“To what extent have illicit economic activities affected the economical and social development of Myanmar, with special attention to the Shan and Kachin ethnic groups?”

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"To what extent have illicit economic activities affected the economical and social development of Myanmar, with special attention to the Shan and Kachin ethnic groups?"

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Introduction

Illicit economies in Myanmar date already back to the 16th century (Lone & Cachia, 2021, p. 588). Since then they have become more and more an important part of the Burmese economy. By the 1990s it had been estimated that the illicit economies were as big as the official national economy (Guyot, 1997, p. 188). Consequently, these economies became an integral part for not only the local population, for whom they are a way of earning a living but also for the Burmese military (Tatmadaw) and the different ethnic organizations, which both use these economies to achieve their objectives. However, the objectives by these actors often contradict each other as the Tatmadaw's goal is state-building, while the ethnic groups are fighting for more autonomy (Meehan, 2015, p.8/13). What I want to find out with my thesis is the impact these illegal economies have on the local population. Hence my research question: "To what extent have illicit economic activities affected the economical and social development of Myanmar, with special attention to the Shan and Kachin ethnic groups?"

To answer my research question I will be analyzing the repercussions which the two biggest illicit economies, namely have on the local population. These two economies are the mining and trading of jade and the production and trafficking of opium. Before I present my analysis, I will first give an overview of the academic literature regarding illicit economies and development in Myanmar, before presenting my research design. My analysis will be followed by a short discussion, before ending my thesis with a conclusion.

Literature review

When it comes to the relationship between illicit activities and development, the traditional political discourse has formulated these activities as a security issue and associating these activities as cause of underdevelopment (Gillies, Collins, & Soderholm, 2019, p.1). The argument is that illegal economies often are responsible for violence, corruption, exploitation, as well as, governance failures (Gillies, Collins, & Soderholm, 2019, p.1). Typical examples for this phenomenon are the relationship between opium/heroin trade and the continuous fighting in Afghanistan, or the negative repercussions illegal gold mining has on the national economic development in Colombia (Gillies, et al. 2019, p.1; Idrobo, Mejía, & Tribin, 2014, p. 87). This perception is in particular applied to the Global South. The World Bank's 2011

World Development Report argued that underdevelopment, insecurity, and illicit economies are closely linked to this region (Gillies, et al. 2019, p.2; World Bank, 2011). The report determines state fragility as well as underdevelopment as important explanatory factors for the emergence of illicit economic activities in a country (Gillies, et al. 2019, p.2; World Bank, 2011). Miraglia, Ochoa, and Briscoe (2012) further elaborate on this, by arguing that already fragile or conflict-affected countries are more prone to transnational organized crime. They further argue that this combination of factors creates a negative condition where illicit economic activities further amplify the fragility and underdevelopment of states (Miraglia et al. 2012, p.13f).

However, within the scholarly literature, there exists also a contrary side to this traditional perception of illicit economic activities. Scholars like Goodhand (2008), Baker and Milne (2015), Meehan (2015), or Snyder (2006) have contested the idea that illicit economies inevitably create political instability. Broadly speaking, the authors conclude that the distribution of wealth among the main political actors, gained from illegal economies may be used as the basis for nation-building and political stability. While Goodhand (2008) explains this argument by analyzing the relationship of the drug economy and peacebuilding in Afghanistan, Baker and Milne (2015) examine the effect of illicit economies on the Southeast Asia region, while Meehan (2015), and Snyder (2006) illustrate the argument based on the specific case of Myanmar.

So far, according to Baker and Milne (2015), research has mostly excluded the role illicit economies play in the light of state-building. However, the two authors argue that illegal economies hereby surely play an important role (Baker & Milne, 2015, p. 152). The fact that Southeast Asian countries are leading the Global Financial Integrity's annual illicit monies index, which evaluates the revenue gained from illicit activities, underpins their argument (Baker & Milne, 2015, p. 154). Adding to this, according to Meehan (2015), illicit economies have been prevalent in many locations in Southeast Asia, particularly in Myanmar, already even before the state itself. For example, the extraction of jade in the Kachin region dates back already to the 18th Century (Christensen, Nguyen, & Sexton, 2019, p. 340)

According to Guyot (1997, p. 188-189), in the 1990s the unofficial economy in Myanmar, which mostly consists of opium production/trafficking and jade trading, had been estimated to be as big as the official national economy. This ratio has not much changed until today

when looking at reports which estimate that the raw poppy alone is worth up to US$200 million annually or the jade industry, which is valued at US$31 billion in 2014 (Baker & Milne, 2015, p. 154; Ho, 2018, p. 413)

For Baker and Milne (2015), there exists a symbiotic relationship between Southeast Asian states and illicit activities. Illegal economies are not antithetical to the state. Instead, Baker and Milne (2015) argue that these activities are formed by the state through the process of political concessions, economic management, and institution building. Illicit economies are therefore an important tool for regimes and their rulers to generate the loot to do business with powerful elites (Baker & Milne, 2015, p. 161).

