Nevertheless, the effects of neighboring Burma's drug trade still impacts negatively on Laos and could threaten this reduction in output.

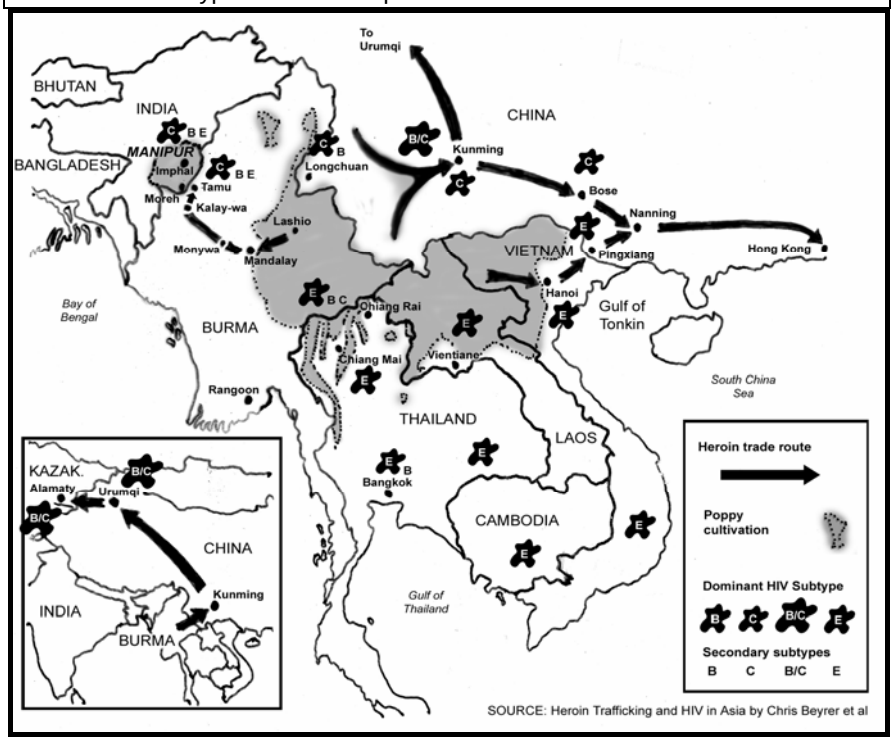
This zeal to eradicate cultivation, however, has generated a little known humanitarian crisis in Western Laos. Lao government forces, desperate to please UNODC and USG-DEA officials have displaced over 30,000 hill tribe villagers from elevated opium growing land to valleys. Scores are now dying due to lack of access to food, sanitation, health-care and work in resettlement sites. The Lao government has a poor track record in its treatment of the Hmong and Akha, and its failure to adequately plan for the consequences of forced relocations is not surprising. What is alarming is that the UNODC has seized on the dramatic reductions as a success, marginalizing the humanitarian crisis as a mopping up job for other INGOs, and appealing to other countries to "extend a compassionate hand to destitute farmers."[131]

The International Narcotics Control Strategy (INCSR) 2003 report sounded another warning that ATS production in Laos threatens to raise domestic consumption and accommodate Burmese connected ATS labs. In Laos "the same trafficking groups (ethnic Chinese and Wa from Burma) moving heroin have branched out to methamphetamine production - a growing threat throughout East Asia."[132] The number of ATS labs in Laos is a source of contention. The UNODC denies that the problem is that serious and discounts intelligence reports that claim there is significant production in Laos.[133] Thai security analysts have argued for years that UWSA affiliated mobile labs have been operating through Bokeo Province and along the Mekong River in Laos.[134] Along the border with Burma, SPDC and military authorities have pursued a series of forced relocations and "military style developments" which have caused thousands of people to flee the area, and caused serious environmental damage to the Mekong. The lawlessness of this part of the border also makes it easier for drug smugglers and their *Tatmadaw* allies to move drugs and equipment into Bokeo Province in Laos.[135]

Box 4.1

Drug Smuggling and HIV Infection in Southern China

HEROIN flows from northeast Burma into China through Kunming, and then east to Hong Kong through Nanning. Researchers have discovered that, along this route, HIV strains called subtype C and a hybrid strain dubbed B/C dominate. From Mandalay in central Burma, heroin from the northeastern part of the country is trucked to Manipur, an isolated border state in northeastern India. Despite being an insurgent area that the Indian government has closed, Manipur has India's highest HIV rates. Viral strains detected in the area include subtype C – the dominant strain in India – and subtype B and E, Southeast Asia's major strains. Burmese heroin reaches the Chinese border town of Pingxiang via a route that traverses Burma, Laos and northern Vietnam. HIV subtype E dominates this route. A fourth, previously unrecognized route runs hundreds of miles – north from Kunming into Urumqi in China, then west across the Chinese border into Kazakhstan. This helps explain a recent sudden outbreak of heroin use and HIV infection with subtype B/C in Urumqi.



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Part V
SPDC Drug Eradication Efforts

- The SPDC's drug eradication program is largely focused on attracting increased funding and legitimizing military rule.
- Efforts at promoting narcotics eradication are largely window dressing and divert attention from the main players and real dynamics of the trade.
- Current efforts do not go far enough in justifying an increase in assistance
- Increased allocations of regime resources towards narcotics eradication must be made before foreign assistance is increased.
- The main narcotics producing and trafficking groups such as the UWSA, MNDAA, and DKBA, constitute a major security threat that would take a major effort in human and material resources to overcome. It would also test the tenuous balance of loyalty between the officer class and the long suffering rank and file foot soldiers, many of whom do not recall the comparatively greater battles against large insurgent forces in the 1980s and early 1990s.
- A renewal of hostilities in the Shan State against these groups could break the delicate ceasefire agreements with a dozen other armed groups and return Burma to the state of civil war that it experienced before 1993. Nevertheless, concerted action against large militias should be undertaken, including more military pressure.
- The narcotics syndicates and their activities are too lucrative to the SPDC on an individual and corporate basis to curtail their production, including the funding of infrastructure projects that facilitates the SPDC's ability to travel through ethnic areas.
- Under the cover of "National Unity", the SPDC permits the leaders of the ceasefire groups, many of them ethnic Chinese drug dealers, to participate in the stalled National Convention and provide a façade of ethnic cohesion and stability.
- Profligate military spending since 1988 has not been aligned with a serious counter-narcotics program that is designed to establish central government control of the opium growing areas in Northern Burma.
- The SPDC's drugs eradication efforts rest on a combination of good international citizenship, adhering to UN Conventions and seeking membership of regional narcotics and development forums.

Burma's Drug Eradication System

The SPDC have attempted to show the world their good intentions to rid Burma of drug production. They have made a concerted attempt to lobby foreign governments, the United Nations system, and win over the

international media, by obtaining opium free pledges from main drug producing groups, by staging public burning of seized drugs and making great claims over their law and order efforts. As commendable as these efforts seem, they blithely ignore the reality of the drug trade. Instead of targeting major drug producing groups, the SPDC has directed its police forces to arrest low level drug dealers and small traffickers. These are often the cannon fodder of the drug trade, while the kingpins sit in their mansions in Rangoon and on the border directing operations. The SPDC's drugs eradication efforts rests on a combination of good international citizenship, adhering to UN Conventions and seeking membership of regional narcotics and development forums. Second, increased cooperation with UN agencies to pursue narcotics eradication through alternative development. And third, country programs which seek to blend national development projects with law enforcement efforts, with a major SPDC effort to achieve total eradication by 2014.[1]

In the absence of US certification, the SPDC relies primarily on the United Nations for its partnership in eradicating narcotics production. Through its cooperation with the UN the regime seeks legitimacy that it intends to spread through the rest of the international community. In a barely noticed development, the UN granted Burma a four-year term of the Commission on Narcotic Drugs in January 2004, joining the 53-member body which overseas the work of the United Nations Drug Control Program (UNDCP) within the UNODC and all international narcotics treaties.[2] Currently, Burma is a signatory to the following relevant international conventions and mechanisms:

- UN Single Convention, 1961
- UN Convention on Psychotropic Substances, 1971
- UN Drug Convention, 1988
- Member of the 6-Nation UNODC Sub-Regional Action Plan which aims to control pressures chemical trafficking and narcotics production in the region (with Cambodia, China, Laos, Thailand and Vietnam)

Burma has also signed two Memoranda of Understanding (MOUs) with China and Thailand for greater cooperation in drug interdiction.

In late 1989, the SLORC regime reformed Burma's drug interdiction efforts. Having lost tens of millions of dollars in US funding and allied themselves with most of the major narcotics producing groups, the regime shifted from the large scale military operations of the 1970-1980s to a law and order approach backed up by a long term developmental project. In November 1989, the regime formed the Central Committee for Drug Abuse Control (CCDAC).[3] This peak body for narcotics eradication was reformed in 1993 and again in late 1997, ostensibly due to tensions between contradictory agendas of protecting militia groups producing narcotics, and attempting to clamp down on drug exports. The CCDAC is assisted by the nominally civilian Myanmar Anti-Narcotics Association (MANA). This association, whose Chairman Dr U Nay Win is well connected to the SPDC, is designed to work with local and foreign NGOs and UN agencies, to reduce drug use, conduct community education about drugs and HIV spread, and gather information on consumption habits in communities. This is an especially sensitive role for a pro-regime NGO to maintain, and their cooperation with foreign NGOs is problematic. A survey of HIV in Burma acknowledged that, "the NGOs are extremely aware of the political sensitivities of their (MANA) activities in this area and consequently do not openly acknowledge the exact nature of their work or their activities."[4]

The major domestic laws for the control of the drug trade are the Narcotics and Dangerous Drugs Act, 1974, and the Narcotic Drugs and Psychotropic Substances Law, 1993. The Narcotic Drugs and Psychotropic Substances Law is the foundation of Burma's campaign against drugs. While it brings the country technically into line with international conventions, it is in the implementation of the law that the SPDC is deficient. The law is designed more for international show than as a legal basis for pursuing effective drug suppression. The SPDC's credentials were further boosted in 1999 when the international crime-fighting coordination agency INTERPOL, chose Rangoon as the host for the Fourth International Heroin Conference. The move was contentious, given Burma's prominent role in such a trade and the allegations of government connivance, and was boycotted by the US, Great Britain and many other European countries.[5] In July 1998 at an Association of Southeast Asian Nations (ASEAN) meeting in Manila, Burma signed the Joint Declaration on A Drug Free Zone in ASEAN by the year 2020. This was soon brought forward to 2015, although

it agreed "to enhance joint efforts among all affected states in combating the drug menace, especially the newly emerging drugs like methamphetamines or Amphetamine-type stimulants (ATS)."[6]

As a member of ASEAN, Burma is also a member of the ASEAN and China Cooperative Operations in Response to Dangerous Drugs (ACCORD), a body which groups ASEAN, China, and several observer countries and agencies to facilitate better coordination and information dissemination for drug control. The SPDC pledged US$8,400 to contribute to implementing the ACCORD Plan of Action, which is basically a vague commitment to make the region drug free by 2015.[7] Much promise has been placed on ACCORD, but at the moment it is simply an optimistic talking event for ASEAN and UN bureaucrats.

Instead of directing funds towards an upgrading of the Myanmar Police Force and greater counter-narcotics efforts, the SPDC has expended millions of kyats on museum projects that laud their anti-drug efforts. Many of these are overly obsessed with the role of the *Tatmadaw* in achieving "drug free" areas of the country. They include detailed installations of previous SPDC operations in Shan State to attack narcotics producing militias, including the prominent role of Sen Gen Than Shwe and Prime Minister Khin Nyunt in operations against drug militias.[8] The museum in Rangoon cost the regime 1053 million kyats (approx. US$3 million) according to government sources. At present there are three drug eradication museums in the country, with the largest in Rangoon. The Möng La (SSSR-4) museum is predominantly devoted to lauding government efforts at eradication, and conveniently downplays the role of druglords who have been legitimized in the "Arms for Peace" process.

The New Destiny Project

The SPDC have promulgated a three phase (5 year per phase), 15 Year Plan to eradicate drug production in Burma, beginning in 1999 and scheduled to be completed in 2014. The project is aimed at achieving drug free status for 52 townships; twenty two in Northern Shan State, eight in Southern Shan State, four in Kachin State, two in Karenni State, and two in Chin State. This will entail an impressive border areas development program to increase the living standards of villagers who produce opium in border regions (See Maps 5.1-3).[9]

As impressive as the plan appears on paper, and despite its vigorous promotion in the state controlled media, the 15 Year Plan and its component, the New Destiny Project are aimed more at impressing the international community than pursuing a sustainable drug eradication program. Most of the 'drug free' statuses bestowed on townships are based more on the achievement of deadlines than any objective assessment of their current level of opium production. Some of the townships earmarked for poppy eradication also harbor ATS labs, and townships that have already been declared opium free are still showing up on UNODC poppy surveys. The 15-year plan is aimed more at grand infrastructure projects, roads, bridges, hydro-electricity plants, which extend the reach of the central state but fail to improve the every day life of the farming communities.

The 15 Year Plan has five main aims:

1. eradication of drug production,
2. demand reduction
3. law enforcement
4. mobilization of people's participation
5. international cooperation.

