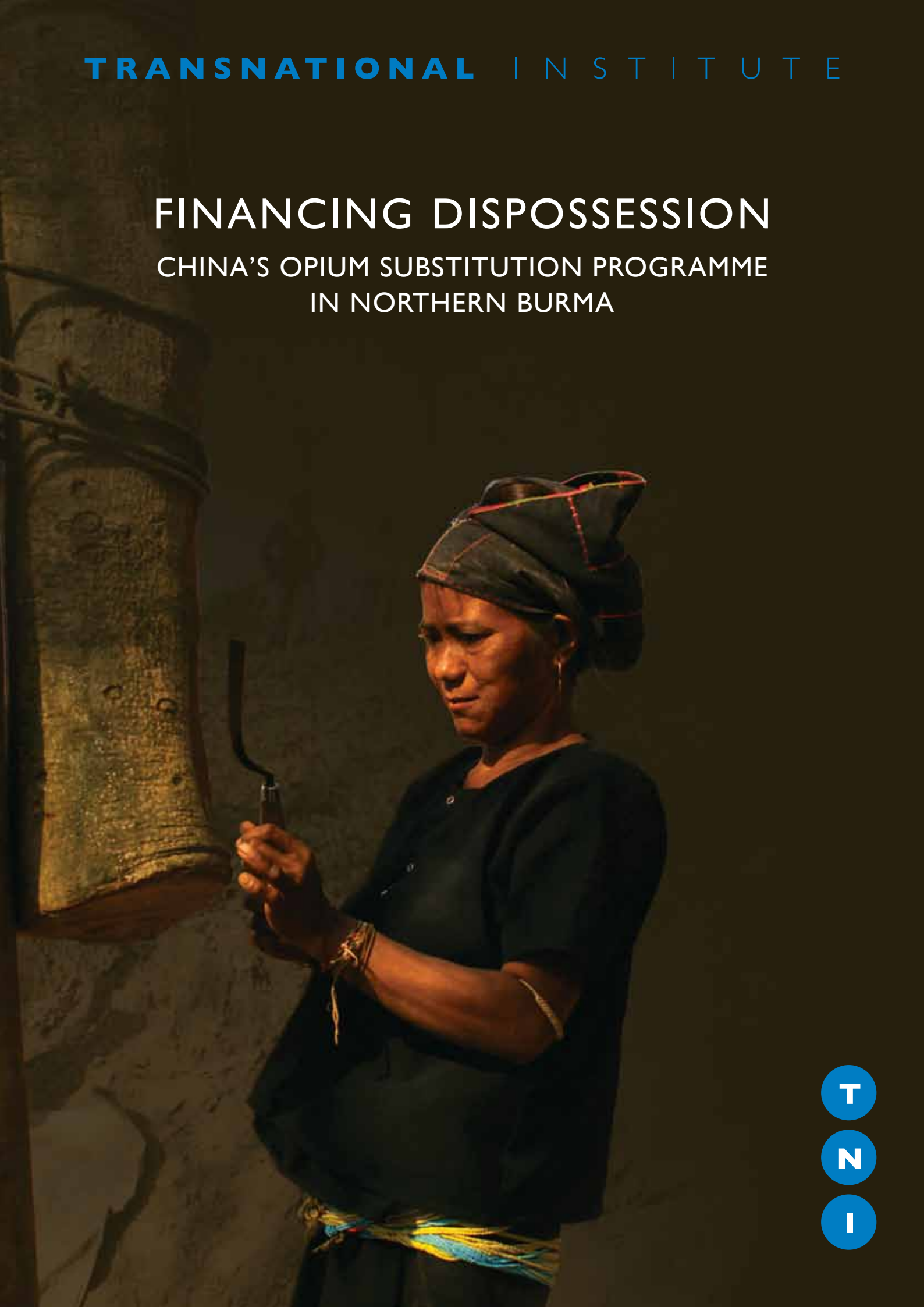


# FINANCING DISPOSSESSION

CHINA'S OPIUM SUBSTITUTION PROGRAMME  
IN NORTHERN BURMA



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Wa former opium farmer learning how to tap a  
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## List of Abbreviations

ASEAN	Associations of Southeast Asia Nations
ATS	Amphetamine-type stimulants
AWB	Asia World Bank
BGF	Border Guard Force
BSPP	Burma Socialist Programme Party
CPB	Communist Party of Burma
IDU	Injecting Drug User
FDI	Foreign Direct Investment
KDA	Kachin Defence Army
KIA	Kachin Independence Army
KIO	Kachin Independence Organisation
KNPP	Karenni National Progressive Party
KNU	Karen National Union
KSPP	Kachin State Progressive Party
MNDAA	Myanmar National Democratic Alliance Army (Kokang)
NDF	National Democratic Front
NLD	National League for Democracy
NMSP	New Mon State Party
NNCC	National Narcotics Control Commission (China)
NDAA	National Democratic Alliance Army (Mongla)
NDA-K	New Democratic Army - Kachin
PNO	Pao National Organisation
PSLO	Palaung State Liberation Organisation
SLORC	State Law and Order Restoration Council
SPDC	State Peace and Development Council
SSA North	Shan State Army - North
SSA South	Shan State Army - South
SSPP/SSA	Shan State Progress Party/Shan State Army
UNODC	United Nations Office on Drugs and Crime
USDP	Union Solidarity and Development Party
UWSA	United Wa State Army

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## Executive Summary

Northern Burma's<sup>1</sup> borderlands have undergone dramatic changes in the last two decades. Following decades of war, a series of cease-fire agreements concluded between the military government and different armed opposition groups in the end of the 1980s and early 1990s brought some relief to the local population. However, the end of open warfare also brought new unsustainable economic developments that have had a detrimental impact on people's lives and livelihoods. While the international community has mostly focused on recent political developments in central Burma, this report highlights the significance of the rapid socio-economic changes taking place in the resource-rich ethnic northern borderlands.

Three main and interconnected developments are simultaneously taking place in Shan State and Kachin State in northern Burma. These are (1) the increase in opium cultivation in Burma since 2006 after a decade of steady decline; (2) the increase at about the same time in Chinese agricultural investments in northern Burma under China's opium substitution programme, especially in rubber; and (3) the related increase in dispossession of local communities' land and livelihoods in Burma's northern borderlands. These overlapping land investment and drugs production patterns in northern Burma since the mid-2000s are set to a backdrop of a dramatic rise in Burmese and foreign industrial agricultural land concessions throughout the country.

Opium cultivation in Burma, once the world's largest opium producer, steadily declined from 1997 to 2006. The most important reason for this was a number of opium bans in key opium-cultivating areas declared by cease-fire groups in northern Shan State. After decades of war and isolation, they hoped to gain international political recognition and support for the development of their impoverished regions. Another important factor, which has received less attention, was the trend in the global market. Heroin of Burmese origin was almost completely pushed off the American and European markets by heroin from Colombia and Afghanistan, respectively, in the course of the 1990s. Furthermore, production of amphetamine-type stimulants (ATS) increased significantly in the last decade.

However, since 2006, opium cultivation in the Golden Triangle - Burma, Laos and Thailand - has doubled. The main increase has been in Burma, especially in Shan State. Poverty clearly is the key factor determining opium cultivation in Burma (as it is in other countries, such as Laos and Afghanistan). Poverty is not just simply a function of income, but includes a whole range of socio-economic and security-related factors that define the ability of people to live with dignity.

Drug production and consumption, and related infectious diseases such as HIV/AIDS, are important security and

health concerns for China. The vast majority of the opium and heroin on the Chinese market originates from northern Burma. Drug use – and especially injecting heroin use – has increased dramatically in the last two decades in China. On the one hand, the Chinese government has dealt with this through accepting previously controversial harm reduction programmes for drug users, such as methadone treatment and needle exchange. On the other, however, China maintains a harsh punishment regime, executing drugs traffickers and forcing recidivist drug users into compulsory treatment camps.

Apart from attempting to address domestic consumption problems, the Chinese government also has tried to reduce opium cultivation in the region. In 2006, Yunnan province approved a poppy substitution development programme for Burma and Laos, and created a special Opium Replacement Fund. Since then the Chinese government has been actively promoting the scheme and mobilising Chinese companies to take part. The huge increase in Chinese agricultural concessions in northern Burma is directly driven by China's opium crop substitution programme, offering subsidies, tax waivers, and import quotas for Chinese companies.