In his article Snyder (2006) comes to a similar conclusion, namely, that lootable resources can lead to more stability in a country, under the condition that political leaders build institutions of joint extraction. The author defines these as cooperation between private and public actors who share the income generated through the exploitation of resources (Snyder, 2006, p. 948). To illustrate how illicit economies can lead to more order in a country, Snyder (2006) gives the example of opium in Myanmar. After the Tatmadaw had realized that they cannot develop a state which is fully under their control, the military changed their strategy to resolve the armed conflicts with the multiple insurgent groups. Starting in the 1980s the Burmese military negotiated agreements with these groups, which Jonsson et al. (2016, p. 548) term as “bribing for peace” solutions. By signing these agreements, the insurgent groups got unchallenged full control over their territory and they could thereby produce and traffic opium as they liked (Snyder, 2006, p. 959-960). In exchange, the groups refrained from attacking the army.

Meehan (2015) has furthermore examined how the opium/heroin trade in Myanmar has helped the military to fulfill their state-building objectives. By establishing a coercive and extensive informal taxation system on all kinds of drugs-related activities (e.g. tax on land, crops, taxation on drug trade) the military was able to finance their expansion of the military as well as the administrative apparatus (Meehan, 2015, p. 19, 25). Furthermore, according to Meehan (2015), the illegality of drugs itself played a crucial role in the state-building efforts. Through offering impunity and protection to important non-state actors, which are involved in drug production/trade, incentives to transfer power and money, gained illegally, into a

more legal form, were created for these actors in order to establish coalitions between them and the state (Meehan, 2015, p. 25).

One of those incentives of the government was in 1990 to offer businessmen a “tax amnesty”, giving them a chance to pay a flat tax of 25% on illegally obtained assets (Snyder & Duran-Martinez, 2009, p. 269). Consequently, revenue gained from illicit economies were increasingly invested in legit national businesses, hereby over US$500 million illicit drug money were annually pumped into the economy (Snyder & Duran-Martinez, 2009, p. 269) This led to a boom in the construction of restaurants and hotels (Snyder & Duran-Martinez, 2009, p. 270).

To tie on with the issue of the drugs, Gutierrez (2020) complains that the interdependency, or other kinds of relationships, between drugs and the (in)stability of the state has been repeatedly overlooked in the academic literature. Interdependency can hereby best be defined as what Snyder and Dura-Martinez (2009) term “state-sponsored protection rackets”. These are informal institutions through which state officials either restrain from enforcing the law or enforce it very selectively against actors, which are involved in illicit economic activities, in exchange for a share of the revenue gained from these very activities (Snyder & Duran-Martinez, 2009, p. 244). Gutierrez (2020) argues this kind of interdependency can create a kind of insurance in an unstable environment. Therefore, the author claims, if there exists interdependence then illicit economic activities, in Gutierrez’s (2020) case, the production and trafficking of opium, can become a source for stability (Gutierrez, 2020, p. 1016).

These protection rackets were additionally of benefit for the Burmese military because it allowed the Tatmadaw to profit indirectly from the illicit drug production/trade, by establishing informal protection rackets, which enabled the military to profit monetarily, while at the same time, not being directly involved in the illegal activities (Meehan, 2015, p. 24). Snyder and Duran- Martinez (2009) argue that these state-sponsored protection rackets became an important source of revenue for the Burmese military, especially during the late 1980s and 1990s when international sanctions were imposed on the military.

After the Tatmadaw signed those agreements with the majority of the armed ethnic groups, a severe reduction in violence in the following years could be observed (Cline, 2009, p. 579;

Gutierrez, 2020, p. 1017). As a result of this approach, illicit drugs were thereby being transformed “from being a source of violence into a source of political order” (Gutierrez, 2020, p. 1017). Opium had thus become a central pillar of the Burmese economy (Snyder & Duran-Martinez, 2009, p. 270). However, through the permissive, and arguably even fostering approach by the Burmese government towards illicit economies, the legitimacy and authority of the state from the perspective of the local population got weakened (Meehan, 2015, p. 19, 25). Consequently, this gives new fuel to the rebel demands (Baker & Milne, 2015, p. 170).

Also, as Baker and Milne (2015) have examined, relying on illicit activities harms the formal revenues and consequently, the fiscal power of the state. Direct taxation gets neglected, instead, regimes and powerful political leaders rather focus on relaxing regulatory frameworks around money laundering to attract illegal revenue (Baker & Milne, 2015, p. 161). The authors conclude that the weak fiscal power of a state hereby is not a problem of incapability, instead, it is intended by the power holders to profit from these illicit monies (Baker & Milne, 2015, p. 161).

But why does the Burmese regime even enter into coalitions with the insurgent groups? And thus create this economic environment where illicit economies, not only, play such an integral role, but also where the military is hereby actively involved in those illicit activities instead of enforcing the law to demolish those? There are multiple motives of the Tatmadaw, which explain their actions.