Part of the 15 Year Plan includes the New Destiny Project, formerly called Project Hell Flower. This was launched in April 2002 and is designed to swap poppy seeds for alternative crops such as rice, grain and corn or vegetables.[10] In its initial phase the SPDC claimed that 141 tons of poppy seeds were handed over to the authorities. Colonel Hla Min of Military Intelligence stated: "We have been implementing ways and means to bring these farmers out of poppy cultivation in a more humanitarian way than resorting to sending in troops to destroy their sole livelihood." He claimed that the surrendered poppy seeds could cultivate 60,000 acres, yield 263 tons of opium, which in turn could produce 26 tons of heroin, with a projected US$ 'street' value of $1.1 billion.[11] The rice seeds handed out to farmers are predominantly *Hsin Shweli*, a Chinese produced rice strain, which has supposedly high yield potential. According to evidence collected by the *Shan*

Herald Agency for News, the rice crop was a complete failure in all the townships where it was distributed. The rice cracked and broke, and the yield was low. Its 'medium' quality also makes it less than palatable, especially when compared with normal Shan rice. Nevertheless, SPDC military authorities continue to distribute the seeds and expand the project, punishing farmers if they do not meet planting deadlines.[12]

Table 5.1: Government of Burma's 15 Year Plan For Narcotics Eradication (*kyats* millions)

No.	Sector	Budget *kyats*
1.	Agriculture	1,063.99
2.	Livestock breeding	11,905
3.	Construction of roads and bridges	3,752, 381
4.	Communications	33,593
5.	Energy	134,322
6.	Trade	394
7.	Health	272,14
8.	Rehabilitation	30,091
9.	Education	62,917
10	Public awareness activities	58,947
11	Law enforcement	189,343
	Total	**5,613,459** [13]

SOURCE: Government of Burma Central Committee for Drug Abuse Control (CCDAC) [http://www.ccdac.gov.mm]

SPDC Law and Order Efforts

There is much space devoted to narcotics arrests in the Burmese press (all official or semi-official press; there is no freedom of the press in Burma) but they all appear to be small-scale traffickers. While demonstrating the efficiency of Burmese police to suppress drug abuse and internal trafficking, the government downplays its links with major producing groups. The SPDC has created between 18-21 Anti-Narcotics Task Forces (ANTF) that operate throughout the country. They are comprised of police, military and military intelligence personnel. Their role is to cooperate with Military Intelligence (MI) and the *Tatmadaw* in intercepting drug trafficking and production.[14]

The activities of these Task Forces are accorded much space in the state run press, and the CCDAC website reports all drug related arrests throughout the country. All arrests are accorded huge space in the newspapers and news bulletins, including cooperation with Chinese and Thai authorities regarding the extradition of suspected drug dealers. Yet, routine

arrests of low-level smugglers and traffickers do not greatly affect the trends of the drug trade. Targeting low level traffickers and dealers is ineffective in the long run, as they are the most replaceable of the many actors involved. Nevertheless, the whereabouts of major narcotics kingpins, such as Wei Hseuh-kang, are still inexplicably beyond the law enforcement agencies. The SPDC also refuses to cooperate with US authorities on the extradition, or even arrest, of indicted individuals. USG publications also routinely name the UWSA, Kokang group of Phone Kyar Shin and other militias of deep involvement in the drug trade, yet the SPDC fetes these organizations as partners in the law and order fight against drug trafficking.[15] The SPDC's enforcement approach is to cooperate with druglords to routinely 'sacrifice' drug minions and satisfy UNODC and foreign observers that it amounts to a comprehensive law and order program.

The inflated monetary value of the seizures is also misleading, as the SPDC uses a projected 'street value' of drug seizures, including opium that has yet to be processed into heroin. For example, at every drug burning, CCDAC authorities emphasize what the New York retail price of heroin would be. At one event in Kokang in 2002, the authorities purportedly destroyed surrendered poppy seeds and poppy pods weighing 120,346.6898 kilos. From this an estimate was made of potential acreage these seeds could sow (73,679 acres), how much opium per acre it would yield (4.4kg), therefore producing 424.3 tons of opium, which calculated at a New York street value of US$120,000 per kilo, saved world markets from being flooded with US$3.89 billion dollars worth of heroin.[16]

There are clearly a few things wrong with this methodology. The first is that very little of Burmese produced heroin reaches the East Coast of the United States anymore, so measuring its New York value is pointless. The CCDAC would be better off to calculate it at Chinese or Australian street prices. Secondly, the math employed assumes that all the plants will survive the weather and actually be harvested, which is often not the case. Seizures, destruction, theft and other variables or overhead costs would also not survive such a multistage process. And finally, the whole exercise ignores the decentralized, Fordist nature of the international drug trade, and that even such wildly exaggerated profits would be dispersed amongst hundreds of participants in the production and supply chain.[17]

Such 'official' calculations are aimed more at impressing United States policy makers, aid donors, and the casual observer than they are at establishing an estimation of profits from Burmese drug exports. By bombarding the observer with exhaustive lists of 'seized' material, including bottles of cough syrup, watches, and television sets, the SPDC has pursued a policy of accumulating statistics which, when presented in total, would translate into an apparently successful campaign against drug syndicates.[18] This highly detailed public relations exercise attempts to conceal the broader picture of the drug trade and the role played by state and non-state actors in the production, protection and transit of narcotics.

Table 5.2: Major Achievements of SPDC Narcotics Eradication Project 1990-2003

- Investigated 68,074 narcotics related cases
- Arrested 91,532 drug offenders
- Seized in total:
  - 35 tons of opium
  - 4.959 tons of heroin
  - 8.048 tons of marijuana
  - 0.649 tons of morphine
  - 124.4 million ATS tablets
  - 21.04 tons of ephedrine
- Reduced poppy cultivation from 163,100 hectares in 1996 to 77,700 hectares in 2002
- Reduced opium production from 2,560 tons in 1996 to 630 tons in 2002
- Staged 17 drug burnings in the capitol Rangoon and 26 times in border areas
- Opened three main Drug Eradication Museums in the country
- Conducted ten joint Opium Surveys with the USG and three with the UNODC (both continued in 2004)

SOURCE: Government of Burma Central Committee for Drug Abuse Control (CCDAC) [http://www.ccdac.gov.mm]

The Dormant Military

Since 1988 the Burmese military, the *Tatmadaw*, has experienced a major expansion and re-equipment program. This has seen their personnel grow from 180,000 to approximately 400,000, more than a doubling of strength. By some accounts they are currently the world's 15th largest army, and the second largest in the region after Vietnam.[19] The defense spending that this expansion took up has been estimated at between 40-50% of the SPDC's central government expenditure, at the expense of health, education, and narcotics eradication programs.[20] There are two obvious questions to ask the SPDC in relation to defense spending. First, if all this equipment and

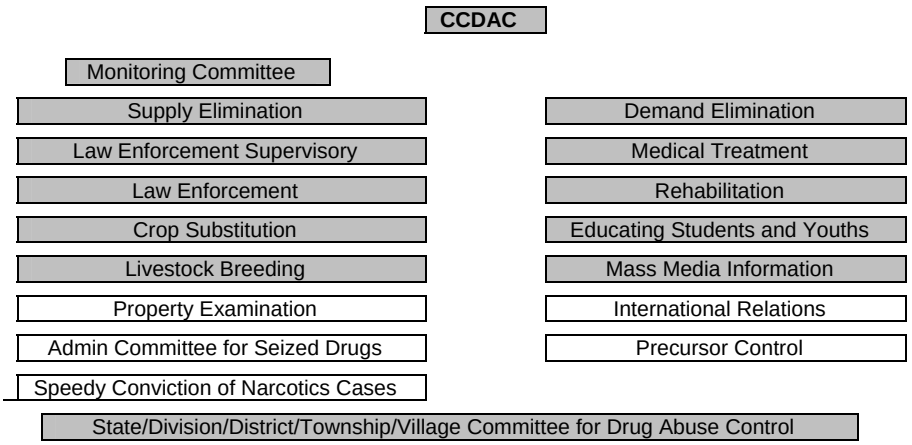
manpower is for national defense, why has it not been directed toward curbing the activities of major drug producing groups that arguably present a direct threat to national security? Secondly, if the profligate defense spending is for national security, why cannot some of the money be redirected to narcotics suppression instead of asking the international community for help?

Table 5.3: SPDC Law and Order Efforts 1994-2003 United States Government figures

	1994	1995	1996	1997	1998
Heroin Labs destroyed	4	3	11	33	32
ATS labs destroyed	-	-	-	-	-
Narcotics arrests	7,134	5,541	4,522	4,522	4,456
	1999	**2000**	**2001**	**2002**	**2003**
Heroin Labs destroyed	2	-	14	17	7
ATS labs destroyed	6	-	3	6	-
Narcotics arrests	4,456	6,413	4,811	-	4,848

SOURCE: Bureau for International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report 2003*, Washington DC: U.S. Department of State, March 2004, and Government of Burma Central Committee for Drug Abuse Control (CCDAC) [http://www.ccdac.gov.mm]

Figure 5.4: Organization of CCDAC



SOURCE: CCDAC website, [http://www.ccdac.gov.mm]

The *Tatmadaw Kyi* (Army) is now 370,000 strong and is capable of fielding 437 Infantry Battalions (IBs). Many of these battalions are dotted along the border regions where they patrol and regularly conduct brutal

counterinsurgency operations against civilians suspected of assisting the four main anti-government ethnic armies, the KNLA, SSA-S, KNPP, and CNF.[21] The *Tatmadaw Kyi* also has 43 Artillery Battalions and 10 Armored Battalions.[22] Furthermore, it has constituted new artillery companies which operate at the tactical level, particularly along the Thai-Burma border that are equipped with Chinese and Israeli artillery systems that can assist in offensives against insurgents. [23]

The *Tatmadaw Lei* (Air Force) has also been upgraded with 50 Chinese F-7 fighter jets, and 12 MiG-29s from Russia that amounted to US$130 million.[24] The Air Force also has approximately 30 counter-insurgency aircraft that are sparingly used against the insurgent forces. This potentially represents a solid air capability for national defense, something that Burma has not seriously encountered in its strategic planning in the past few decades, not even in the numerous border difficulties it has had with Thailand. Most of these new craft are barely operational, and observers along the Thai-Burmese border report serious problems with the MiG-29 operational capability.[25] According to some observers, the MiG-29 component may never be truly operational, suggesting a wasted acquisition.[26]

The *Tatmadaw Yay* (Navy) received over thirty new vessels, which are used for coastal defense and security, regulating traffic and interdicting smuggling, illegal fishing and movement of people.[27] While traditionally the weakest arm of the services, the navy has been significantly upgraded and should be a good asset to assist the war against drugs, particularly in interdicting drug and precursor flows in the Southern maritime routes. Yet its use is circumscribed by operational budget deficiencies.

With increased weapons purchases that augment ground, air and sea forces, one would expect the military to have made greater headway in its fight against the major narcotics producing groups. Yet apart from the staged show against Khun Sa in the mid 1990s, the *Tatmadaw* has not been called upon to attack these groups, or interdict their movements through the country. Military units do operate in law and order operations and counter narcotics sweeps, but this often to augment police efforts in remote areas. Instead, many of the purchases are to expand the military, the SPDC's power base, and solidify its hold on domestic security. As the combat capability of the military is at its peak, and the number of its domestic opponents have been drastically reduced by the early 1990s ceasefire arrangements, it has

chosen not to direct this expanded firepower on the groups which directly threaten the economic and sovereign security of Burma.

While Burma has not chosen to pursue weapons of mass destruction or chemical weapons as many other authoritarian recalcitrant states have, its pursuit of some forms of exotic weaponry has been cause for concern. While the use of chemical weapons (CW) against insurgent forces in Karen State has been widely documented and debated, the veracity of these reports are still not clear. What is known is that Burma did have a small CW capability in the 1980s before it was closed down.[28] Shan State Army-State (SSA-S) have at times reported some form of gas being used against them, but this has been denied by the Royal Thai Army (RTA) who monitor the battles. The former military government (BSPP) was accused of using US counter narcotics aid in the form of 2,4-D (half the compound of Agent Orange) against villages in the Shan State between 1985-1987.[29]

Burma's burgeoning nuclear program should also be cause for concern. In 2002 the SPDC announced plans to purchase a research nuclear reactor from Russia. This would be a 10–MW reactor, based at a secret location near Magwe in the center of the country.[30] The SPDC sent a reported 300 technicians to Russia for training in operating the plant.[31] In late March 2003, a Russian ship dropped two large containers at the isolated island of Kalagok, north of Ye Township in Mon State that are believed to have contained equipment for a construction site. According to some reports in Thailand, Russian and Burmese technicians were surveying the mainland between Ye and the Thai-Burma border for yellowcake (uranium), possibly for a planned uranium enrichment plant.[32]

Russia apparently pulled out of the planned deal in late 2003, reportedly over payment disputes. Soon after this, increasing evidence emerged to suggest that North Korea is also assisting the SPDC in developing a nuclear capability.[33] North Korea has a major nuclear program, and could provide the military rulers of Burma with fissile (weapons grade) material, something the Russian reactor was unsuited to. Eighty Burmese technicians were reported to have traveled to North Korea for training, and increased rail and airfreight to the planned site in central Burma was reported.[34]

Many observers believe that the planned reactor, which in any event is several years from being realized, is indeed for medical or agricultural research, or for a planned increase to ease Burma's chronic power shortages.