The opium bans by the cease-fire groups are strictly implemented. In finding replacements to opium cultivation, cease-fire groups have focussed on introducing mono plantations supported by China's opium substitution programme. The main benefits of these programmes do not go to (ex-)poppy growing communities, but to Chinese businessmen and local authorities. These programmes have therefore further marginalised these communities. Current interventions by international NGOs and UN agencies to provide farmers with sustainable alternative livelihood options to offset the impact of the opium bans have been insufficient, and are merely emergency responses to prevent a humanitarian crisis.

Economic development along China's border with South-east Asia is strongly promoted by different levels of Chinese governments in order to overcome socio-economic disparity between the centre and periphery, which is viewed as a potential source of instability. Different levels of government in Yunnan and Beijing have engaged in resource and trade diplomacy with Burma. Chinese companies logged Kachin State forests after the cease-fire agreement with KIO in the mid-1990s until a bilateral clampdown on cross-border timber trade in 2006. At this point agricultural land became a key resource of interest to Chinese companies, backed by central and provincial Chinese governments. Paramount among agricultural crops cultivated in northern Burma is rubber, which is in great demand in China where there are limited suitable areas remaining for rubber cultivation.

For landlocked Yunnan Province, promoting 'harmonious' regional cooperation is an important political-economic

objective. However, China's resource and trade diplomacy of the last decade has essentially promoted short-term economic gains for Chinese companies. Their resource extraction activities are threatening local communities' livelihoods and land tenure security, and have caused great damage to the environment. Many Chinese companies undermine China's official policy of promoting 'harmonious' cooperation with neighbouring countries by the way in which they implement their cross-border projects. The investment projects carried out in politically-sensitive areas located in the world's longest running civil war in cooperation with local military authorities have the propensity to increase rather than mitigate future conflicts.

The Chinese approach in addressing opium cultivation in northern Burma focuses on dealing with local authorities instead of directly with affected communities, with the result of strengthening the former at the expense of the latter. This has had dire consequences for communities already living on the margins, who largely distrust and fear local authorities because of the history of conflict.

The Chinese model of development and aid in Burma is to promote top-down regional economic development by giving incentives to Chinese companies to invest in large-scale commercial agricultural projects without any rural livelihoods component. In contrast, efforts by UN agencies, international and local NGOs financed by Western countries focus on directly targeting (ex)opium farmers with community-based development programmes, aimed at providing alternative livelihoods. Some of these agencies are involved in a debate on best principles and lessons learned on doing development in a drug producing environment – referred to as 'Alternative Development'. However, in other regions of the world, agrobusiness has also been promoted as substitution crops for opium and coca cultivation.

Serious concerns arise regarding the long-term economic benefits and costs of agricultural development—mostly rubber—for poor upland villagers. Economic benefits derived from rubber development are very limited. For the situation when migrant labourers are hired, agricultural estates provide little local employment. When local labour is absorbed, it competes with local labour and land for swidden farming. Finally, a very low wage is offered, providing no possibility for savings to invest in smallholder farmers themselves.

The huge increase in large-scale commercial agricultural plantations in northern Burma is taking place in an environment of unregulated frontier capitalism. Land encroachment and clearing are creating new environmental stresses, such as further loss of forest biodiversity, increased soil erosion, and depleting water sources. The concessions also provide a cover for illegal logging, oftentimes encompassing villagers' traditional forestlands and newly demarcated community forests.

Without access to capital and land to invest in rubber concessions, upland farmers practicing swidden cultivation (many of whom are (ex-) poppy growers) are left with few alternatives but to try to get work as wage labourers on agricultural concessions. However, apart from the Wa region, few get jobs as usually outside migrant workers, predominately from Central Burma and the Delta region, are hired, further inciting ethnic hostilities. The dispossessed villagers are occasionally relocated to nearby rubber plantations to provide very cheap plantation labour. Others are forced to find other forested hills further away to cultivate, migrate to work on road-side concessions as on-farm wage labourers, to urban centres as off-farm labourers, or to participate in dangerous small-scale resource extraction, namely mining and logging. This pattern of development in the uplands is an attempt to modernize the landscape and subsistence farmers in such a way to be more conducive to profit for governments and private investors. This is not in any way a positive development for communities living in northern Burma. The only people benefiting are the local authorities and Chinese businessmen. Local villagers are stripped of their customary land and livelihoods with little recourse to compensation or alternative employment options.

China's drug use problem at home cannot be solved by reducing opium cultivation abroad in neighbouring countries. Instead, the Chinese government should increase the quality and quantity of services to drug users based on harm reduction principles, and refrain from repressive policies towards drug users, such as arresting them and forcing them into treatment camps. High relapse rates raise serious doubts about the efficacy of such coercive policy responses. Furthermore, the changing patterns of drug use and the rise of ATS make opium and heroin less relevant.

The cultivation of opium poppy and coca often takes places in areas plagued by conflict, insecurity and vulnerability. Interventions should be embedded within human rights protection, conflict resolution, poverty alleviation and human security. They should also be done in a participatory way and respect traditional culture and values. Interventions should also be properly sequenced. In particular, there should be no eradication or strict implementation of opium or coca bans unless viable and sustainable livelihoods are in place. Aid should not be made conditional on reductions in opium or coca cultivation. Instead, indicators for a successful policy should be based on progress towards sustainable human development.

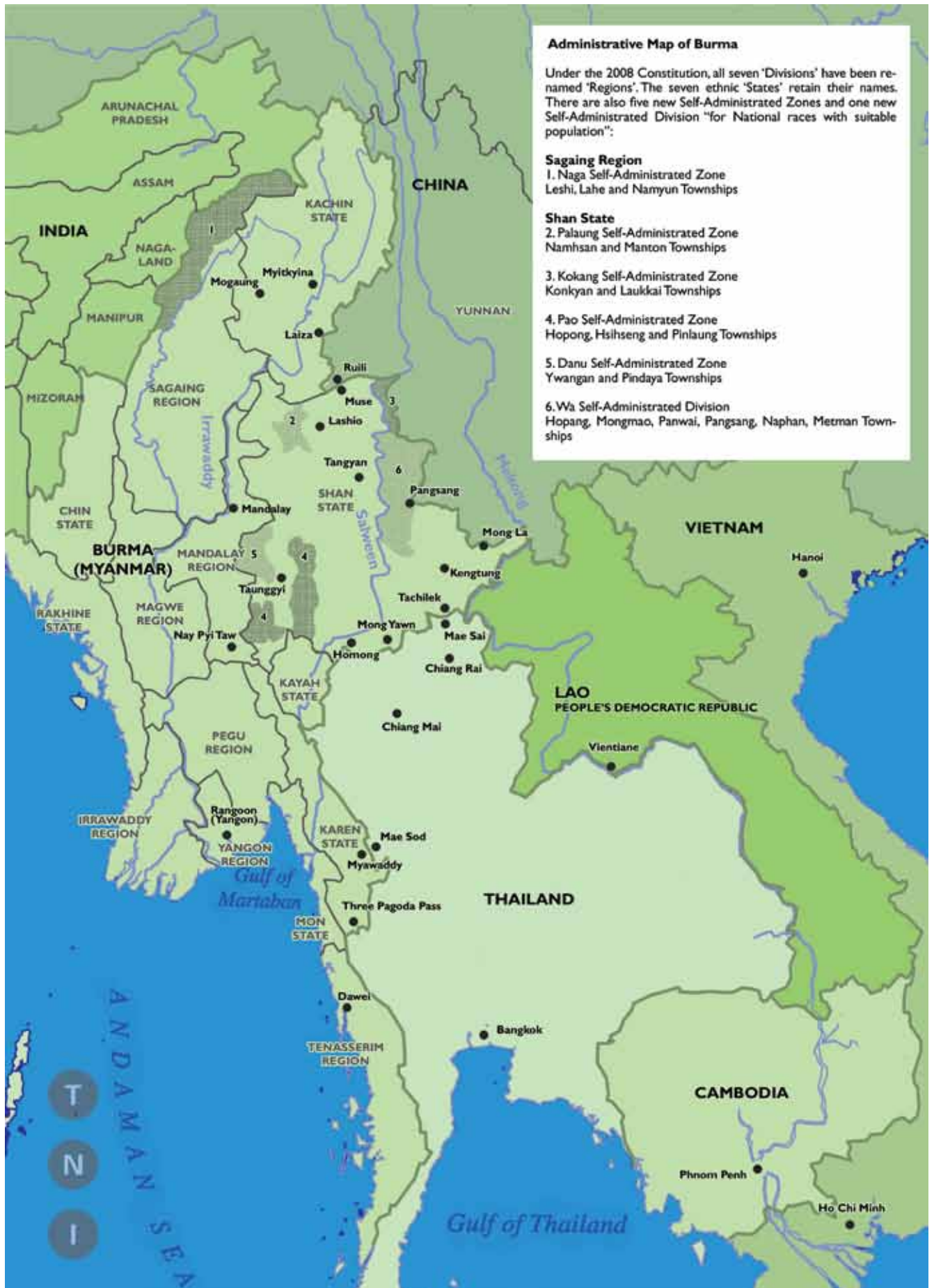
Furthermore, land tenure and other related resource management issues are vital ingredients for local communities to build licit and sustainable livelihoods. Monoculture generates a number of risks for the local communities including environmental degradation, dependence on market demands and prices, and reduction in agricultural areas affecting food security and other livelihoods.