First, the answer to the question of why the military is more or less directly involved in illicit activities is financial motivation (Jonsson et al. 2016, p. 550). In 1988, the government decentralized the command and authority in favor of regional military commanders. On the one hand, it meant that the Tatmadaw were able to engage in businesses, but at the same time, it has also meant that the Tatmadaw from there on has only been funded partly by the government (Meehan, 2015, p. 18-19). Instead, the troops have been expected to provide for themselves. They have been required to “live off the land” (Meehan, 2015, p. 18). In 1997 this even became the official self-sufficiency policy (Jonsson et al. 2016, p. 550). However, the Tatmadaw was acting now as the de facto regional government. This, together with the need to constantly increase the number of troops to fight the insurgent groups, the

commanders of the Tatmadaw were required to generate more and more revenue, with no worry of how this was attained (Meehan, 2015, p. 19).

Overall, there has been a considerable amount of research done regarding illicit economies in Myanmar. However, what this research has been missing are the effects these economies have on the local population. So far, the majority of research has been focused on determining the relationship between these illicit economies and the state-building in Myanmar. Therefore, my research question is:

"To what extent have illicit economic activities affected the economical and social development of Myanmar, with special attention to the Shan and Kachin ethnic groups?"

Research design

To answer my research question I will be conducting an explanatory single case study, however, within that case study, I will focus on two regions, namely the Kachin and Shan states respectively. I have chosen this method because hereby I can best explore the causal effect illicit economies have on the socio-economic development of the Burmese population (Toshkov, 2016, p. 11). A single case study is particularly suitable for my case because it allows me to go in-depth and explain the complexity of the real-life situation (Zainal, 2007, p. 4). The main idea hereby is to examine what kind of an effect these economies have on the local population.

For my case selection I have chosen Myanmar because it illustrates how, in a country with an underdeveloped economy, illicit economic activities are being used by different actors to achieve their objectives. I have decided to put my focus on the Kachin and Shan region because these states are not only home to two of the biggest ethnic minorities, but also those are the areas where the majority of the illicit economic activities take place. The mining of the jade gemstone and the production and trafficking of opium account hereby for the majority of the illicit economies (Guyot (1997, p. 188-189). While the common perception is that illicit economies have generally negative repercussions on socio-economic development, for the case of Myanmar the scholarly literature seems to have a different opinion. Among other things, these illegal economies are seen as a means of state-building by the military,

while at the same time being the financial means for many insurgent groups to fight the government for more autonomy (Cline, 2009; Meehan, 2015).

Regarding the type of data, I will mainly be using secondary data. These will consist of scholarly studies as well as reports from governments (e.g. reports from the United Nations or the World Bank) and non-governmental organizations. Additionally, I will be looking at newspaper articles.

In order to conceptualize socio-economic development, I rely on the definitions made by Stec et al. (2014). They describe it as “a series of changes in a country’s socio-economic life that leads to improvement in human life as well as a better organization of structures and processes taking place in a given country. The key feature of development ought to be its lasting nature that takes into account aspects of social cohesion as well as environmental protection” (Stec et al. 2014, p. 505).

I define illicit economies as a system or process by which goods and services are produced, sold, and bought in a country or region where it is forbidden by law ("Definition of economy," n.d.; "Definition of illicit," n.d.;). Additionally, I also classify economies that are legitimate in themselves, but in which illegal operations happen. This refers to the jade economy, which is legitimate itself, but many illicit procedures turn the economy into an illicit one.

Analysis of jade in Kachin State

Every year tens of thousands of people migrate to the Kachin State in Myanmar hoping to get a share of the jade industry, which was valued at a staggering US$31 billion in 2014 (Global Witness, 2015, p. 26/80). Today, there are estimated to be more than 300.000 people working in the jade mines, which account for almost 2% of the total Burmese workforce (Lin et al., 2019, p. 9) There exist around 600 official licensed jade mines, the largest jade mines hereby cover over 20.000 acres (Sjöström, 2018, p. 12/32). The gemstone mines are almost exclusively located in the Northeast of Myanmar, specifically concentrated around the Hpakant township in the Kachin State (Lin et al., 2019, p. 7). The Kachin State is home to the Kachin ethnic minority, whose political organization, the Kachin Independence Organisation

(KIO) controlled the area and hence the jade mines, up until the mid-1990s (Lin et al., 2019, p. 15).

After the Burmese military fortified their military strength in the 1990s, the KIO and the military agreed on a ceasefire, which eventually lasted until 2011 (Christensen, Nguyen, & Sexton, 2019, p. 338/343). However, this ceasefire meant for the KIO to transfer the control of the jade mines over to the Tatmadaw (Lin et al., 2019, p. 15). Additionally, it meant a change in the industry, away from small-scale business industry, in which many local workers could participate and thus feed their families, towards an industry, which is dominated by government-approved companies, which brought in heavy machinery to conduct large-scale jade extraction (Global Witness, 2015, p. 75; Sjöström, 2018, p. 34). The approach of the companies hereby was to extract as much jade as possible. The reason for this is the short duration the mining licenses have. Usually, the license is only valid for three or five years (Global Witness, 2015, p. 38). Furthermore, to get a license costly bribes to the Tatmadaw are necessary, which additionally leads to a hurry to make up for this initial loss of money (Global Witness, 2015, p. 38).