Major projects in Burma aimed at increasing its power supply, including major dam construction, has yet to translate into reliable electricity generation throughout the country.[35] The project also reflects poor budgetary formulation. How the regime can find money for a symbolic modernization project such as a small nuclear power plant, and cry poor on its counter-narcotics efforts is a matter of bad prioritization, not to mention the regime's questionable capacity to maintain safety standards.

The economic costs of this major military expansion have been immense, and disastrous for the country as a whole. From 1988 to 1997, the SPDC spent an estimated US$1.480 billion on arms imports. In the early part of the decade, much of the imports were from the People's Republic of China (PRC), where one massive deal amounted to US$1.4 billion.[36] The International Institute of Strategic Studies (IISS) claims that defense spending in Burma, including other expenditure, such as subsidized or free electricity, food and fuel, amounted to US$2 billion in 1999, an amazing sum for an underdeveloped country. Continued purchases of military equipment, including tanks, air-defense systems, and artillery pieces continue to squeeze already reduced government coffers. Burma's main arms suppliers, including China, The Ukraine, North Korea, India, Serbia, Russia and Slovakia, provide generous barter arrangements, yet the hard currency components of the deal comes through the exploitation of Burma's natural resources.[37]

The impact on the state of the economy as a result of this profligate spending has been immense. This high military expenditure was described by a State Department official this way: "The military's misplaced spending priorities, such as the purchase of MiG-29 fighters from Russia that the regime can ill-afford and which they can't long maintain in serviceable condition, have contributed to an inflationary cycle."[38] Human development indicators in Burma are now one of the worst in the world, and the once proud education system is in ruin. The United Nations estimates that the SPDC spends 4% of central government expenditure (CGE) on health, 10% on education, and 37% on the military.[39] In its recent human development report, the Asian Development Bank (ADB) stressed that "social services are grossly inadequate, (and) expenditure priorities need to be systematically realigned with development needs."[40] The price of the regime's version of 'stability' in Burma has been paid for by the people, and the two sectors of

the country which have most benefited has been the military and the major drug syndicates.

Table 5.5: Defense Expenditure in Burma, 1990-1999

	1990	1991	1992	1993	1994
US$m/bn	858	971	1.2 bn	1.4 bn	1.8 bn
% of GDP	NA	NA	NA	NA	6.1
	1995	**1996**	**1997**	**1998**	**1999**
US$m/bn	1.9 bn	1.6 bn	2.2 bn	2.1 bn	2.0 bn
% of GDP	6.2	NA	NA	NA	NA

SOURCE: IISS figures listed in Selth, Andrew, *Burma's Armed Forces. Power Without Glory*, Norwalk CT: Eastbridge 2002: 316.

The reticence of the SPDC to use their new and enlarged military against the major narcotics producing armies is indicative of their skewed priorities. Yet interdicting the UWSA and their drug-producing contemporaries is a role the *Tatmadaw* must inevitably face. As Andrew Selth argues:

> (E)ventually Burma will need to confront large, well-armed and independent organizations like the UWSA and MNDAA, and halt their narcotics production. Ultimately, this can only be done by physically wresting back control of their territory and disarming them. Such campaigns will not be easy, and casualties would be high, but ironically conflicts of this kind could help the rebirth of the Burmese armed forces (in a democracy).[41]

The *Tatmadaw* postpones this 'rebirth' while it conducts brutal counter-insurgency campaigns against its ethnic people.

Land Rights and Rural Oppression

The narcotics industry in Burma is aided by the poor state of land rights. Farmers are completely at the behest of a strong centralized bureaucracy and the whim of local military authorities. The centralized agrarian polices of successive regimes in Burma has made the condition of farming communities extremely dire. While the vast majority of opium is grown in the hills of the Shan State, and the major rice paddy growing areas are in the central Dry Zone and Irrawaddy Delta, agricultural policies of the central government are uniform and cover all agricultural activity.

The conditions of farmers in legal agriculture are instructive because they demonstrate the arbitrary nature of state and military control. The

Revolutionary Council (RC) nationalized all land after taking power in 1962. In 1973 the Paddy Procurement System was introduced which forced farmers to sell a large share of their produce to a central procurement system *below* market rates. This is basically expropriation. The regime has required this system in order to provide rice to its elites, the military and public service. The Socialist government further tightened control of land use in 1978 and declared in Order No. 2/78, "All the land, agricultural, horticultural and cultivatable belongs to the State."[42] The use of the draconian 1963 Relocating of Land Act entrenches the arbitrary nature of land tenure in Burma. While the SLORC/SPDC governments have attempted to liberalize the agricultural sector, they maintain a tight grip on land reform. A minor change to the law introduced an entrepreneurial class to the sector, but this has largely been a device to create wealth for cronies of the SPDC and *Tatmadaw*.[43]

The situation of farmers in Burma is further exacerbated by the regimented array of bureaucratic structures. A recent study by a Burmese researcher found many points of contention between farmers and the authorities, both the central government, authority from above (*atek-lu*) and local government forces, authority from below (*auk-lu*).[44]

> The appointment of military officers to head civilian ministries adds barriers to upward information flow because most military officials lack technical and managerial expertise with which to formulate appropriate agricultural policies, and many are rigid and unrealistic in their demands and planning. (This combines to) clearly worsen the conditions of the majority of people who live in the countryside.[45]

There is also ample evidence that farmers are coerced by local *Tatmadaw* units into growing opium. While this often occurs in isolated areas of the Shan State, the dynamics of rural forced labor are replicated throughout the country, and forced opium cultivation is one of the hardest patterns to discern. In the aftermath of Khun Sa's 'surrender' to the government, the opium growing regions around his headquarters at Homong were controlled by *Tatmadaw* units and the villagers continued to grow and sell opium with the soldiers as the middle level merchants. This system has continued in less than discreet ways throughout major opium growing regions, either as a

direct source of income for soldiers, or as a security tax paid by drug producing groups. What is also clear is that despite pressure from the International Labor Organization (ILO) to cease the use of forced labor for infrastructure projects, road security, and the growing of crops for *Tatmadaw* troops, the practice, called *louq ah pay* (voluntary labor) continues.[46] In 1999 the SPDC passed Order 1/99 expressly prohibiting the use of voluntary labor, but the practice has continued and been widely investigated and reported. This extends to the forcible growing of opium plots in defiance of the ban, in parts of the Shan State which international monitoring does not include.

In late April 2003, the SPDC announced a plan to lift the paddy procurement system and free the sector for more private trade. This new system will be controlled by the Myanmar Rice Trading Leading Committee (MRTLC) and is governed by three guidelines.

1. Rice will only be exported when it is in surplus.
2. Exporters must pay a ten percent export tax, and;
3. The net export earnings after tax will be shared between the government and rice exporters with 50% each.[47]

The outcome of this centralized system of land control has been serious food shortages and inflation of basic foodstuffs.[48] For a country where more than 50% of the workforce is employed in the agricultural sector, where Burma was once the major rice exporter in the world, where "agriculture as the all round base of the economy" is propagated by SPDC propaganda, and where rice quality is some of the best in the world, should there be chronic food shortages and an estimated 40% of children malnourished?

Given the situation in what are some of the richest cultivation lands in Asia, it is no surprise that many farmers continue to cultivate opium in areas where the land and altitude is not conducive to rice growing. Conditions in opium growing areas under *Tatmadaw* control are undoubtedly worse that those under control by their own ethnic authorities, such as the Wa, but only marginally. Yet the use of land is seen in the same vein according to a recent report on food security in Burma. "Agriculture has become the basis for military buildup. Controlling and exploiting agricultural production have therefore become military goals. The military pursues these goals in a spirit

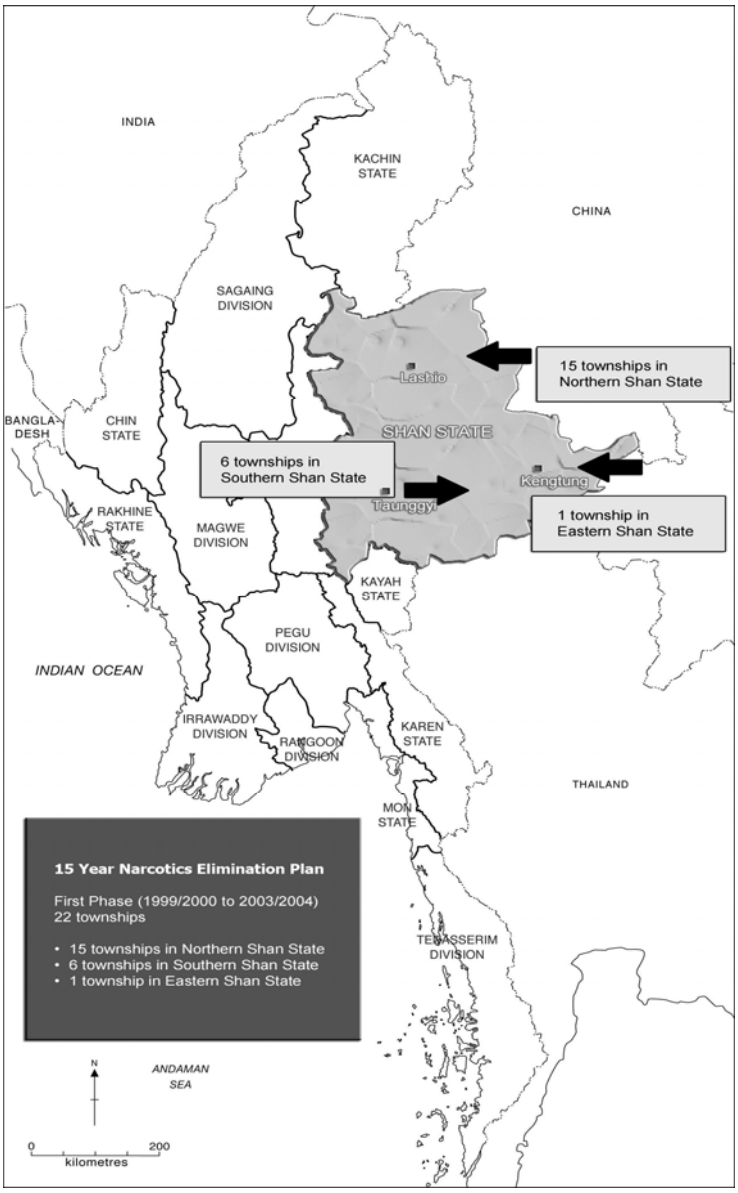
of conquest and militarism."[49] This appears to be the same for rice as it is for opium.

The much trumpeted crop replacement projects have seen an unconscionable relocation of people from their land without fair compensation or alternative programs. Even the head of the UNODC in Burma admitted that some of the government programs had simply gone too far. "No sufficient resources were made available for alternative income generation. We have seen a reduction of 50 percent since 1996-97. For us this is too fast, for the simple reason we have not seen proportional revenues created for the opium farmers."[50] This comes in the background of an already dire situation on food security in Burma.[51] There are an estimated 632,978 internally displaced people (IDPs) in Eastern Burma, from the Mon State and Tenasserim Division to Northern Shan State.[52] The main causes are forced relocation orders from the military away from so called 'grey (or brown) areas' where the military and insurgent forces contest control, and the fallout of how the Burmese army conducts counter-insurgency operations: continued forced labor, extrajudicial killings, and institutionalized rape of ethnic women.[53] In Southern Shan State, IDP communities are forced to stay on the run from drug smugglers as well as Burmese army oppression. They must avoid protected opium fields and drug transit routes, making their security highly unpredictable.[54] As a result, food security and health access for many IDP communities is a serious and widespread problem.[55] The SPDC refuses international NGOs access to many of these sites, not does it permit the scale of aid these communities urgently need.