Investments related to opium substitution should be carried out in a more sustainable, transparent, accountable and equitable fashion. A community-based approach should be used following long-established norms within the international development field rather than privilege only external profits. Customary land rights and institutions should also be respected as these areas are often not governed by statutory land laws. Projects could then act as a catalyst to enhance land tenure security rather than erode it. Local communities in the vicinity of the project should be consulted from the beginning. If the community desires the project, then they should be consulted at every stage. Working together with local communities will better assure that they will benefit.

Chinese investors should use a smallholder plantation model instead of confiscating farmers land as a concession. This could include rubber agroforestry to minimize environmental costs. Labourers from the local population should be hired rather than outside migrants in order to funnel economic benefits into nearby communities. Transparency in contract negotiations, including of financing, would help build trust with local communities and researchers. Finally a more robust regulatory environment and legal process from China would also facilitate a better working environment that could enhance local benefits while mitigating potential conflicts.

Investment-induced land dispossession has wide implications for drug production and trade, as well as border stability —precisely what Beijing authorities most fear along their shared borders. China's opium crop substitution programme has very little to do with providing mechanisms to decrease reliance on poppy cultivation or provide alternative livelihoods for ex-poppy growers. Chinese authorities need to seriously reconsider their regional development strategies and methods of implementation in order to avoid further border conflict and growing antagonism from Burmese society. Financing dispossession is not development.

## Burma - States and Regions



## Introduction

Northern Burma's<sup>1</sup> borderlands have undergone dramatic changes in the last two decades. Following decades of war, a series of cease-fire agreements concluded between the military government and different armed opposition groups at the end of the 1980s and during the early 1990s, which brought some relief to the local population. However, the end of open warfare also ushered new unsustainable economic developments that have had a detrimental impact on people's lives and livelihoods. While the international community has mostly focused on recent political developments in central Burma, this report highlights the significance of the rapid socio-economic changes taking place in the resource-rich ethnic northern borderlands.

National economic and social development cannot be adequately achieved until the long-standing and deep-seated issues of ethnic conflict, drug-related problems, and unsustainable models of development in the resource-rich borderlands of northern Burma are resolved. This report focuses on the impact of China's opium substitution policy, which has stimulated a large increase in Chinese agricultural investment in northern Burma, morphing what was once known as the 'Golden Triangle' into a 'rubber belt'.<sup>2</sup> The implications of the study are relevant to the whole of Burma, as the country's post-election development trajectory hinges on the future development of Burma's ethnic frontiers.

Burma is the world's second largest producer of opium after Afghanistan. Following a decade of steady decline, opium cultivation in the Golden Triangle (Burma, Laos and Thailand) has doubled since 2006. The large majority is produced in Burma. Poverty – broadly defined – is the main driver of the increase in opium cultivation.<sup>3</sup> Opium is mostly cultivated by marginalised farmers in isolated mountainous areas of Shan and Kachin States in northern Burma. Most of them grow it as a cash crop to buy food (mainly rice), clothes, and access to health and education.

A large part of the opium and its derivative heroin produced in northern Burma ends up on the Chinese domestic market. It supplies a large number of injecting drug users in China, and is considered a major 'non-traditional' security concern by the Chinese authorities. To counter this threat, the Chinese government has launched an opium substitution programme in northern Burma (as well as for Laos). These schemes promote large-scale agricultural investments by Chinese companies. They include monocrop plantations of especially rubber, but also sugarcane, corn, and tea. These agricultural investments have increased dramatically since the revamped programme started in 2006. Since then the Beijing government, in line with China's economic reform model, has used a more business-centred approach to dealing with Burma's narcotic problems.





Officially, local authorities in Burma, including government authorities as well as ethnic armed groups, such as the United Wa State Army (UWSA) in Shan State and the Kachin Independence Army (KIA) in Kachin State, promote these monocrop plantations as a way out of poverty and opium cultivation by providing former poppy farmers with alternative sources of income in regions bereft of any other form of investment. They also aim to end shifting cultivation, which they associate with this. Opportunistically, some local officials from government as well as ethnic armed groups have taken advantage of their positions, financially benefiting from the projects. Chinese companies have also used the schemes to their own economic advantage, often without adhering to the official regulations stipulated by the schemes as little monitoring and evaluation takes place. Furthermore, most contracts are made with local military authorities and companies, rather than with local communities or even relevant state agencies that are sometimes more concerned with villagers' well-being.

Although these Chinese investments have brought some local development, they have concomitantly caused serious negative consequences for local communities and the prospects for sustainable agriculture in northern Burma. As this report details, too often these projects have caused environmental degradation, confiscation of land, loss of access to land for farming and grazing of livestock, and forced relocations of communities. Furthermore, evidence so far suggests China's opium crop substitution policy is not achieving its goals – to reduce opium cultivation and provide sustainable alternative local livelihoods in Burma. The increase in opium cultivation and growing discontent among upland farmers from land confiscation for Chinese agricultural concessions in recent years is a clear warning signal that this approach is not working.

China is Burma's most important political and economic strategic ally, as well as its main supplier of arms. Burma has relied on China as its political-economic lifeline partly because of western sanctions. China's policy on Burma is mainly driven by economic and security considerations. However, the business approach of promoting mono-crop plantations is perceived by local communities and international development agencies as driven solely by profit motives, and they therefore question the sustainability and appropriateness of the Chinese approach. The image of the Chinese government and people in these regions has consequently suffered.

In March 2011 a new quasi-civilian government came to power in Burma. The new president Thein Sein embarked on a reform agenda, which included a number of meetings with democratic opposition leader Aung San Suu Kyi, amendments to the political party registration law to facilitate the registration of her National League for Democracy (NLD), releases of important political prisoners, and discussions of economic reform and poverty alleviation.

Burma's new flag on colonial building in former capital Yangon



Furthermore, the new government has begun to debate possible new economic models for the country, which have been welcomed by the international community and local businesses. However, it is not clear yet whether these nascent political-economic reforms will lead to real political and socio-economic change that truly benefits the population, including former poppy farming communities in northern Burma's uplands.

In June 2011, conflict resumed in both Kachin State and northern Shan State following a breakdown of cease-fire agreements. The new government held peace talks with most of the major armed groups at the end of November, offering new cease-fire agreements and a national conference to discuss the political future as well as socio-economic development plans for the country's ethnic regions. By January 2012, the government had signed initial peace agreements with a number of key ethnic armed opposition groups. The talks represent a much needed change



Collecting opium in Kachin State and Shan State

of approach from the failed ethnic policies of the last few decades. However, in order to end the conflict in Burma and to achieve genuine ethnic peace, the current talks must move beyond establishing new cease-fires. It is important that the process is followed up with political dialogue at the national level, and that key ethnic grievances and aspirations are addressed. The long-lasting ethnic conflict in the country is firmly linked with the drugs issue.<sup>4</sup> It is therefore unlikely that the region's drug-related problems will disappear unless ethnic conflict is properly addressed through a non-violent and genuine political solution. At the time of writing, fighting in Kachin State and northern Shan State continues.