This rapid and more professional way of jade extraction had dramatic repercussions on the environment. A severe increase in erosion, the pollution of groundwater, rerouting of rivers, the removal of mountains, while at the same time creating new mountains out of jade waste, could be observed (Sjöström, 2018, p. 44). The region, which was once a jungle, has transformed into a moonscape, filled with waste-water from the mines (Global Witness, 2015, p. 78/79). Moreover, thanks to deforestation, there was a rise in temperature. Furthermore, unregular water flows led to both, water shortages in the summer, and floods in the winter (Sjöström, 2018, p. 44). For instance, more than 1000 people were killed in 2002, when floodwater deluged a jade mine (Sjöström, 2018, p. 44). Landslides are another significant risk to workers, which have become more and more common in recent years (Global Witness, 2015, p. 79). According to a survey among workers, landslides are posing the most significant risk now for the laborers (Lin et al., 2019, p. 32). Almost 50% of the respondents stated that they have experienced a landslide themselves (Lin et al., 2019, p. 33). For example, in 2015 114 people were killed by a landslide, and more recently, in July 2020 more than 170 died in a landslide (Htwe, 2015; Diamond & Qazi, 2020).

Additional risks for the workers include the hazard of breaking arms or legs, as well as the constant danger of getting hit by falling rocks (Sjöström, 2018, p. 33). Also because many workers do not have a license to mine, they are permanently in peril of getting arrested and having then to bribe the police (Global Witness, 2015, p. 80). There were even cases where mine security killed people who were mining illegally (Global Witness, 2015, p. 80; Sjöström, 2018, p. 33). However, still, for many people, the economic benefits of mining jade prevail over the risks. These economic benefits do indeed exist, as the average income for a mine worker amounts to US$266 per month, which is more than double Myanmar's average income of US$124 (Lin et al., 2019, p. 24).

For other people, there is simply no other choice than to risk their lives in the jade mines in order to make a living. While most families were dependent on farming to sustain their livelihood, this was often not possible anymore after the mining companies extended their site, with no regard to whether this had consequences on the local population. Either the soil was not cultivatable anymore, because of the environmental damage, which the heavy machines caused, or they were forced to sell their land to the mining companies below market value. People also were simply forced off their land by being illegally expropriated, (Sjöström, 2018, p. 42). It is difficult to estimate an exact number of people, which have been displaced because of large-scale jade mining, however, the number goes into the thousands (South, 2007, p. 62). When young men are now forced to work in the jade mines, as a result of the reduced agriculture opportunities, they become prone to another health risk, namely heroin (Sjöström, 2018, p. 47). The rising spread of heroin among the workers is hereby seen as a direct consequence of the societal changes precipitated by the expansions of mining sites (Sjöström, 2018, p. 48). Miners are doing drugs in order to dull their senses, become more energized, or simply because of loneliness or peer pressure (Lin et al., 2019, p. 37). Local medical officers estimate the percentage of drug addicts among the mineworkers at 70-75% (Lin et al., 2019, p. 24). Consequently, a considerable rise in violence could be observed in the town of Hpakant. Additionally, the HIV/AIDS rate among the local population has become increasingly widespread (Lin et al., 2019, p. 37).

To have a resource whose economy is worth almost half of the country's official GDP, it should be expected that this provides a great opportunity for the state to use the revenue gained from taxes for developmental projects like healthcare, education, or infrastructure. However, the Burmese state has only received less than 2% as taxes from the jade industry

(Global Witness, 2015, p. 27). For the year 2014, this means there could be a discrepancy up to US$6 billion in what the state should have obtained through taxes and what the government actually received (Global Witness, 2015, p. 35). There are multiple reasons for this discrepancy, the most prominent hereby is that the majority of jade is not officially sold, instead, it is directly smuggled into China. Overall, between 50% and 80% of the jade is estimated to be smuggled illegally (Global Witness, 2015, p. 36). This demonstrates that after the local jade workers already got their livelihood taken away when the Tatmadaw transformed the jade industry from a small- into a large-scale industry, the local population gets additionally deprived of the tax revenue, which would be urgently necessary to finance the development of the Kachin State. But in the end, the benefits just go to a handful. Who these handfuls are will be analyzed in the next paragraph.

Although the ceasefire between the Tatmadaw and the KIO did not resolve the grievances between them, both parties agreed informally to collude with each other in order to maintain their reciprocal interest in the jade trade (Christensen, Nguyen, & Sexton, 2019, p. 343). Though the military took over control over the majority of the jade mines, they did let the KIO continue to tax findings of jade. By doing so, the Tatmadaw's goal was to reduce the possibility of armed conflicts (Global Witness, 2015, p. 90). The KIA is enforcing a tax of 10% on valuable jade findings, while the government takes 20%. Interestingly, the 10% tax paid to the KIA is seen as legitimate by the local population, while the 20% tax paid to the Tatmadaw is construed as corrupt and illegal (Global Witness, 2015, p. 93). The reason for this is that the local population has the perception that, unlike the government, the KIO uses the revenue made from taxes to build roads and schools in the Kachin State (Ho, 2018, p. 413). However, the Kachin people also deplore that a substantial part of the KIO tax revenue is lost to corruption (Global Witness, 2015, p. 93). Overall, Jade is still one of the main sources of income for the KIO. The gemstone is one of the main reasons for the years of KIO resistance against the military, and it is very likely that the organization still uses part of the revenue today to finance its military branch, the Kachin Independence Army (KIA) (Lin et al., 2019, p. 14; Sjöström, 2018, p. 35).