Further to law enforcement and specific counter-narcotics efforts is the regime's Border Areas Development Program (BADP). This seeks to inject funding and infrastructure projects into the borderlands where central government writ is often weak. Since the early 1990s, SPDC funding for roads, bridges, schools, and clinics has sought to strengthen the presence of the central state in border areas. The effects of these projects, has been an increase in forced labor, human rights abuses, displacement and severe environmental effects.[56] The devastation of Burma's teak forests has been one side effect of military style development, feeding into similar unlawful networks and patronage that narcotics syndicates work in, making the border areas an increasingly criminalized zone. One observer has succinctly argued that the efforts at border areas development "is principally a State-building

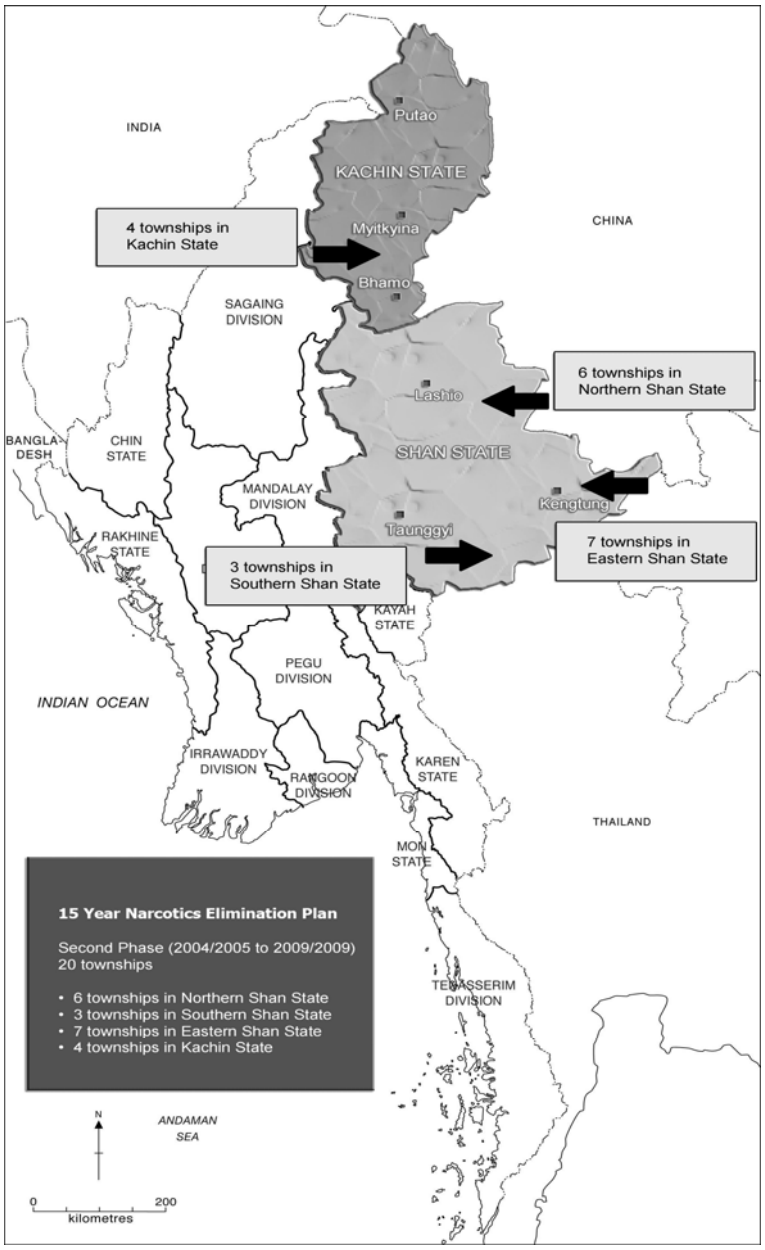
exercise oriented toward the realization of three goals: the extension and solidification of the regime's control over the populace, the extraction of natural resources, and the construction of a national identity through efforts to depoliticize ethnicity."[57] Land rights and the rights of farmers in these areas have suffered for decades because of the regime's drive for pacification.

Map 5.1: Phase One 1999/2000 to 2003/2004, 15 Year Drug Eradication Plan



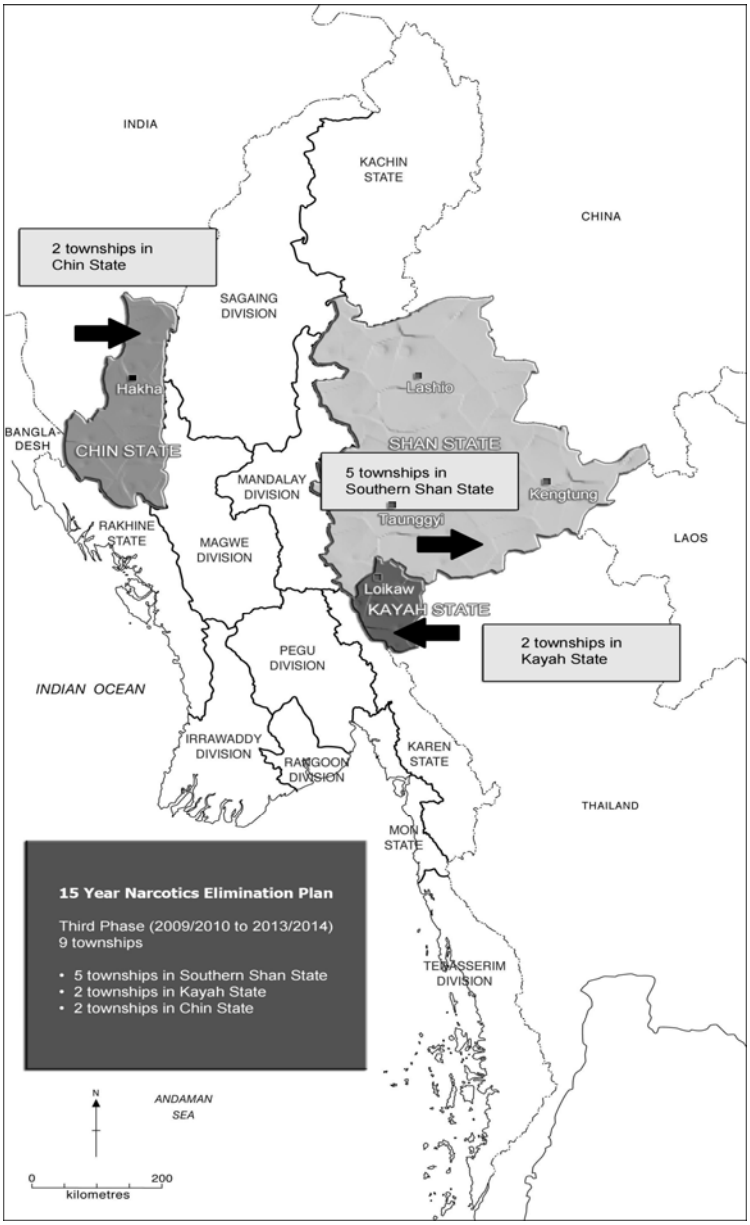
SOURCE: Government of Burma Central Committee for Drug Abuse Control (CCDAC) [http://www.ccdac.gov.mm]

Map 5.2: Phase Two 2004/2005 to 2009/2009, 15 Year Drug Eradication Plan



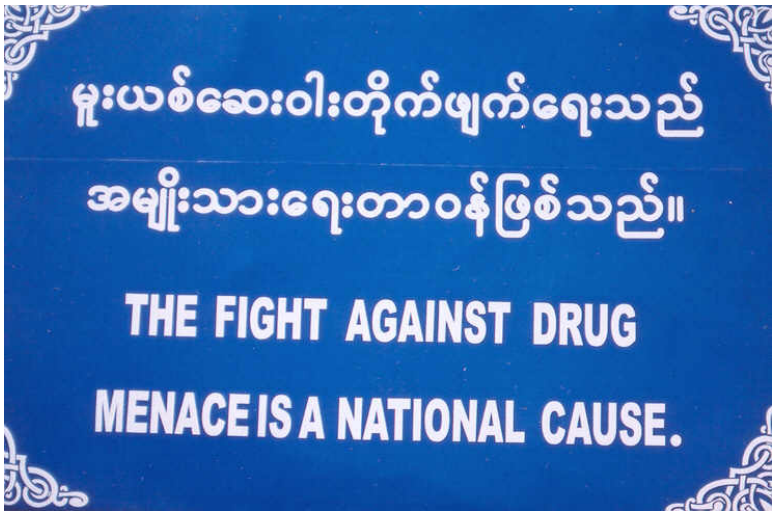
SOURCE: Government of Burma Central Committee for Drug Abuse Control (CCDAC) [http://www.ccdac.gov.mm]

Map 5.3: Phase Three 2009/2010 to 2014/2015, 15 Year Drug Eradication Plan



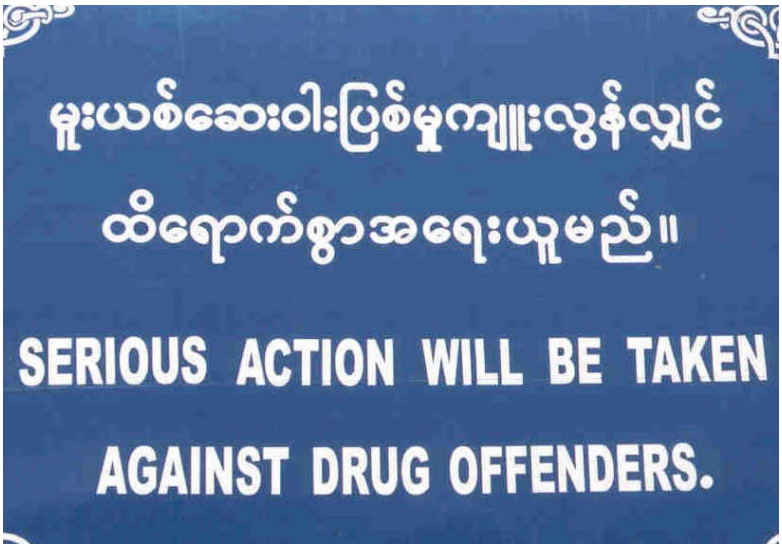
SOURCE: Government of Burma Central Committee for Drug Abuse Control (CCDAC) [http://www.ccdac.gov.mm]

Photograph 5.1: SPDC anti-drugs billboard, Tachilek, Shan State 2003



SOURCE: Altsean-Burma

Photograph 5.2: SPDC anti-drugs billboard, Tachilek, Shan State 2003



SOURCE: Altsean-Burma

Photograph 5.3: SPDC anti-drugs billboard, Tachilek, Shan State 2003

SOURCE Altsean-Burma

Photograph 5.4: SPDC anti-drugs billboard, Tachilek, Shan State 2003

SOURCE: Altsean-Burma

Photograph 5.5: Drug Elimination Museum, Rangoon

SOURCE: Government of Burma Central Committee for Drug Abuse Control (CCDAC)

Photograph 5.6: Drug Elimination Museum, Möng La, Northern Shan State, 2003

SOURCE: Altsean-Burma

Photograph 5.7: Anti-drug poster, Drug Elimination Museum, Rangoon

SOURCE: Altsean-Burma (the inscription reads *seik-yaw-kha-ya*, “get mind disease” if you take drugs)

Photograph 5.8: Anti-drug poster, Drug Elimination Museum, Rangoon

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Part VI
International Assistance

- United Nations drug eradication programs in Burma are well intentioned and partly effective but suffer from poor partnership with the SPDC and local ceasefire authorities.
- An increase in UNODC projects and more bilateral projects will increase the legitimacy of the SPDC without addressing the root causes of the drug trade.
- Crop replacement programs have caused a great deal of misery to poor farming communities, which have suffered from heavy handed SPDC tactics of forced relocations and land confiscation.
- Bilateral funding and assistance for narcotics eradication in Burma suffers from a lack of coordination, poor SPDC vision, and a lack of understanding by the international community of the level of involvement of the Burmese military in the drug trade.
- World Food Program assistance addresses the failures of drop eradication policies, not the policy of the SPDC and UNODC that lies behind this humanitarian crisis.

United Nations Projects

International assistance for Burma's narcotics eradication program is small. The major international actor in narcotics eradication is the UNODC. Bilateral funders do pursue small projects, particularly the Japanese government. Funds for narcotics eradication is part of the vexed argument on aid to and engagement with the SPDC. What makes funding for eradication or counter narcotics funding so contentious is the debate over the level of involvement of the regime in the trade. Many donors are hesitant to provide funds that could be seen as legitimizing the SPDC's connivance with the major players, although the level of understanding of the drug trade is quite low. Many INGOs have scant knowledge of major players, levels of corruption, and human rights abuses that often attend major crop replacement projects. Assistance often conceals brutal military campaigns to forcibly relocate and eradicate poor farmers' crops without providing sustainable alternatives.

The United Nations has been involved in narcotics suppression in Burma since the early 1970s through the United Nations Fund for Drug Abuse

Control (UNFDAC), later the United Nations Drug Control Program (UNDCP) and currently under the United Nations Office on Drugs and Crime (UNODC).[1] They have conducted a range of impressive programs aimed at crop replacement and development programs, opium yield surveys, and education. The agency works in opium growing areas and ceasefire zones of the Shan State. The agency sponsors regional gatherings of ministers and drug eradication officials in fostering greater cooperation for Burma's drug fight.[2] The UNODC also pursues what is termed Civil Society Initiatives (CSI), which sponsors activities such as marathons, art competitions, conferences and events to highlight the dangers of drug consumption.[3] The "Amazing Life Without Drugs" campaign, using prominent Burmese actors and musicians to promote a drug free society, is a product of this community development scheme.

Despite these efforts, the agency has exhibited almost blind faith in the SPDC's counter narcotics efforts and rarely acknowledges the growing threat of ATS. The United Nations contribution to drug eradication in Burma must be placed in the perspective of what its mandate calls for and what it can realistically expect.[4] The agency is under budgetary constraints. This is predominantly arising from the surge in opium production in 2000 that affected confidence in the SPDC eradication efforts, but mostly due to multilateral concerns over the regime's human rights abuses and suspicion of involvement in narcotics production and trafficking. In March 2004, UNODC country representative Jean-Luc Lemahieu launched yet another appeal for multilateral donors for the two main projects, beyond what was already stated in their published budget. The UNODC even acknowledged that sustainable development projects could assist political reform in the country. "The understanding is growing that narcotics is a very complex issue, from the humanitarian perspective, from the sustainability perspective as well as from human rights perspective and political reform perspective."[5] He also pledged that opium surveys would be conducted in Kachin State and Sagaing Division along the Indian border.