Meanwhile, the Beijing and Kunming governments anxiously watch post-election politics unfold in northern Burma, where their multi-billion dollar investments lie within a potentially renewed war zone. The new Burmese government's cancellation of the Chinese-financed Myit-sone dam project in Kachin State, and the recent gradual improvement of US-Burma diplomatic relations, raises further questions of the future of Chinese investments in northern Burma.

This report is an extended and updated version of TNI's Drug Policy Briefing 'Alternative Development or Business as Usual, China's Opium Substitution Policy in Burma and Laos'.<sup>5</sup> This new report outlines the on-the-ground effects of China's poppy substitution policy on (ex) poppy farmers in northern Burma, and provides new data on Kachin State and northern Shan State. It examines how Chinese agricultural investments are reshaping land ownership, livelihoods and populations in post-war northern Burma with serious socio-economic implications for local ethnic communities.

This report is based upon information and analysis provided by TNI's team of local researchers in the region, as well as material gathered during TNI missions over several years. When applicable, field research data presented is referenced by the date only, omitting the exact location and names of researchers and organisations involved for security purposes. As the issues discussed in this report are very sensitive, the local researchers have requested to remain anonymous, and some details on specific locations and/or people involved have been omitted.



Opium fields in Sedun region, Kachin State, in 2011



## Natural Resources, Drugs & Conflict in Northern Burma

### Ethnic Conflict and Civil War

Burma is one of the world's most ethnically diverse countries, with ethnic minorities comprising about 40 percent of its estimated population of 56 million. Most of the majority Burman population inhabit the plains and valleys of central Burma, where they practice wetland rice cultivation. Most ethnic minorities live in the surrounding hills and mountains stretching out towards the country's national borders, and practice upland swidden (or shifting) cultivation. Under the new 2008 constitution, Burma is administratively divided into seven 'regions', predominantly inhabited by the majority Burman population, and seven ethnic minority 'states': Mon, Karen, Kayah (or Karenni), Shan, Kachin, Chin, and Rakhine, reflecting the main ethnic nationality groups in the country.<sup>6</sup> In addition, six new 'self-administered areas' have been created for ethnic minority groups. These are the Naga Self-Administered Zone in Sagaing Region; and the Danu, Pao, Palaung, Kokang Self-Administered Zones and Wa Self-Administered Division in Shan State. The ethnic states comprise nearly 60 percent of Burma's land area.

Burma has been afflicted by ethnic conflict and civil war since independence from the British in 1948, making it one of the longest running armed conflicts in the world. Ethnic minorities have long felt marginalised and discriminated against. The situation worsened after the military coup in 1962, when minority rights were further curtailed. Successive military governments have refused to take ethnic minorities' political demands into account, treating ethnic issues as a military issue and security threat.

Most of the political and armed ethnic nationalities' organisations in today's Burma are formed along ethnic lines. Over the last two decades, the military position of the groups that took up arms against the government to press for equal rights and self-determination has weakened. Since 1989 the majority of them have reached cease-fire agreements with the military government. Others have suffered military setbacks or defeats. The cease-fire agreements put an end to the bloodshed and curtailed the most serious human rights abuses. They have also facilitated easier travel and communication among communities in war-affected areas, and have led to some improvement in health and education services. Reconstruction in some of these former conflict areas has since started. The truces, however, have not led to political agreements nor transformed into lasting peace.

### The Cease-Fire Economy

The cease-fires had several dramatic consequences for the economy. The end of the fighting allowed for larger-scale economic development projects and trade. Following the

conclusion of truces in northern Burma, neighbouring countries have profited greatly from the ‘neither war nor peace’ situation across their frontiers.<sup>7</sup> The uncertainty of the situation also provided greater opportunities for rapacious resource extraction, such as large-scale mining and logging, cross-border trading, and space for illegal activities, including drug trafficking, gambling and human trafficking. This has had a severe negative impact on the environment and livelihoods of local communities. It has also produced new grievances among the local population in minority areas.<sup>8</sup>

The armed groups still needed to find sources of income to finance their organisations. As the central government was unwilling to provide the necessary resources to marginalised groups, and continued to monopolise access to legal trade and business, cease-fire groups have sought other ways to finance these projects, in part relying on illegal economic activities. “It is very difficult for all these various armed groups to be involved in legal trading, because it is all in the hands of the government,” said a former member of a cease-fire group in northern Shan State. “That is why they rely on black market trading. The government is, in a way, stimulating all the armed groups to be involved in this, because they leave them no other way.”<sup>9</sup>

There are also armed groups and other powerful non-political actors who are benefiting (mostly economically) from the current political instability in the country and the uncertain status of armed groups and future of the cease-fire agreements. These include local militias as well as foreign actors, such as Chinese and Thai logging companies and drug traders, who see no benefit in peace and reconciliation.

Furthermore, the weakness of the Burmese state encouraged serious corruption by army and government authorities at all levels as well as by local commanders of cease-fire groups. As a result, natural resources have been extracted and exported across the border to Thailand and China at low prices without any value added, with large profits for foreign companies and local authorities, but with very little employment generated or money invested back into the local communities.<sup>10</sup>

### Natural Resource Extraction

Burma’s ethnic borderlands are rich in natural resources, including valuable hardwoods, gold, silver, jade and various precious stones including rubies. Logging is one industry that has increased dramatically since 1988 when cease-fires began to be brokered and cross-border trading with Thailand and China was permitted by the Burmese government. First along the border with Thailand in the early 1990s, and then along the China border in the 2000s, Thai and Chinese companies cut high-valued timber, including in government and indigenous forest preserves. The situation was compounded by a dramatic increase in demand for natural resources from Thailand and China who have instated domestic forest protection laws.

In May 2006, China issued an order to suspend the nearly one million cubic meters of unprocessed logs annually passing overland from northern Burma into Yunnan.<sup>11</sup> According to a 2009 Global Witness report, cross-border timber trade between Burma and China continues, although at lower volumes now.<sup>12</sup> However, this may be partially off-set by larger volumes being transported to Yangon for export through government-controlled channels.<sup>13</sup> During

Gold panning on Irrawaddy River near Myitkyina, Kachin State



Collecting opium in Sedun region, Kachin State, 2011



the same period of the bilateral cross-border timber trade ban, Beijing and Yunnan governments agreed with the Burmese authorities for a series of large-scale hydropower dams in Kachin State and northern Shan State.<sup>14</sup>

Large-scale mining of the country's rich mineral resources by foreign companies, mostly Chinese using mainly Chinese labour, has led to significant losses of jobs and other sources of income for local communities as well as increased environmental damage. The Chinese companies often purchase mining concessions from whoever will sell them, whether it is the regional military commanders, militia leaders, or from local cease-fire groups in areas where the government is not in control. Some of the mining concessions are owned by pro-government militias as an award for their change in political allegiance. The unsustainable practices of these large companies, including the use of the toxic mining agent mercury and hydraulic mining practices, have caused severe environmental damage and potential harm to the local population's health. Large-scale mining has also led to deforestation and loss of local communities' land and access to rivers.<sup>15</sup> Along with gold, many other minerals are mined as well, often in 'wildcat' operations that are not centrally regulated, but are approved by local authorities, and are financed by Chinese investors, mainly from Hong Kong and southern China.<sup>16</sup>

Most investment, much of it foreign direct investment (FDI), is located in resource-rich ethnic states. Kachin and Shan States have been aggressively targeted for land deals for mining, hydropower, logging and, most recently, agribusiness, almost exclusively with Chinese investors with local counterparts. About 25 percent of total foreign direct

investment (FDI), or US\$8.3 billion, has been invested in Kachin State where jade and gold is mined and hydropower projects are located. Next is Rakhine State, with oil/gas extraction totalling US\$7.5 billion, followed by Shan State, with US\$6.6 billion. Foreign investment in these three states makes up 65 percent of overall foreign investment in Burma.<sup>17</sup>

However, ethnic community leaders complain that while the central government has been keen to extract natural resources from the ethnic states and sell them abroad, the money earned has not been invested to develop these isolated and war-torn areas. Furthermore, while local communities have not been consulted over the projects, they have suffered negative social and environmental consequences. They have lost natural resources, received no compensation for environmental and social damages, and have not been offered a share in the profits. Those who have benefited have tended to be individual members of ethnic armed groups who opportunistically exploited their connections to derive financial benefits that have not reached a wider population.<sup>18</sup>

### Opium Production in Burma

Opium production initially rose significantly after the first truces were concluded in 1989, as the end of hostilities provided farmers with an opportunity to tend to their fields without fear of being shot. Some cease-fire groups were, at least initially, allowed to grow and transport opium largely unhindered by the military government. Burma was the world's largest opium producer at that time until 1991 when Afghanistan took over that position. Until 2003,

about 90 percent of the opium poppy in Burma was grown in Shan State, with the Wa and Kokang Special Regions alone accounting for about 40-50 percent.<sup>19</sup>

However, opium production in Burma declined from an estimated 1.676 metric tons in 1997 to 315 tons in 2006, according to UNODC. The most important reason for the decline in opium cultivation in Burma during this period was a number of opium bans in key opium-cultivating areas declared by cease-fire groups in northern Shan State. These were imposed by the NDAA in the Mongla region (1997), the MNDA in the Kokang region (2003) and the UWSA in the Wa region (2005). After decades of war and isolation, these cease-fire groups hoped to gain international political recognition and support for the development of their impoverished regions.