However, the main profiteer of the whole jade industry is the Tatmadaw and the corresponding high-ranking individuals. Since the military has control over most jade mines, they thereby have control over the jade mining licenses. As of 2016, there were more than 15.000 licenses in the Kachin State awarded (Sjöström, 2018, p. 32). In order to get a

lucrative mining concession, bribes to a high-ranking military official are necessary (Global Witness, 2015, p. 33). A personal relationship with the governing officials is essential, otherwise, there will be no mining license awarded (Global Witness, 2015, p. 33). This system heavily favors the military elite, as they have the privilege to extract the most lucrative jade in the most productive mines (Lin et al., 2019, p. 15). The Tatmadaw even has multiple jade mining companies themselves (Global Witness, 2015, p. 50). Allegedly, these army companies make use of emergency powers to seize land from the local population for their mining operations (Global Witness, 2015, p. 51). According to a US Embassy diplomatic cable, the army's companies function beyond that, as key components of the patronage system, the Tatmadaw has built to sustain their power (Human Rights Council, 2019, p. 22).

Oftentimes high ranking officials even possess mining companies either directly themselves or via their families (Global Witness, 2015, p. 40). Most prominently hereby is the retired general Than Shwe, who was the leading figure of the Tatmadaw from 1992 until 2011 (Global Witness, 2015, p. 41). Further examples of prominent political/military people directly involved in the jade industry are the former Minister for Livestock, Fisheries and Rural Development Ohn Myint and the former Ruling Party General Secretary Maung Maung Thein (Global Witness, 2015, p. 44/46). Another, quite cynical example, is Phone Swe, who, after retiring from the military, became the Deputy Minister for Social Welfare, Relief, and Resettlement. In this position, he is responsible for the wellbeing of the 100.000 people in Kachin State who have been displaced by the conflict, which, at least partly, is related to the Minister's mining company (Global Witness, 2015, p. 49).

Like for the KIO, jade trade has been the most lucrative economic sector for the Tatmadaw (Christensen, Nguyen, & Sexton, 2019, p. 338). The official jade sales of the Tatmadaw's companies amounted to US$180 million in 2014. According to a paper presented during the 110th US Congress in 2008, the Burmese military made over US$300 million from jade in 2006 (110th US Congress 2008, p. 2633). The above-mentioned senior ruling figures of the Tatmadaw generated pre-tax sales of US$220 million in 2014 at the official government jade sale (Global Witness, 2015, p. 10). While it is not exactly clear how much revenue the Tatmadaw makes from all its economic activities, it is certain that these companies controlled by the military, as well as, the patronage relationship between the army and the private businesses, provide a significant part of the funding of the Tatmadaw's operations. Moreover,

having alternative sources of income provides the opportunity for the military to circumvent civilian oversight (Human Rights Council, 2019, p. 23).

Changes towards a fairer economic jade environment, like for example through an equitable peace agreement between the Tatmadaw and the Kachin ethnic group, would be thus detrimental for the Tatmadaw itself, as well as for its military leaders (Global Witness, 2015, p. 38). While it would lead to an immense financial loss for the individuals, it would also mean a substantial loss in power for the Tatmadaw. Consequently, it can be said that the jade industry is a significant driver of the civil conflict in the Kachin State, which accounted for thousands of deaths and over 100.000 people displaced in the state (Global Witness, 2015, p. 7). It is in the Tatmadaw's favor if the conflict keeps going in the Kachin State. With the opening towards a more democratic system and the subsequent parliamentary elections in 2011, more space for politics was created and hence the Tatmadaw no longer had an unassailable control over all public authority (Christensen, Nguyen, & Sexton, 2019, p. 344). Thus the army has the incentive to initiate violence in order to impede the development of civil authority in the region (Christensen, Nguyen, & Sexton, 2019, p. 343).

Therefore, the resumption of the armed conflicts in the Kachin State in 2011 can be seen as a strategy by the Tatmadaw in order to prevent exactly that (Christensen, Nguyen, & Sexton, 2019, p. 343). There was no question at that time (2011) that the Tatmadaw deliberately broke the ceasefire agreement with the KIA (Christensen, Nguyen, & Sexton, 2019, p. 353).
The fact that the conflicts broke out three months after the new Thein Sein government got inaugurated further speaks for a correlation between the political change and the conflicts (Christensen, Nguyen, & Sexton, 2019, p. 357). This was the start of a series of conflicts which were mostly concentrated around jade-mining township. Around ⅔ of the conflict-affected townships were mining occurring (Christensen, Nguyen, & Sexton, 2019, p. 351; Sjöström, 2018, p. 26). However, the Tatmadaw was not looking for a full-on war, instead, the level of conflict was supposed to be just enough to deter any civilian authority to gain control, while continuing to exploit the resources. On average three to four people per month per jade township died in the conflicts (Christensen, Nguyen, & Sexton, 2019, p. 351).