The UNDCP sees its two primary roles in Burma as first, advocacy, providing accurate and objective information on the drug trade, and second, demand reduction through alternative development projects.[6] The stated aim of the UNDCP program is opium poppy cultivation eradication and

HIV/AIDS transmission reduction. As the parent agency, UNODC programs must cooperate with the SPDC and the local communities in which it operates. These are often controlled by the very figures that manufacture narcotics. Furthermore, UNODC is limited by its mandate to decrease opium cultivation, and it does not have the purview to intervene in the wider dynamics of the drug trade, increasingly with ATS. The four main objectives of the UNODC in Burma are:

1. Completing the Wa Alternative Development Project (WADP) by end 2003 and starting the second phase of an alternative development project in Laukkai District, Kokang Region
2. Continue, on a limited scale to conduct annual opium poppy yield surveys in Shan State, including training of counterpart staff, that will allow close monitoring of opium poppy cultivation, in particular in areas where WADP operates
3. Continue to play key role aimed at tackling the HIV/AIDS epidemic, in the context of the Joint Plan of Action…to cut the rate of drug related HIV transmission
4. Involvement in a structured dialogue with the international community…on how best drug problems can be addressed within a wider context that includes the critical poverty and humanitarian crises affecting the population at large[7]

The agency has been heavily criticized for ignoring the increase in ATS production in Burma. UNODC Burma country representative Jean-Luc Lemahieu routinely argues what he believes is the distinction between heroin and ATS. "Opium in essence is about poverty, whereas *yaa baa* is about greed".[8] This grants the UN body a measure of distance from the largest growing drug problem in the region by concentrating predominantly on opium eradication. Nevertheless, the criticism of the UNODC program in Burma is the level of legitimacy it grants to drug producing groups through its cooperation.

The UN has pursued 'alternative development' (AD) in many of its project areas. Alternative development is a catch-all phrase for gradual crop replacement that also teaches villagers sustainable development techniques and community empowerment. It stems from the 1998 UN General Assembly Special Session on Drugs (UNGASS), which sought a balance between law enforcement projects and alternative eradication programs.

Table 6.1: UNODC projects in Burma, Funding Requirements, (in US$)

Total Funding 2003-2007	Monitoring of the drug situation and evaluation of interventions	2,935,000
	Alternatives for opium farmers	18,000,000
	Regional cross-border cooperation	N/A
	Money laundering and mutual legal assistance legislation	200,000
	Demand reduction activities	1,600,000
	Introduction of solutions to drug use and HIV transmission	2,846,000
	Total	**25,581,000**

SOURCE: United Nations Drug Control Program, *Strategic Program Framework. UN Drug control activities in Myanmar*, Yangon: UNDCP, October 2002.

Table 6.2: Major Donors to UNODC/UNDCP 1999-2002 (in US$)

Donor	1999	2000	2001	2002
United Kingdom	4,193,581	4,730,052	2,607,469	6,389,822
United States	25,305,000	9,248,810	20,352,000	13,260,792
Netherlands	974,610	3,936,543	250,000	-
Ireland	269,260	229,720	-	492,611
Australia	1,130,649	454,737	473,720	680,520
Austria	547,426	924,174	426,663	1,755,485
Belgium	256,545	428,099	307,899	178,343
Canada	1,027,397	1,001,477	948,666	965,962
Denmark	1,220,765	1,112,440	-	372,800
European Commission	3,123,451	187,064	2,810,000	2,649,653
Finland	367,590	337,500	759,102	512,847
France	1,323,144	1,294,856	1,308,523	1,738,847
Germany	885,724	1,075,826	514,000	2,390,994
Italy	9,191,176	11,939,616	10,926,573	11,608,300
Japan	3,853,990	3,379,000	3,379,000	5,038,260
Luxembourg	721,130	766,194	658,542	702,776
Norway	2,455,068	1,078,150	1,820,500	1,749,677
Spain	505,045	552,401	535,185	700,043
Sweden	4,274,532	4,640,148	3,999,506	4,089,189
Switzerland	723,686	636,346	503,155	604,210
Total Major Donors	**62,349,769**	**47,,689,153**	**52,580,503**	**55,881,131**

SOURCE: Ernestein Jensema and Francisco E. Thoumi, *Drug Policies and the Funding of the United Nations Office on Drugs and Crime*, 2003, [http://www.senliscouncil.net/].

More ambitious is the UN's Strategy for Coca and Opium Poppy Elimination (SCOPE) which was designed to eliminate all coca and opium cultivation by 1998, although this was subsequently watered down to "significant decreases".[9] The essential elements of AD are the merging of development projects with drug eradication, so that crop replacement is community empowering. It seeks gradual change in livelihood augmentation,

health and education benefits, alternative income generation, and strengthening of local institutional capacity.[10] The UNGASS Action Plan specifically states that AD seeks narcotics eradication "through specifically designed rural development measures in the context of sustained national economic growth and sustainable development efforts in countries taking action against drugs."[11]

Photograph 6.1: SPDC Anti-drugs poster, Rangoon, May 2004

SOURCE: Altsean-Burma

It is debatable whether the SPDC is pursuing sustained national economic growth, but more important is the debatable benefits of alternative development. Its track record in South America is questionable in terms of effectiveness and the human rights abuses that have accompanied it. With Thailand it worked for several complex reasons and took a long time.[12] Nevertheless, the UNODC sees AD as the major guiding policy of its work in Burma, and has presented its efforts as the primary vehicle for an expanded narcotics project. The biggest to date is the Wa Alternative Development Project (WADP) in Northern Shan State located within SSSR-2 and SSSR-4.

The Wa Alternative Development Project (WADP): Alternative Development or Alternative Reality?

The WADP is the UN's major showcase project in drug eradication, and one of the agency's biggest projects.[13] The project is in two phases, the first running between 1998 and December 2000. Phase II began in January 2001 and was scheduled to be completed by December 2004, before the UNODC extended the program to 2005. The budget outlay for the project is a total of US$11.6 million. Overall, according to Jean-Luc Lemahieu, the WADP funding for 2003 rose from US$1.3 million to $1.5 million.[14] The project covers 2,000 square km, and serves 260 villages containing 6,250 households in total comprising seven townships and is located in the district of Mong Pawk. In the project area, ethnic Lahu make up the majority with 57%, Akha with 14%, Shan 9%, Wa 7%, and Chinese 2% with other minorities making up the rest.[15] The project is conducted in conjunction with the SPDC, UNODC and the authorities of the Wa Special Region, which is essentially the UWSA.[16] Foreign contributions for the project include: Germany with Euros 1 million (approx US$1 million), Italy with US$100,000, United States with US$1.6 million, and Japan with US$700,000. The four major elements of the project are:

1. Infrastructure Component – building roads and ensuring water supply
2. Livelihood Component – seek alternative livelihood strategies including rice based cultivation, irrigation upgrades, and livestock and fisheries projects
3. Public Health, Drugs and AIDS Awareness Component – by training local staff in education and primary health care, building small clinics in townships, and instituting demand reduction programs to limit the use of illegal substances
4. Education Component – improvement of literacy campaigns, including Chinese, English and Burmese language, and the construction of an agricultural technical college[17]

As laudable as the project appears, it legitimizes one of the most extraordinary mass relocations in Burmese history, when the UWSA forcibly relocated up to 120,000 people from the Northern Wa State to locations in the "Southern Wa Area" (actually still in Northern Shan State in SSSR-2),

and to villages along the Thai border. While the UN and the SPDC make this seem like a respectable crop replacement program, the movement had several disastrous effects. Hundreds of people died during the relocation, as conditions in the new settlements led to a major epidemic of disease including malaria and anthrax, in which thousands died.[18] The UNODC acknowledges the major hardships forced upon the relocated communities, yet praise the operation as a triumph of alternative development.[19] If this is an example of UN sponsored alternative development strategies in Shan State, then targeted communities should be better informed and given greater choice in their 'participation.'

Furthermore, many of the sites were not unoccupied land, but existing Shan villages. Forced at gunpoint by UWSA militia and Burmese army troops, many of these Shan villagers were in turn displaced. One estimate put the total number of forcibly expelled Shan, Akha and Lahu of this area at 50,000. [20] The Lahu National Development Organization studied the displacement and presented figures that 48,100 villagers were forcibly moved from their houses by the Wa resettlement.[21] An estimated 5,000 of them have crossed into Thailand. Many of the Shan IDPs now live in the jungle surrounding their old homes, unable to return, or travel to other villages for fear of being mistaken for insurgents. Their fate is difficult to gauge and is one of the underreported humanitarian crises in Burma. Many of them fled to IDP camps along the Thai border. The total number of Shan refugees in Thailand is estimated at 150,000, although there are certainly more. Between 1997-2002, forced relocations and other human rights abuses drove approximately 70,000 Shan from Central Shan State to the border district of Fang in Chiang Mai Province.[22] The Wa relocation area was declared drug free by local and Burmese authorities in July 2002, although numerous reports indicate that the area is still a major drug transit and growing area.[23]

While instituting several commendable programs of crop replacement, infrastructure and education, including drug education, the UNODC itself admits that the first phase of the WADP was stymied by "the overestimation (of) the institutional capacity in the project area and the ability of the Government of Myanmar to provide support."[24] In parts of the Wa area where crop replacement initiatives have begun, including fruit plantations such as lychees, tea and rubber, and basic manufacturing such as liquor and tobacco factories and mining and limited construction projects, often joint

ventures with Chinese companies and to a limited extent Burmese business interests (usually ethnic Chinese). To protect their own domestic production however, Chinese authorities have slapped extremely high import tariffs, making the profit margins of Wa farmers minimal. According to some Wa officials and farmers interviewed by the *Bangkok Post*, as high as between twenty to forty percent on imports, and acts as a disincentive to produce goods for export to the Chinese market.[25]

The project has also been hampered by the inability to attract all the donations required to fulfill the program. This is the key to the UNODC's agenda. By pointing to the success of some of their projects, they argue that an increase in aid would replicate this success in other areas of Northeast Burma.[26] This is a claim that should be treated with caution. While this report recognizes some of the positive work being achieved by the UNODC, it should not neglect other realities that cast the SPDC and their partners in a negative light. Even SPDC observers admit the limitations of the project, although mostly through complaints of inadequate funding and the order of alternative development realities. "Due to time frame (drug free deadline) in the Wa region, it is a must to use law enforcement first to eradicate poppy cultivation and then work for sustainability."[27] The combination of poor SPDC partnership, lack of funding for UNODC, and accelerated timeframes for eradication, has resulted in increasingly alarming humanitarian crises arising from forced relocation and a sharp reduction in household income.

Part of the problem stems from the authoritarian power structure of many of the communities with which the UNODC must cooperate. Many of the former CPB commanders still maintain Chinese Communist inspired leadership methods, and many groups remain structured along these rigid lines. The Wa authorities have, according to a UNODC assessment, "strong feudal and militaristic characteristics with a strong top-down decision making process…local authorities often act as 'princes' with limited respect towards the central Wa authority."[28] Much of this autonomy is generated by localized drug production by UWSA cadres, who often act at odds with the central leadership's promises to be drug free. In February 2002, an incident allegedly took place between the WADP field officer, Xavier Bouan, and Pao You-hua, the commander of the UWSA 486 Brigade, over the discovery that a destroyed opium field had been harvested beforehand. The Wa officer fired

a gun into the air during the dispute and the WADP field office at Mongphen was temporarily closed by the UNODC.[29]

Table 6.3: UNODC Emergency and Pre-Emergency Relief and Assistance Projects in Burma

Project description	Period	Launch Date	Budget
Monitoring Cash and Food Crop Production in Kokang Region, Wa Region and Surrounding Areas	Two years	November 2003	US$1.5 million
Emergency Post-Opium Poppy Cultivation Relief and Participatory Assessment for Sustainable Development (Kokang)	Two years	July 2003	US$5 million
Basic Health Services, SOS Delivery and Nutritional Survey in Kokang and Wa Region	Two years	November 2003	US$1.5 million
Preparatory Assistance and Framework Building for Post Poppy Era in Wa Region	Two years	July 2003	US$2.15 million
Achieving Food Security through Irrigation Activities and Land Development in Wa Region	Two years	September 2003	US$810,400

SOURCE: Lanmadaw Kyaw Khaung, "Assessment of the attitude of US and western European nations concerning Myanmar's anti-drug drive", *The New Light of Myanmar*, 3 July 2003: 5.

In early 2003, the UNODC with INGO assistance conducted a humanitarian needs assessment in crop replacement areas. It concluded that humanitarian intervention was desperately needed in many of the replacement zones, as forced eradication had reduced household income by 70 percent.[30] To this end, the UNODC with Japanese, American (and reportedly, Italian) funding, started two projects to assist farmers: the Kokang and Wa Initiative (KOWI) and the Kachin and Shan State Intervention (KASH). Not much is known about these two initiatives, except that they have specific funding for poverty alleviation and emergency assistance in these two areas. A needs assessment was conducted by the UNODC, Japanese Embassy, World Health Organization (WHO), and buckwheat specialists in the Wa and Kokang areas from 21 March and 7 April 2003, and it found that the "situation in Kokang is…already growing critical. Food shortages have begun to occur. Others without rice are begging. Leaders of the region worry that more crime will increase as people grow more desperate. The troubles that exist now, while grave, surely will pale before those that are sure to come when the implication of living without poppy becomes clear."[31]

The projects for KOWI are geared towards emergency poverty alleviation. What it indicates, despite the UNODC's upbeat assessments, is that alternative development in eradication zones have become more akin to relief aid, as genuine alternatives have not been provided. The UN itself claims that there is a positive political result of the initiative, and that the project will not only be "cost-effective, but also increases the chances of stability when the democratic reform in Myanmar occurs."[32] The United Nations efforts in Burma are now motivated primarily by poverty reduction, not real drug eradication, reflecting a failure of the entire project to ensure alternative sustainable livelihoods of poppy growing villages. The use of 'alternative development' methods, much lauded by counter narcotics officials, is a commendable but blinkered strategy.