Relations with neighbouring China also played a major role in the decline. “The opium ban was mainly because of pressure from the Chinese,” says a Mongla Group representative.<sup>20</sup> These opium bans were strictly enforced by the cease-fire groups. Anti-drugs campaigns by other armed groups in Kachin and Shan State also contributed. The KIO and NDA-K in Kachin State also carried out eradication of opium fields, sometimes in cooperation with the government. Both groups were under strong Chinese pressure to do so.

Government eradication efforts may also have also contributed to reduced poppy cultivation. The central government announced a 15-year opium cultivation elimination plan in 1999, consisting of three phases in different geographical areas. This coincided with the ASEAN-wide target to make the region drug-free by 2015. Such an unrealistic target led to overly repressive treatment of poppy farmers and drug users in the region.<sup>21</sup>

Another important factor, which has received less attention, was the trend in the global market. Heroin of Burmese origin was almost completely pushed off the American and European markets by heroin from Colombia and Afghanistan, respectively, in the course of the 1990s. Virtually all Burmese opium and heroin is nowadays consumed in Southeast Asia, China, India, Australia and Japan.<sup>22</sup>

While opium cultivation has decreased to some extent in Burma, production of amphetamine-type stimulants (ATS) – methamphetamine in particular, the most potent amphetamine derivative – has increased significantly in the last decade. Although reliable figures are not available, estimates of the annual production of methamphetamine tablets in the border areas of Burma with China and Thailand are put at several hundred million.<sup>23</sup> Most of the opium, heroin and ATS produced in Burma are exported from Shan State to China, Thailand and Laos. Precursor chemicals, such as acetic anhydride (heroin) and ephedrine and pseudoephedrine (methamphetamine), are not produced in Burma. These are all illegally imported from Thailand, China and India. ATS production is among the fastest growing illicit markets worldwide. Huge profits are earned in the process, corrupting many local authorities, police, custom, and military officers in the region. Large-scale manufacturing of methamphetamine moved to Burma partly as a result of a government crackdown on production in Thailand starting in 1996.

The ATS boom in the region is an example of what can be described as ‘displacement’: a campaign against one drug (opium and heroin) can lead to the rise of an equally or potentially more harmful substitute (methamphetamine). International pressure and national opium eradication campaigns led to a decline in opium cultivation and heroin production in the Golden Triangle. At the same time, a methamphetamine market in East and Southeast Asia developed, and resulted in the rise of manufacturing facilities in what was traditionally an opium and heroin production and consumption area.

### New Surge in Poppy Cultivation

In recent years, opium cultivation in the Golden Triangle - Burma, Laos and Thailand - has doubled. In Burma, opium cultivation increased from an estimated 21,500 hectares in 2006 to 43,600 hectares in 2011 and opium production increased from 315 tons to 610 tons.<sup>24</sup> According to UNODC, in 2010 opium production in Burma represented 14 percent of the world’s total, whereas Afghanistan contributed nearly three-quarters of the world’s opium production. In 2011, Burma’s share in the global opium production decreased to 9 per cent - but this was due to a substantial increase in yield of opium poppy in Afghanistan.<sup>25</sup>

The steady increase in opium cultivation since 2006 is a clear warning sign that the opium decline in the region is unlikely to last. The main cultivation area has shifted from

Raw opium oozing out from freshly incised poppy plant



the Wa and Kokang regions to southern and northern Shan State. During 2008-2011, UNODC estimated that Shan State was responsible for about 90 percent of opium cultivation in the country, with southern Shan State responsible for some 50 percent. Cultivation in southern Shan State increased from 15,000 hectares in 2008 to 23,300 hectares in 2011.<sup>26</sup> TNI local researchers in Kachin State also reported an increase of opium cultivation in those years.

Poverty clearly is the key factor determining opium cultivation in Burma (as it is in other countries, such as Laos and Afghanistan). Poverty is not just simply a function of income, but includes a whole range of socio-economic and security-related factors that define the ability of people to live with dignity. According to the Office of the UN High Commissioner for Human Rights, "economic deprivation – lack of income – is a standard feature of most definitions of poverty. But this in itself does not take account of the myriad of social, cultural and political aspects of the phenomenon. Poverty is not only deprivation of economic or material resources, but a violation of human dignity too."<sup>27</sup> Burma is a poor country by any standard, and ranks near the lowest end of the Human Development Index (HDI).<sup>28</sup> The northern part of the country, where most opium is cultivated, includes isolated mountainous areas, inhabited by a wide range of different ethnic minority groups. These communities are among the country's most marginalised and poorest, where shifting upland rice cultivation is still widely practised. Many households face rice shortages, ranging from 2-6 months per year. The main reason they grow opium is as a cash crop. Unlike most other crops, opium has a relatively high value compared to its weight, and is therefore much easier to transport to the market compared to other crops.

Furthermore, unlike other crops, traders are willing to travel to remote villages to buy the opium. The income opium growers get from the sale of the opium is used to buy food, clothes, medicines, and access to limited education and health facilities. In addition, opium provides access to credit from traders who come to villages to buy up the opium harvest in advance. Raw opium is used as a form of cash and as savings as well. Opium is also cultivated for personal use, and in the past was offered to guests and at ceremonies, including weddings and funerals, and is connected to spirit worship. In addition, opium is used to treat various diseases, especially important in areas where access to health care and essential medicines is extremely low. These communities have few coping mechanisms, and are therefore very vulnerable to shocks in their daily existence. They also lack any viable alternative sources of income, which make any opium bans unsuccessful in the long-term.

The opium bans by the cease-fire groups have been strictly implemented. In finding replacements to opium cultivation, cease-fire groups have only focussed on introducing monoplantations supported by China's opium substitution

programme. As this report will show, the main benefits of these programmes do not go to (ex-)poppy growing communities, but to Chinese businessmen and local authorities. These programmes have therefore only further marginalised these communities. Current interventions by international NGOs and UN agencies to provide farmers with sustainable alternative livelihood options to offset the impact of the opium bans have been insufficient, and are merely emergency responses to prevent a humanitarian crisis.