These conflicts illustrate well how the economic activity of the Tatmadaw is linked to its military strategy and how these two can sometimes even overlap. By implementing their "Four Cuts" strategy the Tatmadaw tries to cut off armed groups of food, finances,

intelligence, and recruits from the local population. The same can be observed when it comes to the jade mines. The army is trying to obtain control over the resource, while simultaneously cutting off resources and thus also revenue for the ethnic minority through their business activities (Human Rights Council, 2019, p. 29/30).

Furthermore, with the increase of military forces in the Kachin State there were also a rising number of human rights violations by Tatmadaw against the population observed. The local population is extradited to harassment by the army through, for instance, corruption. Additionally, the Kachin people are subject to arbitrary detention and physical violence (Human Rights Council, 2019, p. 31/33). Some of the human rights violations were even much severe. The Tatmadaw used forced labor to increase their mining revenue, additionally, these violations included crimes like abductions, torture, and murder (Human Rights Council, 2019, p. 36). In particular, women are at an increased risk of experiencing violence. Apparently, the Tatmadaw is purposely targeting Kachin women for rape and other sexual violence (*Same Impunity, Same Patterns*, 2014, p. 14/15). Additionally, because many women do not find any job anymore, many are forced into prostitution, where sexual violence is a common occurrence (Sjöström, 2018, p. 46).

Analysis of opium in Shan State

Opium has been present in Myanmar for a long time. The first record of opium in Myanmar already dates back to the 16th century (Lone & Cachia, 2021, p. 588). Today, Myanmar is the second-largest producer of illicit opium worldwide with an estimated total production of 405 metric tons in 2020 (Meehan, 2021, p. 1; United Nations Office on Drugs and Crime, 2021, p. 6). The area of cultivation of the opium poppy plants is estimated at around 29.500 hectares, from which 90% are located in Shan State and around 9% in the Kachin State (United Nations Office on Drugs and Crime, 2021, p. 6; United Nations Office on Drugs and Crime, 2015, p. 52). In the Shan State almost a quarter of the villages are cultivating opium poppy, with an estimated 130.000 households being involved in the poppy production in 2014 (Meehan, 2021, p. 2, United Nations Office on Drugs and Crime, 2020, p. 3). For many rural farmers, especially in the remote upland areas, the cultivation of poppy serves as a livelihood. The main reason why farmers engage in this illicit economy grows out of the need to provide basic necessities. 72% of the poppy-growing villages in Myanmar state that they cultivate

opium to make money to provide for basic living expenses like food, education, and housing (United Nations Office on Drugs and Crime, 2015, p. 60).

Why farmers grow opium, of all things, has multiple reasons: When asked in a UNODC survey of 2014, why they cultivate opium, most farmers have stated that poppy plants provide "more income than other crops" (66%), followed by "opium is easy to grow" (18%) and opium is "easier to sell than other crops" (15%) (United Nations Office on Drugs and Crime, 2015, p. 63). According to a UNODC report (2015, p. 47), opium-producing households have indeed a higher yearly average income (US$ 2,040 compared to US$1,730 in non-opium-producing households). When stopping the cultivation of opium, almost half (44%) of the farmers reported a decrease in income (United Nations Office on Drugs and Crime, 2020, p. 36).

There are also a few more advantages for the farmers that make poppy plants stand out from other crops. They provide a relatively high return with minimal input and no sophisticated equipment or any advanced agricultural techniques are needed. Furthermore, opium is a short-term crop, which can already be harvested within 100 days, and it is easy to store and transport once it has been harvested. Moreover, it is highly durable and there always exists a market with a relatively stable and high price for it (Lone & Cachia, 2021, p. 586/587). Opium became also a part of the tradition and culture of the Shan minority. As one opium farmer stated: "Opium is part of our social life, our belief and our religion" (Lone & Cachia, 2021, p. 589). It is also used as traditional medicine, which is especially important in remote rural villages, which often do not have any health services in the vicinity (Lone & Cachia, 2021, p. 589). Lastly, an aspect not to be underestimated, is that by growing opium, farmers do not need to physically access markets anymore to sell their harvest, instead buyers come directly to the village (Lone & Cachia, 2021, p. 586). This is of significance because poppy-growing villages are often remotely located with bad infrastructure and therefore, it takes more time to get there. The UNODC has calculated that there is an 18% higher likelihood for the existence of poppy cultivation in a village for each 10km increase in the distance to the next market (United Nations Office on Drugs and Crime, 2015, p. 61). Secondly, not having to go to the market was particularly important during the time when more intense armed conflicts were happening between the Tatmadaw and the insurgent groups. Back then only poppy traders were traveling to the remote villages in order to exchange opium for rice, salt, clothes, and other commodities (Lone & Cachia, 2021, p. 597).