Often, the rewards for major drug producing ethnic groups is exacerbating the problem. It legitimizes the authoritarian power structure of these communities and teaches the leaders that international handouts will relieve them of their obligations to provide public goods to their people. The UN has admitted itself that rapid crop replacement and forced relocations could spark a major humanitarian crisis.[33] The SPDC emphasis upon deadlines and meeting 'drug free targets' comes at a cost to those villagers who are the targets for these show projects.

Model Villages or Drug Lairs?

In the WADP area of operations is the Shan State Special Region 4, controlled by the government ceasefire group the National Democratic Alliance Army (NDAA). The capital of this semi-autonomous pocket state is the burgeoning city of Möng La. Möng La was formerly the 815 war zone of the Communist Party of Burma. Following the mutiny of their foot soldiers in 1989, the local communist forces reformed as the National Democratic Alliance Army, also known as the Eastern Shan State Army. The use of the two titles is superfluous, as they are neither democratic nor Shan, but predominantly Chinese and ethnic Wa drug dealers. Granted special privileges in their ceasefire deal with the Burmese government, the town and its environs are designated Shan State Special Region 4. This 'special' status has granted the NDAA certain economic privileges and the Burmese government presence is minimal.[34]

The Mayor of Möng La and leader of the NDAA is Lin Ming-xian, also known by his Burmese appellation Sai Lin. A former Chinese Red Guard volunteer, Sai Lin correctly interpreted the new economic privileges as *carte blanche* for any racket he desired. He then went about turning Möng La into a major opium growing region and supplier of heroin to the West. His status is confirmed by a large billboard in front of city hall, which shows the Mayor shaking hands with the head of Burmese military intelligence, Lt Gen Khin Nyunt (now Burmese Prime Minister), who engineered Sai Lin's transformation from communist rebel to druglord. Sai Lin's gratitude reputedly extends to regular payments to the spy chief to ensure continued 'protection' for his mini-state. The sleepy communist base soon turned into a thriving privatized border zone of 5,000 square kilometers with 74,00 inhabitants, a mixture of Burmese, Shan, Akha, and other hill tribes in 400 villages.[35] With United Nations assistance, the villagers around Möng La replaced opium with peanut cultivation, apple orchards, new rice strains, mangoes and watermelons. A sizeable investment in a sugar mill was a complete failure: planned exports to China were never realized because of a surplus of sugar supply, and the factory now sits silent.[36]

To expand his business, Sai Lin shrewdly pledged to eradicate opium production from the area by 1997, a promise that both he and the SPDC claim came to fruition in April 1997. He attracted millions of dollars in Burmese government and UN funding, staged drug burnings in the town for the diplomatic corps and the international press, and built a dark pink temple for a Drug Elimination Museum. This garish edifice has installations on the evils of drug taking, complete with longhaired mannequins wearing *Guns N Roses* t-shirts who represent the decadent life of the addict and their transition to clean wholesome citizens with SPDC assistance. Most of the museum lauds the drug suppression efforts of the Burmese military in attacking "drug bandits", prudently concealing that many live happily around the country injecting their profits into the legal economy with impunity, including the town's mayor.[37]

Möng La has since grown into a casino town where an estimated 500,000 Chinese tourists visit annually to take in the gambling, watch Thai transvestite shows, sleep with Eastern European prostitutes, eat endangered species and buy fake brand name goods.[38] The town was shown to foreign journalists during a trip in April 1999 to celebrate the tenth anniversary of

the demise of the Communist Party of Burma (CPB), accompanied by Lt Gen Khin Nyunt, Col Kyaw Thein, and Lt Col Hla Min, the three most powerful members of the intelligence apparatus. The purpose of the trip, like the staged drug burnings throughout the 1990s was to demonstrate the regime's war against narcotics and their successful implementation of border areas development.[39] What has not been revealed is that much of the opium plantations around Möng La have been moved from WADP sites to less accessible ridgelines and slopes undetectable to both international observers and satellite coverage.[40] In late 2001, 4.7 hectares of opium was discovered in the Southern section of SSSR-4 and destroyed. Many residents of the enclave claim that opium cultivations continues in a smaller, more circumspect manner, but it still continues.[41]

Recent reports indicate that Sai Lin suffered a stroke in 2002, and his hold on the town is being replaced by Chinese investment. The town suffered a sharp downturn in mid-2003 when PRCG authorities in Yunnan compelled many of the Chinese workers back over the border in order to register with the authorities.[42] Curbs were also placed on the amount of money tourists could bring with them, and many were not permitted to stay overnight. By early 2004 the town was still in operation and the Chinese imposed controls were gradually being loosened.[43] This form of vice-development is also replicated to a certain extent in Pangshang, the capital of the Wa region. By investing in casino's and the entertainment business, this form of development, according to a UNODC report, "is impoverishing already poor people", spreading HIV with increased urbanization, and replacing opium addiction with ATS abuse. Furthermore, many of the employees in these border towns are Chinese.[44] Burmese and ethnic minorities are a neglected caste in these towns.

Yet Möng La is the model for the way the Burmese government have been exercising control over the lawless north. By subcontracting pockets of authority to dozens of commercially motivated insurgent militias, they receive in turn road networks, infrastructure, foreign investment, jobs and an appearance of stability, thanks to laundered drug profits. As United Wa State Army settlements in Southern Shan State expand, threatening Thailand with increased narcotics shipments, Möng La and its freewheeling ways could well prove the model for border development in the wild frontiers of Burma.[45]

Möng La could also be the example that Mong Yawn, on the border with Thailand, is attempting to emulate. The aim was to resettle 120,000 civilians from Northern Shan State to areas close to the Thai border.[46] In Mong Yawn, the UWSA were also reinvesting their profits into infrastructure such as roads, a dam, hydroelectric plants, schools, clinics and crop replacement programs. Six thousand Thai construction workers, directed by Chinese engineers constructed a town from the jungle between late 1999 and 2002. This has led to what one foreign diplomat termed "the appearance of an emerging state." One result of the rapid migration, settlement and development of the Wa in the south was an epidemic of anthrax, typhoid and malaria in 2000 in which 10,000 died according to some reports. Wei Hsueh-Kang and Wei Xai-tang, the leader of the '361 Command' in Mong Yawn were both reported to have fallen ill with anthrax.[47] Wei has since relocated his base to Mong Mai further inside Burma, but nevertheless the Wa have established a strong presence on the Thai border. According to Ta Kap, the then deputy commander of the 894 Brigade, "The Burmese say we're part of Burma but our Wa state is not marked on the map and we've not been issued identity cards. As long as the Burmese do not treat us as equals, we'll be keeping our weapons".[48]

In response to Thai protests about the town and its reputed drug production, the Wa renamed it Yong Pang (Prosperity), and it now receives Thai assistance in alternative income generation, the construction of a hospital and schools. One Burmese commentator disputed the lurid image of the town, claiming that it was a peacefully developing village with crop substitution projects, mines and a piggery. She was given a guided tour by UWSA authorities.[49] Much of the drug production around Mong Yawn shifted further inside Shan State because of the town's notoriety, and its 'founder', Wei Hsueh-Kang, also moved further away.

The WFP: Feeding the Victims, Aiding the Perpetrators.

The World Food Program has stepped into the UNODC budget shortfall to assist the failing crop replacement projects in Shan State. In late 2003 it was revealed that 50,000 farmers in SSSR-1 in the Kokang area were facing starvation due to accelerated crop replacement initiatives that had resulted in non-opium crop failure. This was related to New Destiny paddy crop failures, the low profits of the Japanese funded soba-noodles project, but

also increased eradication without compensation by Kokang and SPDC authorities, which claimed the area should have been opium free by 2000.[50] Six hundred and ninety metric tons of rice was delivered in an emergency operation by the WFP. The program, which ran between October and December, was seen by the UN agency as a great success.[51] Little attention was given to the fact that WFP representative Bhim Udas handed the rice over to Phone Kyar Shin, leader of the MNDAA in the special region and widely reported to be a major narcotics producer.[52] In a surreal twist, the rice donation ceremony was conducted at the Drug Elimination Museum in Laukkai.[53] Despite his well-publicized cooperation with the SPDC on opium reduction, Phone Kyar Shin opened the first heroin refinery in Kokang in the 1970s, and after signing his ceasefire with the SLORC in 1989, opened over a dozen in his area to supply markets in East Asia and the West.[54] A report in late 2003 claimed that the Kokang area produced sixty percent of total heroin supply and fifty percent of ATS production in Burma.[55]

The WFP, which has operated in Arakan State in Burma since 2001 feeding Rohingya refugee returnees, is seeking an expanded role in Burma.[56] This initial effort has planted the opportunity for a much larger project. In March 2004 a one-year project was begun which will feed 180,000 farmers in SSSR-1 in Kokang and SSSR-2 in Pangshang. The project will operate between March 2004-March 2005, distribute 9,855 tones of rice in a combination of emergency food distribution and 'work for food' projects, and will cost a total of US$3,670,774. The funding breakdown for the project is led by Australia, with $1,736,000, Japan $615,000, Germany $487,000, and Sweden with $334,000.[57] The project will have four INGO partners, including Adventist Development & Relief, CARE Australia, and World Vision and it is expected that most of the work will go through local based INGOs, including some Burmese NGOs directly controlled by the SPDC.[58]

The WFP has also opened local offices in Kokang, Panghsang and Lashio with the aim of delivering rice by May 2004 before monsoon rains make roads difficult to use and reach their Extended Delivery Points (EDP).[59] The specific locations for the rice distribution will be in Mine Kar (Mongkha), Wa region; Namtit (Namteuk), Wa region; Man Tone Pa, Kokang region; Ta Shwe Htan, Kokang region; Kon Kyan (Kawngzarng) and Hon Ai, Kokang Region; Kaung Kar, Kutkhai Township (Kachin Defense Army); Mone Koe

(Mongkoe), Muse District; Man Ton, Mangtong township (Palaung State Liberation Organization); and Man Pan, Tangyan township (Shan State Army-North). [60]

Fears that the rice distributed would be purchased from the SPDC have been confirmed. The rice is to be brought from government stocks, possibly stockpiled rice appropriated through the notorious paddy procurement system.[61] The rice is *Em Matha*, 25 percent broken rice, which is of medium quality. The program will not use the contentious *Sin Shwe Li* rice, which is a strain the SPDC imported from China and have been forcing farmers to grow since 2003.[62] The agency expects to be able to monitor the rice during all its movements throughout the country and ensure that all the provisions will reach the target communities. The number of foreign staff to administer the project is reportedly three, with twelve domestically recruited staff, although one WFP official claimed that the foreign staff could number between eight and twelve.

A separate project started soon after the Kokang project was announced, which aims to provide food to 400 households in central Burma whose members have been affected with HIV/AIDS.[63] The affected families, fifteen percent of which are TB patients, reside on central trucking routes that are a key factor in the spread of the disease though sex work or drug use.[64] While feeding poverty-stricken communities is beyond criticism, the WFP is becoming embroiled in a situation whereby its activities legitimize the authoritarian crop replacement policies of the Kokang, Wa and SPDC authorities. By strong-arm tactics, the Kokang authorities have enforced opium reduction beyond the nationwide average of twenty five percent, to nearly fifty percent. It also conceals the failure of these projects to provide an alternative livelihood, a factor the UNODC admits to. The WFP is in effect bailing out the UNODC and its failure to attract greater funding. The project outline infers this. "In Wa region, WFP will have a partnership with UNODC as they have been operating in this region for the last several years. UNODC has agreed to share its database with WFP and provide necessary logistics support to open its Sub-office in Wa region. In Kokang, WFP will facilitate UNODC to establish a Technical Coordination Unit (TCU), under the umbrella of the Kokang Wa Initiative (KOWI)."[65]

The deputy executive director of the WFP, Sheila Sisulu, visited Northern Shan State in September 2004 and blamed the SPDC for the humanitarian

crisis wrought by poorly conceived development projects. She also claimed that people's lack of freedom to travel in order to sell crops at markets was a primary factor in the food crisis. "Rangoon has to fix its own economic and cultural policies to solve such problems as high school dropouts, malnutrition and poverty."[66]

Privileging opium-farming communities for emergency aid also further marginalizes the plight of hundreds of thousands of internally displaced in the Shan, Karenni and Karen States for whom access to foreign aid is highly problematic. Many communities not in ceasefire zones are poorly served by SPDC agencies, or in conflict zones are often preyed upon for forced labor or are victims of forced relocations by the *Tatmadaw*. The WFP has set a precedent for eradication efforts in Burma. Realizing that UN agencies will respond to donor driven and created humanitarian crises, the SPDC may well use the method to pursue unrealistic deadlines to please the international community, knowing that the WFP will bail them out.