## Drugs and Conflict

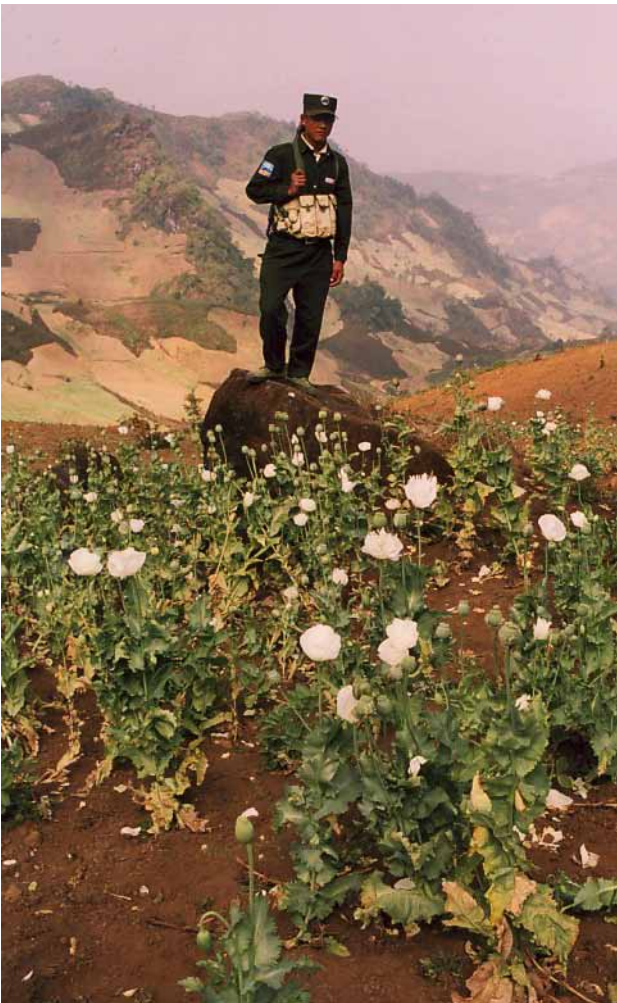
The decades-old civil war in Burma and the failure of the government to address ethnic conflict has greatly contributed to opium cultivation in the country. All of the conflict actors have engaged in various illicit economic activities to finance their armed organisations. Until the end of the 1980s, most insurgent groups along the Thai border depended on taxing consumer goods passing through their own toll gates. The Karen National Union (KNU) was earning huge amounts of money from this trade, but had an anti-narcotics policy that officially prohibited the use and trade in narcotics.<sup>29</sup>

For armed opposition groups in the Shan and Kachin States, this was a policy they could not afford. Most of the populations in their areas, upon which they depended for intelligence, food, taxes and recruits, relied on opium as a cash crop. A strong anti-opium policy would bring those groups into conflict with other armed groups, which could be potential allies against the government. Most armed groups in Shan State relied on income from the opium trade, either by taxing farmers (mostly in kind), providing armed escorts to opium caravans, providing a sanctuary to heroin laboratories, or by setting up toll gates on important trade routes to Thailand. Over the years, some of the armed groups became more committed to the opium trade than to their original political objectives. For armed groups with a strong political agenda, the narcotics trade and insurgency politics became increasingly intertwined.

The current increase in opium cultivation in southern Shan State and Kayah State is also related to conflict. "There is a lot of opium cultivation in southern Shan State and Kayah State because of the unstable political situation", said a representative of a local NGO. "It is a very difficult area because of the ongoing conflict, and the only thing people can grow there is opium, which is easy because it is a mountainous and isolated area. The lower prices of other crops they could produce as alternatives and the connections with opium buyers who offer a good price also stimulate cultivation."<sup>30</sup> Another local NGO worker in southern Shan State added: "Because of the conflict, the poor soil quality, and the lack of jobs, people have to struggle a lot, so they grow opium. Opium cultivation increased because of the decreasing prices of other crops, such as garlic, while at the same time the opium price is up."<sup>31</sup>



Opium fields in the Wa region before the 2005 opium ban



According to a former member of a cease-fire group in northern Shan State: “It is very difficult to get rid of the drug problem in Shan State. It is probably the area with the most armed groups in the country. The majority need money to support their armed struggle, and drugs are the source of income for most of these groups to acquire arms, ammunition, uniforms, and food.” There are strong connections between businessmen associated with the armed groups and foreign businessmen. “The local businessmen involved in the drug trade can only manage to expand their business because of money from outside sources, from China,” said the same source. “It is difficult to get rid of the drug trade because of the strong financial support from these drug traders.”<sup>32</sup>

Judgments over who is most to blame for the drug trade seem arbitrary and politicised. Demonising one specific actor in the conflict usually has stronger roots in politics than in any hard evidence.<sup>33</sup>

A study on the drugs trade in the Golden Triangle found little evidence that traditional Chinese-organised crime groups like triads are currently the main actors in the drug trade in Southeast Asia. The study argued that a new generation of Chinese has emerged, not only involved in drug trafficking, but active in money laundering and human smuggling. The most interesting revelation was that these

are not just professional criminals, but “otherwise legitimate businesspeople” who seize the opportunity and take the risk.<sup>34</sup>

An earlier study on drug trafficking between Burma and China concluded that most drug traffickers are poorly educated, with few employable skills or alternatives to make a living comparable to their aspirations. “Drug traffickers in general do not belong to street gangs, organized crime groups, or terrorist organizations. Most are simply bold risk takers who work with family members, or form alliances with friends or other social contacts whom they come to trust.”<sup>35</sup> The study found that drug trafficking between Burma and China has changed over the past few decades from large shipments by a small number of people into small-scale trafficking by a large number of individual traffickers, commonly known as ‘mules’, who often are unaware of the big traders behind the scene.<sup>36</sup>

The drug trade is a hugely profitable business, and it is clear that corruption and the involvement of people in high-ranking offices in all countries in the region plays an important role. Involvement of Burma Army (Tatmadaw) units and commanders in the drugs trade has also been documented. TNI research in Shan State, for instance, has shown that all conflict parties – including Tatmadaw units – taxed opium farmers.<sup>37</sup> In 2007, the US State Department stated that Burma had ‘failed demonstrably’ to meet international counter-narcotic obligations, which included to “investigate and prosecute senior military officials for drug-related corruption.”<sup>38</sup> Exile media groups have also documented the involvement of Tatmadaw units in the drugs trade.<sup>39</sup>

### War or Peace?

In August 2009, the Tatmadaw occupied the Kokang region, located in northern Shan State along the China border, after several days of fighting. During the conflict, a rival Kokang faction sided with government troops, and was subsequently given nominal control of the region. This ended a two-decade cease-fire with the Kokang Army, the Myanmar National Democratic Alliance Army (MN-DAA), which had been the first of over twenty armed opposition groups to conclude a cease-fire agreement with the government at the end of the 1980s. The resumption of fighting in northern Burma raised speculation about the other cease-fires. Tensions rose and the cease-fire groups put their armed forces on high alert.<sup>40</sup>

The Tatmadaw’s strategy in the Kokang region followed a long and consistent pattern. Instead of a total offensive against all cease-fire groups, the Tatmadaw has preferred to take them on one by one, focusing on weakening them by military, political and economic means, and stimulating the fragmentation of groups. When internal divisions within opposition groups develop, the army subsequently allies itself with breakaway factions.

Raw opium and old silver coins



The tensions in Kokang came amidst pressure by Burma's military regime to transform the cease-fire groups into Border Guard Forces (BGFs). The government's BGF proposal would effectively break up cease-fire groups into small separate units of 326 soldiers, divorced from their present ethnic administrations and military structures. Each BGF battalion would be under direct command of the Tatmadaw, effectively breaking up cease-fire groups into small units and weakening them further.<sup>41</sup> Widespread opposition to the BGF proposal increased uncertainty about the future of the cease-fires and the chances of a peaceful transition to a lasting political settlement. The government gave the groups several deadlines to agree to their proposal. The final deadline was 1 September 2010. Representatives from the military government told the groups if they failed to meet this deadline, the groups would be treated as they were before the cease-fire agreements.

Only smaller cease-fire groups agreed to transform into BGFs. In Shan State the new leadership of the weakened MNDAA in Kokang agreed to transform into one BGF Battalion (BGF 1006). In Kachin State, the New Democratic Army-Kachin (NDA-K) transformed into three BGF battalions (BGFs 1001-3). Several other cease-fire groups or factions of them were changed into militias. These include the Rawang Militia (former Rebellion Resistance Force, or RRF) and the Lasawng Awng Wa Peace Group (a KIO break-away group) in Kachin State. In Shan State such militias are the Kachin Defence Army (KDA), the Palaung State Liberation Army (PSLA), the Shan State Army – North (SSA-N) 3 and 7 Brigades, the Pao National Organisation (PNO) and the Mong Tai Army Peace Group.<sup>42</sup>

However, the largest armed groups rejected the BGF proposal. These include the Kachin Independence Organisa-

tion (KIO) in Kachin State, and the United Wa State Army (UWSA) in Shan State. Following their refusal, communication with the government was cut. They also faced economic isolation from government-controlled areas. All government staff, including doctors, nurses and teachers, were withdrawn from cease-fire areas in the Wa and Mongla regions. International NGOs and UN agencies were unable to continue their operations and withdrew their international staff.<sup>43</sup> Furthermore, the national Election Committee refused to accept registration of three Kachin political parties, as well as Kachin individual candidates with connections to these parties.<sup>44</sup> Elections did not take place in areas under control of the KIO, as well as in territory controlled by the UWSA and the closely-allied National Democratic Alliance Army (NDAA) in the Mongla region.