Even though the farmers can go to the markets now without the fear of getting shot, these conflicts are still a prevalent problem in the region. According to the Myanmar Opium Farmers' Forum (MOFF), armed conflicts are one of the main driving forces behind opium cultivation (MOFF, 2019, p. 2). Even in areas where there is no direct fighting anymore, armed groups are still on the ground. In their concluding statement from the 7th Myanmar Opium Farmers' Forum, the farmers stated: "As long as there is no equality, there will be no peace in the country. And as long as there is no peace, there will be no development, and we will have to grow opium" (MOFF, 2019, p. 2). These conflicts are a vicious circle, because, on the one hand, the unstable political situation leads to an increase in opium cultivation, on the other hand, opium is an important source of income for every actor involved in the conflict (Kramer & Woods, 2012, p. 14). By taxing opium farmers, providing armed escort to opium caravans, or establishing toll gates on trade routes, armed groups found a way to finance their arms or ammunition and thus their insurgent war against the government (Kramer & Woods, 2012, p. 14).

But also the state, more specifically, the Tatmadaw is profiting from the production of opium. In order to get their fair share of the drug revenue, they have created a system of rents within the drug economy. An example of this has been the state's offer of legal impunity to the armed groups involved in drug trafficking if they sign the ceasefire agreement (Meehan, 2011, p. 389). Additionally, the state has offered the possibility to people involved in shady businesses to launder their illicit money either by directly depositing the money at the bank, hereby, only a "whitening tax" of 25% had to be paid, or by offering business permits and government contracts to companies which are known to be embroiled in the drug business and therefore giving them the opportunity to launder their money (Meehan, 2011, p. 390/391). One prominent example of this is the case of drug lord Lo Hsing Han. According to a U.S. embassy cable in 2007, the government had awarded construction contracts to a company owned by his son (U.S. Embassy, 2007). Lo Hsing Han's company Asia World, which is believed to be originally set up as a drug money laundering company, has furthermore, got the contract by the government to build Naypyidaw's new airport (Wade, 2012). More examples that illustrate how the Burmese government is actively involved in the drug trade are presented by the NGO Shan Drug Watch. In 2011, the organization released a report, in which they called out seven members of the newly elected parliament, who are all known to be involved in the opium industry (*Druglords in Parliament*, 2011).

To view it from a more positive side, the case of Lo Hsing and his company Asia World demonstrates at least how investments of illicit drug money into legal businesses may provide the funds for development. Arguably, the revenue made from illicit opium may have impeded the collapse of the national economy, especially during the time when Myanmar was under heavy international sanctions (Gutierrez & Balfe, 2019, p. 27). Additionally, it could be argued that opium not only fostered the armed conflicts by providing the financial means for the insurgent groups as well as the military, but it also helped to reduce violence. Arguably, opium provided the basis for a successful ceasefire, as the Burmese state first allowed the armed groups to maintain their involvement in drug trafficking after they signed a ceasefire agreement and then moreover, supporting them with laundering their money (Gutierrez & Balfe, 2019, p. 27).

The Burmese have only started operating (at least partly) against the cultivation of opium after China had increasingly pressured Myanmar to do so in the late 1990s (Lone & Cachia, 2021, p. 590). The Chinese government also pressured the ethnic groups to ban opium in their territories, which some of these ceasefire groups eventually did. The main reason for the ethnic groups to enforce a ban on opium was the hope that the groups would thereby gain international political recognition as well as support for their development (Kramer & Woods, 2012, p. 13). However, by first implementing a ban on the cultivation of opium, and then later starting eradication programs, the Burmese state and the ceasefire groups have severely hurt the local poppy farmers. For instance, in the Kokang region, the average income of the farmers dropped by 70% after the ban on opium had been enforced. This led to health and nutrition crises as well as an increase in school drop-outs. Overall, the standard of living in this region had significantly been reduced (South, 2007, p. 70). This applied to many poppy-growing villages across the state. As one farmer from another region said: “[The eradication of our opium field] made our life from bad to worse. I calculated that it would take us three years of opium farming to pay back our debt. [...] We also took two sons out from the school they attended in the nearby town, as I could no longer support their education” (Lone & Cachia, 2021, p. 598). Additionally, the trauma of the farmer, when getting their field eradicated, has been connected to depression, alcohol and drug abuse, suicide and in general, desperate choices to fight off poverty (Meehan, 2021, p. 8). Another consequence of these eradication measures by the government is that many young people are leaving their villages in order to find work abroad. Myanmar’s Opium Farmer’s Forum

bemoans that this negatively impacts their culture and festivals as there are only children and old people left in the villages (MOFF, 2019, p. 3).

Eventually, the state realized that this approach of eradication without providing any alternative livelihood cannot be a solution to the problem. A development program had to be found. So it came in handy when the Chinese government introduced an opium substitution program for Laos and Myanmar in 2005. The idea from China was to integrate the local economy in the border regions of Myanmar into their regional market (Kramer & Woods, 2012, p. 22). By the end of 2007, 135 Chinese companies had already invested around US$26.5 million to plant substitution crops in Myanmar. Rubber was hereby by far the most popular plant (Kramer & Woods, 2012, p. 22). Several ceasefire groups were also promoting the idea of rubber as an opium substitution. So they too have concluded contracts with Chinese companies (Kramer & Woods, 2012, p. 42).