Greater Mekong Subregion: The ADB's Back Door

Burma is currently ineligible for multilateral lending institution aid, through the World Bank, Asian Development Bank (ADB) and International Monetary Fund (IMF). The likelihood that aid or loans would be resumed was reduced when US Senator Mitch McConnell again voiced his assurance in early April 2004 that the USG would block any resumption of activities by the three institutions.

In mid-2002, the ADB did come close to starting a project on drug control in Northern Burma as part of its Greater Mekong Subregion (GMS) program. The project would have funded alternative development projects run by the UNODC. It was concealed within a regional framework by the ADB, which provides some technical assistance to drug projects in Burma but only as part of GMS assistance.[67] There are no drug specific or any direct form of projects by the ADB in Burma at the current time. The Bank Information Center (BIC) claimed that: "the ADB was testing the 'waters' with this project towards further engagement with Burma."[68]

United States: The Big Prize

The SPDC sees the resumption of United States counter-narcotics aid as its main objective. To this end, it has attempted to prove to the USG that its efforts deserve certification for cooperating with the US. Key actors in the War Against Drugs in Washington, particularly the DEA, members of the State Department and the US Embassy in Rangoon, have agreed with this assessment and have recommended a resumption of some counter-narcotics assistance. The SPDC is not just seeking the international legitimacy a resumption of aid would provide, but it would also signal a major funding boost. The United States was Burma's major counter narcotics funder before 1988. Previous US assistance was small but still significant in Burma, at US$12.2 million per year of which an average $7 million was directed to counter narcotics aid between 1974-1988. According to the General Accounting Office, the USG provided a total of US$80 million to the BSPP during this time. The program included the supply of Bell helicopters to transport counter narcotics officials, and crop dusting helicopters and planes to sweep opium fields.[69] The aerial spraying program was instituted in 1985, and soon became notorious for its misuse by SPDC officials. In direct contravention of the rules of the aid provision, the then BSPP government used the helicopters to transport troops in operations against insurgents, and the crop dusters, which were equipped with 2,4-D defoliant (50% of the Agent Orange compound) sprayed villages suspected of assisting anti-government insurgents. Major opium fields were rarely sprayed because the local *Tatmadaw* commanders were paid by drug lords to avert the spray, or because the suppression of civilian support for anti-government insurgents was more of a priority.

Larger insurgent groups such as the Communist Party of Burma (CPB) in the Wa hills who relied on taxing the opium trade were well equipped with anti-aircraft systems and were not even targeted. In interviews with an American investigator, villagers in the regions of Kengtung and Kutkai in the Shan State, told of a three month spraying season (December-February) during the harvesting periods of 1985-86 and 1986-87. The fields sprayed were planted with vegetables, and the spraying appeared to be a precursor to a *Tatmadaw* infantry sweep through the area. The villagers and Burmese soldiers who ate the sprayed vegetables reportedly died 24 hours later.[70] A report by the US General Accounting Office (GAO) concluded that the

efforts of the US crop dusting program had serious deficiencies, top among them the poor ability of the SPDC to follow instructions and the misuse of the aircraft.[71]

One observer wrote that the misuse of US aid by the SPDC was systematic and that the supplies were used "primarily as weapons in an extensive war against tribal groups."[72] Despite the international condemnation the use of defoliants against ethnic villages provoked, the suspension of US aid ended the practice. This was not because the then SLORC government didn't think the tactic useful, it was just too miserly to pay for the upkeep of the US supplied aircraft or buy its own pesticides.[73] By that stage, many of the opium growing militias were too valuable to the SLORC as ceasefire groups that took the pressure off the central government. Hard currency from drugs sales were also reportedly being channeled into government accounts, so that pursuing a concerted crop eradication program would have been counter-productive, and breaking the terms of the ceasefire agreements.

Since 1988 the USG has not directly funded counter-narcotics programs in Burma, but it has been a key multilateral donor. From 1996 to 1998, the USG funded a project called *Old Soldier*, which was managed by the NGO 101 War Veterans in the Northern Shan State area of Kutkai.[74] This project provided crop replacement programs (corn) for 25 villages in the area at the cost of US$500,000. It was frozen in 1998 by the SPDC due to deteriorating bilateral relations with the USG.[75] Current US funded counter narcotics assistance include being a major funder to UNODC programs, DEA intelligence sharing and joint drug-related tactical advice with the SPDC Police Force, and the Annual Joint Opium Crop Surveys with the SPDC-CCDAC between 1993-2004.[76]

The US has also funded and trained a special unit in Thailand, called Task Force 399.[77] This included US DEA agents, US Army Special Forces, RTA commandos, Border Patrol Police (BPP) and intelligence officers.[78] The Task Force was vigorously criticized by the SPDC who saw its existence as potentially destabilizing for border relations.[79] While the Royal Thai Government appears to have scaled down the operations of this unit, rumors persist that they are still in existence in the north of Thailand near the resort town of Pai.[80] The DEA has furthermore established an

intelligence coordination center in Chiang Mai to streamline information from the DEA to the RTA Third Army command, anti-drug Taskforces, and Task Force 399.[81] There have been claims by the SPDC that US soldiers have accompanied joint operations with RTA and SSA-S attacks within Burma, but these claims are not credible and there is little evidence to support it.[82] USG funding and expansion of these projects would certainly augment the ability of the RTA to interdict Burmese drug smuggling across the border, although lack of political will by the Thaksin administration is undermining the activities of the Thai military establishment to interdict drug shipments.

Japanese Aid: A Noodle Approach

Japan has traditionally been one of Burma's largest aid donors, granting the SPDC US$78 million in 2001 for example. It has regularly been estimated that Japanese Overseas Development Aid (ODA) accounts for 60% of all foreign aid to the country. Its counter narcotics assistance has been small and directed to poverty alleviation, crop replacement, and local capacity building. It does not provide the SPDC with military, intelligence or law enforcement technical aid. Its main contribution is a crop replacement project in the Kokang region of Shan State. In 1998, Japan provided nearly US$5 million in crop substitution programs, mostly to buy tractors and fertilizers.[83]

Japan is also a major contributor to the Wa Alternative Development Project (WADP), with a recent contribution of US$1.2 million.[84] Currently Japan, through the Japan International Cooperation Agency (JICA) and the Sasakawa Peace Foundation (SPF), funds a buckwheat program in Northern Shan State. The project included six Burmese trained in Japan on buckwheat cultivation, four Japanese experts for technical assistance, the supply of four tons of buckwheat seeds, two seed processing plants and two transportation vehicles.

Four acres of trial buckwheat started in 1997 in the Kokang region. One of the Japanese experts overseeing the project claimed that the soba noodles would be called *keshi*, the Japanese word for poppy. In 1998 this was extended to 223 acres, in 1999 to 2,145, in 2000 3,110 acres, and in 2001 to 4,000 acres.[85] In 1999 the harvest was largely destroyed due to the worst bout of frost in 100 years. The harvest was just 40 tons.[86] The project

shipped 18 tons of buckwheat in 2000 and 54 tons in 2001. The price for the crop was US$300 per ton in 2000 and US$290 per ton in 2001.[87] By early 2003, the project had exported only 126 tons of buckwheat to Japan, with the 2002 level being only 54 tons down from a projected 300 tons.[88]

There is little evidence that the project is meeting its desired outcome of providing a dependable source of buckwheat for Japanese Soba shops. The program officer for the Sasakawa Peace Foundation, Yoshinobu Onishi, stated that the project was more political than practical, "overly eager to please and, consequently, superficially optimistic."[89] The resignation of the program director, former Liberal Democratic Party Secretary General Koichi Kato in April 2002, under a domestic corruption scandal, appeared to spell the end of the project. Kato was at the time the Chairman of the Japan Buckwheat Association.[90] Attempts to redirect the flow of the buckwheat from being shipped south through Singapore, and to be trucked north through China are yet to be realized.[91] Farmers in the project area have requested that the cultivation area be expanded four-fold, but Japan is still considering the request.[92]

The failure of the project, due mostly to problems of storage and shipment than the quality of the product itself, was one of the reasons behind the World Food Program intervention in March 2004. Phone Kyar Shin claims that the failure of the project was due to the Japanese. "It is a project not worth at all of the trouble we took. At first, they bought all the harvest at a very good price. So everybody wanted to grow it. But now that the output has increased, they (the Japanese) have begun stalling thereby shaking the ex-poppy farmer's confidence in the project."[93]

JICA is one of the leading INGOs in the KOWI initiative, drawing in increasing numbers of donors and implementing aid projects as part of the initiative.[94] The Karamosia Foundation of Japan has also developed two projects in Shan State. The first is the Southern Shan State Comprehensive Development Project (ILSD). According to the project, this aims to undertake "multi-sectoral development efforts" in order to provide trainees with a clearer understanding of sustainable development techniques. The second is the Symbiotic Development Project (WSD), a project designed to train youth from Northern Wa area in producing microorganism fertilizer, training in agricultural and livestock breeding techniques, and general

poverty alleviation awareness.[95] Other projects run by JICA and the Nippon Foundation include ¥800 million for machinery in an infrastructure project in Laukkai (2002-2003) and US$3 million for the construction of 100 schools in the Shan State. In the aftermath of the May 30 Depayin incident, Japan ostensibly froze all its aid projects in Burma.[96] Yet since late September 2003, the Japanese Government has resumed what it terms 'Grassroots Grant Assistance' to local and international NGOs, including funding for WFP operations.[97] In mid-2004 the Japanese Government also announced a ¥344 million (US$3.13 million) grant directed at stemming environmental degradation in Burma.[98]

Australia: The Middle Ground Crumbles Underfoot

Australia's aid to Burma has been predominantly directed at poverty alleviation, HIV-AIDS training, and the contentious human rights training workshops. The Australian Federal Police (AFP) cooperate with the SPDC in much the same way as the US DEA, providing intelligence and law enforcement assistance to the Burmese police force for drug arrests. The AFP opened a liaison office in Rangoon in July 2000 to assist the Burmese Police Force in narcotics related investigations. The biggest drug related aid that comes from Australia is a four-year project to increase cooperation in the region between China, Vietnam and Burma on HIV-AIDS and illegal drug use.[99] There are also related seminars and training on human rights and Federal Police training on human trafficking, as part of Australia's A$8 million regional initiative on human trafficking.[100]

Yet Australia also provides quiet funding for conferences and seminars, which assist the SPDC to legitimize their drug eradication policies. In mid-2001, the GOA provided funding to the conference on Alternative Development held in Taunggyi in Southern Shan State. In early 2003, the Australian Government through AusAID funded a ten-day Alternative Development research trip for policy makers and eradication experts from China, Laos, Burma, Thailand and Vietnam, through the WADP areas in SSSR-4 and SSSR-2. There are also several medium sized projects through the country to promote HIV awareness.[101]

Australia is also concerned at the increased flow of ATS into the country. Australian Federal Police Commissioner Mick Keelty recently stated that seizures of ATS had increased from 300 kilos in 2001-2002 to 1.3 tons in the

year 2002 to 2003. "The bad news is we are seeing a similar trend in Australia as we are seeing here (sic) in Thailand…where amphetamines are a major problem."[102] He pinned the blame directly on Burmese production. "Burma continues to be the largest amphetamines producer in the world."[103]

Australia has long been in the middle ground of engagement with the SPDC, not encouraging trade or investment to the extent or the level of Burma's Asian neighbors, yet not criticizing the regime to the extent or at the level of the US or European Union.[104] The World Food Program's efforts in the Kokang region have been supported by Australia, which has supplied nearly half the funding, and an Australian government affiliated NGO, CARE Australia, is one of the WFP's local partners. Efforts to increase Australian funding of Burmese aid projects, is being pursued with either little awareness, or little concern, about the desirability of local partners or the morality of aid programs to military ruled Burma.