### Burma's New Political Landscape

The year 2011 marked the introduction of a new political system in Burma. Following the adoption of a new constitution in 2008 and national elections in November 2010, the State Peace and Development Council (SPDC, the name of the military government) was dissolved, and a new military-backed government was inaugurated in March 2011, headed by President Thein Sein, an ex-general and former SPDC member.

The 2010 elections were quickly rebuked by the opposition as well as foreign governments as being neither free nor fair because of voting fraud. In addition, the election laws and registration procedures for political parties greatly favoured the military-backed Union Solidarity and Development Party (USDP), and presented huge challenges for opposition parties. Obstacles included a rigorous registration

system, high registration costs for candidates, and limited time to form a party and carry out an election campaign.<sup>45</sup>

Burma's new political system now includes, for the first time, regional parliaments and governments. At the national level the USDP now has a large majority, winning over 75 per cent of the seats that were contested, giving it control over both the Upper and Lower Houses, and will thus dominate law making. Its policies are likely to be supported by the 25 per cent seats reserved for military candidates that were automatically appointed in all legislative bodies.<sup>46</sup>

At the regional level, the USDP also has the large majority of seats (over 80 per cent of the elected seats, and more than 60 per cent of total seats) in the seven regions, inhabited mainly by ethnic Burmans. However, in ethnic states the USDP is less dominant, although it still is the largest party. In the regional parliaments in Rakhine, Chin, Shan, Karen and Mon States, ethnic parties occupy about 25 per cent of the seats.<sup>47</sup> The USDP controls all key posts in the newly formed regional governments.

However, a number of cabinet posts in the regional governments have been given to representatives from ethnic parties, such as for social affairs (including education, health, religious affairs and culture), infrastructure, and industry.<sup>48</sup> Although these newly formed regional governments have limited authority, they are a step towards decentralisation for ethnic areas. They will have authority over several important areas for the local population, including land allocations, microfinance and small business loans, agricultural loans, cultural affairs, and a range of municipal issues.<sup>49</sup> For the moment, it remains unclear what these local parliaments and governments can do to regulate foreign investment so to ensure it is done sustainably and benefits the local population.

### **State-Ethnic Group Relations Since 2011**

In March 2011, the Burma Army attacked part of the Shan State Army-North (SSA-North), which had refused to become a BGF. This grouping now calls themselves the Shan State Progress Party/Shan State Army (SSPP/SSA). Three months later, in June, fighting also broke out in Kachin State after government troops attacked KIO positions.<sup>50</sup> Several talks were held between the KIO and several government delegations. At the time of writing no peace agreement has yet been reached.

Some representatives of ethnic armed opposition groups alleged that the Burmese military's renewed fighting against the SSA-North and KIO was to clear these groups from strategic territories targeted for major resource extraction projects, such as the Chinese pipeline from the Bay of Bengal to Yunnan province passing through northern Shan State.<sup>51</sup> The fighting in Kachin State started when the Burma Army attacked two KIO posts near a Chinese

hydropower project in the strategic Sangang area. The KIO called on the government to halt hostilities, but clashes continued and on 12 June, 2011, the KIO ordered its troops to launch attacks against the Tatmadaw. Apart from the attacks on KIO positions, the KIO decision was guided by frustration over the BGF issue and the government's refusal to allow a credible Kachin party to contest the 2010 elections. The KIO was also concerned by plans to develop a series of Chinese hydroelectric dams in Kachin-populated areas. While there are clearly political reasons behind the recent fighting in these strategic areas, the nexus of resource wealth and ethnic conflict cannot be ignored as a factor in the renewed fighting.

Then on 6 September 2011, the government signed a cease-fire agreement with the UWSA, the largest armed opposition group in the country. The agreement basically confirmed the status quo and did not include any political developments.<sup>52</sup> One day later, the National Democratic Alliance Army (NDAA – Mongla Region) signed a similar agreement. The NDAA is a relatively small group, but maintains close relations with its neighbour the UWSA.

A UWSA delegation visited the capital Nay Pyi Taw on 1 October 2011 to follow-up on the agreement. It was agreed to allow the return of staff from the government's health and education departments to the Wa region, as well as of international agencies providing support to ex-opioid growing communities. Significantly, according to one source, this verbal agreement also stipulated that the UWSA can continue to maintain relations with China.<sup>53</sup> This seems to be a guarantee for Chinese investment in the Wa region. Immediately following the Kokang crisis in 2009, Chinese authorities had made it clear that it expected the Burmese government to maintain stability in the border areas, protect the lives of Chinese citizens, and respect and protect Chinese property.<sup>54</sup> On 28 December a government delegation visited the Wa region to conclude a six-point agreement with the UWSA, reaffirming the previous agreement, and an agenda to develop the Wa region and improve education and health services. The agreement also included a provision to continue to negotiate on participation of representatives from UWSA areas in the country's new parliamentary system.<sup>55</sup>

From 19 to 20 November 2011, Minister for Rail Transportation U Aung Min held talks with most of the main armed ethnic groups, including non-cease-fire groups such as the KNU, KNPP, SSA-South and Chin National Front (CNF), as well as groups who had a cease-fire pact with the SPDC in the past, including the KIO. The New Mon State Party (NMSP) refused to attend, saying it would only meet as part of the United Nationalities Federal Council (UNFC). The UNFC was formed in November 2010 by the KIO, Shan State Army-North (SSA-North) and NMSP, as well as non-cease-fire groups KNU, KNPP and CNF, as a platform to hold joint negotiations with the government about political change. Initially, the alliance's position was



Farmers at local market in Mong Mao in the northern Wa region

it would only enter into negotiations with the government as a group, but all members have since entered into separate talks with the government. By February 2012, most groups except the KIO had signed initial peace agreements with representatives of the Thein Sein Government.

There are several important positive aspects on the efforts by the new government to promote peace, which present an important break from the past approach by the military governments. In terms of process, the new government has shown willingness to hold talks with all armed opposition groups - even groups such as the SSA-South, with whom the previous military government refused to negotiate.

There has been some confusion over the exact role and mandate of the representatives of the new Thein Sein government to have peace talks with the ethnic armed groups. The official national level peace making group is led by U Aung Thaung and his deputy U Thein Zaw, two former ministers and currently representatives of the military-backed Union Solidarity and Development Party (USDP).<sup>56</sup> However, both are perceived by ethnic armed groups as hardliners, and they do not have their trust.

Therefore, Thein Sein later appointed Minister for Rail Transportation Aung Min as another government representative for talks with ethnic armed groups. Aung Min operates under the direct mandate of President Thein Sein. He has been able to build up trust and better personal relationships with the armed groups. Aung Min has offered himself as a direct line of communication with the President for the armed groups, and in meetings has facilitated a positive and reconciliatory atmosphere.

In terms of the content of the meetings in November, government representatives made clear that the BGF proposal is off the table and now belongs to the past. They also admitted that the previous cease-fires were not successful because they did not benefit the people. Most importantly, the government promised the armed groups "talks at the national level on socio-economic recovery/development plans, and ultimately a national conference in the style of Panglong."<sup>57</sup> This is a reference to the 1947 Conference at the town of Panglong, resulting in the Panglong Agreement between representatives from some ethnic groups (Shan, Kachin and Chin) and the Burman nationalist movement led by Aung San (father of current opposition leader Aung San Suu Kyi) about a future formation of a Union of Burma.

### **Lasting Reform?**

The new President Thein Sein has embarked on a reform agenda, and there has been a sense of real change at long last following a series of political and economic reforms initiated after the new government took office. These much-needed reforms are welcomed by all stakeholders, but it is not clear yet whether, and how, they will lead to

real political and socio-economic change that truly benefits the country's population, including ethnic communities in Burma's borderlands.

The political system drawn up by the former military government, led by General Than Shwe, guarantees that the national political arena will continue to be dominated by the armed forces for the foreseeable future. The constitution reserves 25 per cent of the seats of all legislative bodies (Lower House, Upper House and the regional parliaments) and three ministries for military personnel.