Agricultural land concessions were granted to the companies by the local authorities/Tatmadaw. However, the problem hereby was that the land which transformed now into huge plantations of rubber and other crops was oftentimes already farmed by the local population (Kramer & Woods, 2012, p. 31). Based on a law, which was adopted in 1991 by the Burmese government, allowed the authorities to take land which they labeled as wasteland, hence the law is commonly known as “wasteland law”, and then allocate it to the companies, which then establish large-scale monoculture plantations. Farmers who the land actually belonged to were simply illegally expropriated (Kramer & Woods, 2012, p. 39). For example for the WA region, it is estimated that between 20% and 50% of households became landless due to land confiscation (Woods, 2011, p. 766).

For some of the farmers whose land was confiscated they either have the choice of working at the plantation or they must leave. Though, if they decide to work at the plantation, they often get such a low wage that it is considered forced labor (Kramer & Woods, 2012, p. 47). However, a large part of farmers do not even have a chance to work as rubber wage laborers. Instead, oftentimes companies rather employ migrant workers, racial discrimination of the local ethnic group is hereby the main reason. This situation in which outside workers are benefitting, while local farmers are being left out, leads to further resentment among the ethnic groups (Kramer & Woods, 2012, p. 4/37; Meehan, 2021, p. 8). Also, China’s approach for their opium substitution program is to rather deal with local authorities instead of

approaching the affected communities directly. This strengthens the local authorities hereby, which again leads to more resentment among the ethnic groups since they already have distrust against the authorities from past conflicts (Kramer & Woods, 2012, p. 3).

The fields in which these substitution crops are being cultivated mostly lie in lower elevation, which is more suitable for crops like rubber. This implementation does not target the poppy-growing areas, as they are usually in the more remote mountain regions. However, the authorities in Burma have then resettled these remote uphill villages to the lower lands near those plantations with the argument of integrating those into the substituted crop economies. However, this argument seems to be more a pretense, instead, this is rather part of the Tatmadaw's military securitization and nation-state building strategy (Kramer & Woods, 2012, p. 48). Ethnic group leaders actually employ a similar strategy in order to consolidate the power of their ethnic group. For the case of the WA region, between 50.000 and 100.000 people are estimated to have been relocated from the mountains to the lowlands (Kramer & Woods, 2012, p. 23/48).

Overall, these crop substitution programs are more an attempt to transform and modernize the landscapes so that they become more profitable for the government and private investors. The positive benefits for the poor local farmers are very questionable if there even exist any.
If there would have been support by the government for the local farmers and if the government would encourage smallholder plantations, then these programs could have positively contributed to the development in those regions. Instead, the regime only provides incentives for large-scale agricultural investments (Kramer & Woods, 2012, p. 43/45).

Lastly, for farmers who indeed have transitioned away from growing opium and are now cultivating other crops, this often resulted in losses and debts (MOFF, 2019, p. 1). Frequently, farmers still rely on growing opium to finance these other crops in the first place. If they do not depend on opium to finance crops, then they have to go to moneylenders. A failing harvest can then quickly lead to the accumulation of debt. The fluctuating price of crops exacerbates the risk of getting into debt even more when solely relying on licit crops (Woods, 2020, p. 13).

Discussion

My analysis has shown that the economies of jade and opium in Myanmar clearly are detrimental to the local population. Only a handful of people are profiting from these economies at the expense of the poor population. These people, in particular, the Tatmadaw and their high-ranking officials are exploiting these resources ruthlessly, with no regard to the repercussions their exploitative actions have on the local population. They justify their actions under the false pretext of turning resources into economic development. However, hereby they destroy the livelihood of many local people. With their actions, the Tatmadaw is actively denying the opportunity for any development in these states. Even though a small part of the revenue made from these economies would already be enough to improve the quality of living of the locals. However, it seems like, as long as the Tatmadaw is dominating the country, none of the revenue made from these resources will reach the normal population. Instead, the people will continue to suffer in poverty. The jade industry especially has severe negative consequences for the Kachin ethnic group. Particularly frightening hereby is that there is also no end in sight for the armed conflicts in the region. People will continue to die simply because a few generals in the Tatmadaw are not able to get enough. Not without reason has the NGO Global Witness describe Myanmar's jade industry as potentially "the biggest natural resource heist in modern history" (Global Witness, 2015, p. 95).

Conclusion

Knowing that illicit economies account for a significant part of the Burmese economy I expected from my research that these economies have, at least partly, had a positive effect on the Kachin and Shan people. This may have been the case in the past, since especially for poor people these economies provided an opportunity to sustain a living. However, during the last two decades, the illicit economies have increasingly become a burden for the population. For future research, it would be important to determine policies on how these resources, especially jade, could be realistically transformed into sustainable development of the region. Another important point to follow in the upcoming years is how the situation around these illicit economies will develop after the recent military coup. The democratic backsliding of Myanmar could potentially worsen the situation around these economies.

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