China: Deadly Serious

China is traditionally an arms supplier to Burma, but recently it has increased its aid to Rangoon for crop replacement programs. Unlike the SPDC, the Chinese authorities are serious about drug eradication. The penalty for drug trafficking in the PRC is often death, and it is administered regularly. On 26 June 2003, United Nations International Day Against Narcotics and Trafficking, China marked the event by executing drug offenders throughout the country. In a recent move, the PRC granted aid to Burma for crop replacement programs in the Kokang area of Shan State Special Region 1. This included agricultural crop seeds of 11 tons of potato seed, 600 kg of Chinese beans, and 400 kgs of green peas.[105] China also reportedly granted an undisclosed sum to the CCDAC for counter-narcotics funding. Since 2002 the PRCG has trained Burmese police officials in narcotics suppression techniques.[106] China has also begun training authorities in the Wa and Kokang regions on drug suppression and providing precursor chemical testing equipment.[107] China has also trained 85 Burmese police personnel at the Yunnan Police College, in an assistance project that started in 2002.[108]

Thailand: The Helpful Neighbor

Thailand's major contribution to Burma's drug eradication is through the Doi Tung Royal Project, which seeks to replicate Thai success in alternative development across the border from Mae Fa Luang District and is called the Ban Yong Kha Model Village project.[109] This is the result of a promise by Thai Prime Minister Thaksin Shinawatra to assist the development of new Wa settlements along the border with Thailand with an injection of baht 20 million (US$ 440,000). The Thai PM promised this money during his visit to Burma in June 2001, where he presented the initial 20 million baht funding.[110] The Thai proposal also sought similar contributions from foreign governments including Australia, Britain, Germany and Japan.[111] The entire operation is projected to cost baht 135 million (US$3.1 million). The Doi Tung project through the Mae Fa Luang Foundation is also hoping to replicate the initiative in Afghanistan soon, and there is the likelihood of similar projects in Laos, Peru and Colombia.[112]

In late 2002 a Burmese delegation visited the project at Doi Tung to inspect the Thai project which would involve an estimated 20,000 villagers, although the inhabitants of Yong Kha is just 4,000.[113] Doi Tung Development Foundation CEO M.R. Disnadda Diskul is optimistic that the Wa settlement at Yong Kha will be successful in replacing opium and ATS production with soya beans, coffee and macadamia nuts, allowing the project to expand to other crop replacement areas.[114] Thai security sources do not share this optimism. It is reported that Pha Muang Task Force officers (a special RTA unit tasked with border security and drug suppression) are frustrated that they require permission for troops to enter the Doi Tung area in Mae Fa Luang District, in Thailand's northern Chiang Rai Province, a key drug transit area. Disnadda's assertion that Yong Kha and nearby Mong Yawn are drug free and the Wa authorities are being fully cooperative on crop replacement is not supported by RTA sources. A Thai drug officer told the *Bangkok Post*: "Everyone knows full well that the drug trade is still the main source of income for the UWSA and the Burmese border troops."[115]

This is a contentious issue, as human rights groups argue that the crop replacement and community development program legitimizes the forced relocation of over 120,000 Wa and Chinese from the north to the Shan border with Thailand.[116] Many of the Wa and ethnic Chinese migrants are learning Chinese language through the Thai funded school.[117] The move has

also displaced thousands of Shan who were forced from their villages at gunpoint to make room for the new arrivals. Making development available for one group of people while nearby other groups of Shan are in IDP camps under the protection of the SSA-S, but lack access to international aid or Thai protection, is another example of the one-eyed vision of narcotics eradication. SSA-S Commander Col. Yord Serk argued that, "Before the (Yong Kha) project started it was a Shan village, but now the Wa have come to live there. The Thais say it is a crop substitution project, but actually what they have substituted is only the people."[118]

In late December 2003, Thai Prime Minister Thaksin Shinawatra was scheduled to visit the project along with Burmese Prime Minister Lt. Gen. Khin Nyunt. After Thai military officials advised PM Thaksin that the trip would expose him to danger, including the possibility of assassination, the trip was cancelled and the RTA Third Army commander, Lt. Gen. Picharnmeth Muangmanee stood in for him.[119] The trip was a relative success, with UWSA chief Pao Yuchang in attendance and an appeal made to the international community to assist Wa crop replacement and community development schemes. A hospital financed by Thai contributions was visited in nearby Mong Yawn, as part of what Thai sources claimed was an overall baht 130 million (US$3.14 million) scheme to develop the Wa settlements.[120] Yet the project has still not managed to find extra funders. According to a scathing editorial in *The Nation*, "the fact that no foreign funding has been forthcoming two years after the project was launched is an indication that the world community is not as gullible as Bangkok has permitted itself to be."[121]

If Thailand were to serve as a model for opium eradication in Burma, perspectives on their experience would serve as a sobering education for the difficulties that lie ahead for Burma. The production of narcotics in northern Thailand, were never at the level of Burmese crop size and heroin manufacture, indeed Thailand was predominantly a transit country for Burmese drugs. In late 2004 the USG took Thailand off its 'majors list' of main drug producing or transit countries, claiming that domestic drug production or transit, including opium cultivation, from Thailand to the United States was almost negligible.[122]

Nearly forty years of dedicated government action has largely eradicated the production of opium in the Kingdom.[123] Yet this long experience serves as an interesting comparison to what Thailand had and what is missing in Burma. In Thailand there were genuine moves toward a more open political system over the past thirty years, culminating in the present democracy and the de-politicization of the military and their increased professionalism. This was a long and difficult process, but it has been ultimately successful. It culminated in a government that dedicated itself to genuine development programs and transformed the economy into one of the biggest and most stable in Southeast Asia.

The increasing professionalism of the Royal Thai Army, which gradually removed itself from the apex of power and the disruptive cycle of coups and crack-downs is another key factor. In the opium zones of the borderlands there was the presence of a flourishing civil society that contributed to counter-narcotics operations and crop replacement programs. What Thailand also had in its favor was an independent, influential power source embodied in His Majesty The King of Thailand. The King furthered peaceful crop replacement by the establishment of Royal Projects that seek to better the lives of hill peoples who formerly relied on opium growing and drug trafficking for their livelihood. This powerful social institution, as a counterweight to other forces, is non-existent in Burma. Other factors contributing to Thailand's success were a relatively well-funded higher education system that conducted research into hill peoples and their plight and influenced government programs. [124]

On all these counts, Burma fails as a comparison. Burma, after 42 years of military rule does not even have the fundamental state or social capacity needed for this transformation. Yet the experience of Thailand can serve as a reminder that the obsession with deadlines and pledges, which produces instability and human suffering, should be replaced with a more peaceful approach that aims for sustainable eradication, not a public relations exercise. Thailand has extended this knowledge to Burma, offering cooperation in multilateral forums, increased technical assistance to train the Burmese Police Force, and even notified the SPDC of the exact location of drug labs for destruction.

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Conclusion
A Failing Grade

The SPDC has failed to resolutely interdict the narcotics trade in Burma. Efforts so far to accord with its stated aims and international obligations have been insufficient to increase the current level of United Nations funding, or for the United States Government to certify the regime as cooperating fully on stopping the drug trade. Narcotics eradication efforts cannot be depoliticized or sequestered from the SPDC's wider aims, which includes the pacification of ethnic people. The humanitarian crisis facing opium farming communities in the Shan State must be urgently addressed by the international community. This should entail greater lobbying of the SPDC to slow down their eradication drive and take a more gradual, sustainable approach to eradication. The regime must demonstrate that their war on drugs is one conducted with greater respect for human rights, providing sustainable alternative incomes and more positive development for the communities. Other communities affected by drug eradication projects, such as Shan displaced by UWSA and UNODC sponsored forced relocations should also be recognized and assisted.

The road ahead for narcotics eradication in Burma is difficult, but will probably pursue one of two divergent paths. The first is for the SPDC to wield its now formidable military power against the drug syndicates and pursue a greater military option to curtail drug syndicates and interdict smuggling and precursor flows. This will be costly in terms of human life and government expenditure. It would also increase the already brutal daily reality of many people in the conflict zones for whom SPDC military occupation is a human rights disaster. The SPDC is unlikely to resume war with groups that are now too powerful and are allies in their pacification of the troubled borderlands.

The second choice is undoubtedly the best and arguably the most difficult. Renewing a genuine move towards national reconciliation would grant many of the groups in the Shan State the recognition they desire. The necessity of revenue from the narcotics trade would gradually be whittled away at the same time as the central government's legitimacy increases. While

UN programs are correct in identifying alternative development as a positive means to eradicate the drug trade, no programs will ever be successful without a genuine process of national reconciliation. This is a process that would, and should, take decades, not the short-term goals of reaching 'drug free' deadlines.

The international community must play closer attention to the regional effects of Burma's drug trade. Rising rates of ATS consumption in the region should alert policy makers to a bigger problem than just a few ethnic Chinese drug dealers, thousands of poor farmers and crop replacement: a scenario the UNODC and SPDC like to push. Exporting misery and disease to neighboring countries is a direct challenge to the sovereignty of Thailand, China, India and Laos, and has serious effects on other countries that receive Burmese manufactured narcotics. ASEAN, China, India, Thailand and Australia must be reminded that much of the drugs that arrive in their countries originate in ceasefire zones whose 'rulers' are allied with the SPDC. Money laundering contributes to the scale of criminal finance in East Asia, and Burma has been a notorious haven for banks clearly involved in processing drug profits.

Funding poverty alleviation projects without assessing their origins and being discerning with their choice of local partners should be a higher priority for INGOs and UN agencies. A drug eradication policy in Burma must be pursued alongside political and economic reform, not before it, and NGOs can have a positive role if they work within grassroots partnerships that seek to empower local civil society. Current SPDC, ceasefire authorities and UNODC projects weaken civil society, and objectify communities that they relocate, remove livelihoods from, and treat as performers to please the international community in arbitrary fashion.

The SPDC has pursued drug eradication with a punitive approach that has produced major human rights abuses and demonstrates a scant regard for the conditions in eradication zones. Ethnic stakeholders in the borderlands have not been granted the opportunity to participate in an open forum about the effects of the drug trade on their communities, including drug consumption, drug production and trafficking and what alternatives exist for sustainable long term strategies. Empowering local communities is a crucial first step to opium eradication, and more attention to this long-term

goal would achieve better results than the humanitarian crisis current efforts have produced.

Recommendations

To the State Peace and Development Council (SPDC)

- End the pursuit of unrealistic drug-free deadlines, which have evinced great hardship on poppy growing communities in the Shan State.
- Enable a process of dialogue and consultation between various sectors of society in opium growing regions and the SPDC, UN agencies and foreign aid groups to determine the most appropriate crop replacement, drug eradication and development strategies for local conditions. These consultations should include ethnic community leaders, farmers and grass roots organizations.
- Pursue a peaceful, long-term crop replacement policy that includes community level participation, consultation, freedom of movement and respects international norms of human rights and good governance.
- Take steps to investigate, apprehend, and send to trial in a free and fair court the suspected leaders of the major drug producing syndicates such as the UWSA.
- Reduce military cooperation and joint operations (including law and order operations) with the UWSA and all other suspected major drug producing syndicates and local militias.
- Extradite to the United States the major drug suspects currently being afforded protection in Rangoon and the rest of Burma, in particular Phone Kyar-shin and Wei Hsueh-kang.
- Seize assets of major drug suspects, close businesses owned by the UWSA and other suspected major drug producing syndicates.
- Cease all joint economic ventures with the UWSA and their front companies. This should apply to the military-controlled UMEH and personal investments of members of the SPDC, *Tatmadaw*, USDA, and all levels of the public service.
- Enact and implement a set of anti-money laundering legislation and laws which are more effective in reducing the level of illegal investment of drug money in the economy and banking system by conforming with the recommendations of the FATF.
- Commence multiparty negotiations on a genuine federal system that grants equal status to all ethnic groups and their representatives.

To the United States Government

- Maintain the current status of de-certification for the SPDC.
- Maintain the current level of multilateral body funding through the UNODC, and encourage the UNODC to provide more accounting of the human rights dimensions of their programs.
- Direct the DEA to make public a list of members of the SPDC and *Tatmadaw* strongly believed to have involvement or business dealings with major drug producing syndicates.
- Generate a Congressional inquiry to determine the level of involvement by SPDC officials in the drug trade and the extent of drug profits flowing through the economy.
- Increase cooperation with and assistance to the Royal Thai Army for the enhancement of narcotics smuggling interdiction methods. This would include a bilateral decision with the RTG to expand the activities and role of Task Force 399 and extend its activities throughout the Third Army Region where drug routes predominate.
- Call on the FATF to draw up a list of banking institutions in Burma strongly suspected of money laundering drug profits and lobby the international community to disassociate their dealings with Burmese financial institutions that launder drug profits.

To the Royal Thai Government

- Maintain current commitment to opium reduction projects in Burma but do not expand that assistance to other parts of Shan State.
- Increase calls on the SPDC to interdict narcotics labs that Thai authorities have located.
- Make public information on Burmese military involvement in the drug trade and refuse entry to Thailand of any official of the SPDC, *Tatmadaw*, or USDA suspected of involvement in the drug trade or money laundering.
- Extend humanitarian support to displaced Shan communities along the border who have been uprooted as a result of forced relocations or crop eradication schemes.
- Resume a more vigorous campaign against drug smuggling and related activities by the UWSA and other militias along the border.

To the United Nations and the International Community

- Do not increase levels of involvement in narcotics eradication, crop replacement and development protects until the regime makes genuine steps to deliver genuine economic and political reforms, including human rights for farming communities.
- Ensure that current programs do not impede efforts to support democratization and national reconciliation.
- Provide more accounting of the human rights dimensions of UNODC programs in Burma, independently and in conjunction with current United Nations human rights efforts in the country.
- Continue to lobby the SPDC to direct more domestic resources to narcotics suppression.
- In consultation with key stake-holders, draft a concerted nation-wide narcotics eradication program that could be used to guide international donors once sufficient political progress has been made.
- Broaden the mandate of the UNODC to include the collection of information on ATS production.
- Commence genuine counter-measures against money laundering, including a ban on financial services and targeted companies compromised by involvement with drug profits.

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ABOUT ALTSEAN - BURMA

The Alternative Asean Network on Burma (Altsean-Burma) is a network of diverse organisations and individuals based in Asean member states working to support the movement for human rights and democracy in Burma.

We were formed at the conclusion of the Alternative Asean Meeting on Burma held at Chulalongkorn University, Bangkok, in October 1996.

Our activities are focused on supporting the movement for human rights and democracy in Burma within the context of Asean. In doing so, we also work to strengthen the human rights and democratization agenda in Asean. While our focus has been on Burma, we have worked with our partners to support human rights causes within the region.

We regard the political participation of women as an essential element of democracy and therefore incorporate this approach into our work.

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