In the past, successive military governments have pursued a policy of political exclusion of ethnic nationalities and militarisation of ethnic areas, worsening ethnic conflict.<sup>58</sup> Recent efforts by the government to make peace agreements with armed opposition groups seem to break with those policies. But until these transform into a genuine political dialogue, the prospects for peace, democracy and development remain uncertain. Continuing conflict in Kachin State and northern Shan State in February 2012 demonstrate the continuing need for a lasting peace.

Ethnic conflict has ravaged the country since independence, and cannot be solved overnight. Cease-fire agreements negotiated at the local level between different armed ethnic opposition groups and the government are a first important step. However, in order to end the conflict in Burma and to achieve true ethnic peace, the current talks must move beyond establishing new cease-fires. It is important that the process is followed up with political dialogue at the national level, and that key ethnic grievances and aspirations are addressed. Failing to do so will undermine the current reform process in the country, and will lead to a continuation of Burma's cycle of conflict.<sup>59</sup>

Furthermore, there are serious concerns about the social economic recovery and development plans in the conflict zones as a follow-up to the peace agreements. The economic development models promoted the last two decades in these areas have caused great environmental damage and negative repercussions on people's livelihoods.



## China's War on Drugs at Home and Abroad

### Drug Use in China

Drug production and consumption, and related infectious diseases, such as HIV/AIDS, are important security and health concerns for China, which Beijing labels as its new “non-traditional security threats”. China borders the two major opium and heroin producing areas in the world: the Golden Triangle (Burma, Laos and Thailand) and the Golden Crescent (Afghanistan, Pakistan and Iran). The vast majority of the opium and heroin on the Chinese market originates from Burma. Some of the methamphetamine available on the Chinese market, especially in Yunnan Province, also originates from Burma. However, China itself is also a major producer of ATS, especially ‘ice’ (crystal methamphetamine), which is not yet produced in Burma.<sup>60</sup>

Heroin and methamphetamine use in China has increased significantly since the 1990s. Heroin and methamphetamine pills spread out from Yunnan Province, bordering Burma, to the country at large, while domestic production of crystal methamphetamine started in the industrialized urban parts on China's east coast, in particular Fujian and Guangdong provinces, going westward. In the 1980s, most drug users were farmers in the border regions of Yunnan and Guangxi provinces. However, since the 1990s this pattern has changed. Now young urban residents throughout the country constitute the main group of drug users, most of them low educated and with limited job skills.<sup>61</sup>

Although reliable data on drug use in China is not available and estimates vary, the general trend suggests that drugs use – and especially injecting heroin use – has increased dramatically in the last two decades in China. According to Chinese government data, the number of drug users increased from 70,000 in 1990 to 1.14 million by 2004. However, the real number of drug users is significantly higher, as this figure only includes those registered with the government.<sup>62</sup> The majority of those are heroin users, who often combine it with other drugs, mostly prescription opioids (pethidine and tramadol).<sup>63</sup> According to the International Harm Reduction Association, by 2010 China was estimated to have nearly 2.5 million people who injected drugs. Among them some 12 percent is estimated to have HIV.<sup>64</sup>

Another study on drug policies and practices in China found the number of registered drug users in China rose from some 50,000 in 1988 to over 900,000 in 2007, of which almost 750,000 were heroin users. It estimates the unofficial number of ‘drug addicts’ between 6-12 million. According to the study, drug use and drug trafficking in China re-emerged in Yunnan and Guangdong provinces “because of the historical tradition of tobacco and opium smoking in these provinces and their physical vicinity to drug-producing nations such as Burma, Thailand and Laos.”<sup>65</sup>

Most studies in China do not make a clear distinction in substances of drug use. The increase of ATS is not very well documented and ATS use does not show up in the official statistics.<sup>66</sup> However, it has increased substantially, in particular in the urban centres on the east coast, and may have surpassed heroin. There is a generational shift; with young drug users favouring ATS, while heroin is more commonly used by older drugs users. The increase of ATS has to do with the profound socio-economic changes in the country, which has moved from rural agricultural based economies to urban, industrial and market based societies.<sup>67</sup> Although heroin use in China is increasing, it is at a slower pace compared to the use of other drugs.<sup>68</sup>

### The Rise of HIV/AIDS

The early phase of the HIV/AIDS epidemic in China was predominantly driven by unsafe practices such as needle sharing among injecting drugs users (IDUs), starting in Yunnan province. The first epidemic outbreak of HIV/AIDS in China occurred in 1989 among injecting drugs users in the border town of Ruili, situated on the main trade road to Burma. By 2002 HIV/AIDS prevalence was found among IDUs in all of 31 Chinese provinces. Drug use levels in Yunnan remain among the highest in China and the province therefore remains of special concern.<sup>69</sup>

Alarmed by these trends, the Chinese government took a pragmatic approach and began to implement harm reduction programmes for drugs users, such as methadone treatment and needle exchange. Nevertheless, China maintains a harsh punishment regime, executing drug traffickers and forcing recidivist drugs users into compulsory treatment camps. According to China's National Narcotics Control Commission (NNCC): "In 2007, the public security agency discovered and punished more than 122,000 relapse drug abusers, and captured more than 3,000 fugitives [drug users]." The NNCC reported that by the end of November 2007, some 250,000 drug users had been treated in compulsory treatment centres, and that over 60,000 of them were sent to labour camps for treatment.<sup>70</sup> In the year 2010, over 173,000 drug users entered the compulsory drug detoxification programme.<sup>71</sup>

It is unrealistic to think that China's drug use problem at home can be solved by reducing opium cultivation abroad in neighbouring countries. Over the last five decades global opium production has increased from 4,000-5,000 metric tons during 1970-2000 to some 7,000-8,000 the following decade. Efforts to reduce global opium production have thus failed, with the market responding to demand and supply, causing opium cultivation areas to shift to other areas or other countries rather than to diminish, known as the so-called 'balloon effect'.

Furthermore, China's drug use problem is increasingly related with domestically produced methamphetamine, which has no relationship with opium cultivation. The

Chinese government poster on amphetamines



growing use of ATS is also associated with the spread of HIV/AIDS and hepatitis, largely due to an increase in risk-taking behaviour and unsafe sex practices among users. Despite the increase of ATS use and associated problems, government responses in East and Southeast Asia have been ineffective. Traditional law enforcement and supply reduction approaches and zero tolerance attitudes have not succeeded to reduce the supply and the demand for heroin and ATS. One might even argue that the unintended negative consequences of ill-designed law enforcement interventions and zero-tolerance policies have exacerbated the problems.

There are some promising indications in the region of a willingness to embark on new approaches, at least on paper. The Sub-Regional Action Plan on Drug Control 2011-2013, agreed upon by the countries in the Greater Mekong Subregion<sup>72</sup> and the UNODC, recognises the need to scale up public health oriented policies, as well as the need to develop alternatives to compulsory treatment and detention centres and implementation of community-based interventions based on prevention, early intervention, treatment and care programmes integrated in the health care system.<sup>73</sup> The WHO Regional Office for the Western Pacific recommends in a technical brief on ATS that "policy-makers must aim to reduce the harms from ineffective drug policies which allow for undifferentiated punishment and detention of all drug users, and find common ground between law enforcement and public health."<sup>74</sup> This recommendation is also relevant to the traditional problem of opium and heroin use.

These recommendations are in line with a growing call worldwide to revise current drug control strategies. "Vast expenditures on criminalization and repressive measures directed at producers, traffickers and consumers of illegal drugs have clearly failed to effectively curtail supply or consumption", a report by the Global Commission on Drugs Policy concludes, adding that the global war on drugs has failed. The Global Commission is an initiative by a number of former Presidents and other well-known persons who initiated a discussion about the failure of the global war on drugs and promote alternative and evidence-based drug policy options.

According to the Global Commission report, repressive efforts directed at consumers impede public health measures to reduce HIV/AIDS, overdose fatalities and other harmful consequences of drug use. Instead, the Commission recommends offering health and treatment services to those in need, ensuring that a variety of treatments are available, and to implement syringe access and other harm reduction measures that have proven effective in reducing transmission of HIV and other blood-borne infections as well as fatal overdoses. In particular, the Global Commission stresses the importance of respecting the human rights of people who use drugs, and recommends to "abolish abusive practices carried out in the name of treatment – such as forced detention, forced labour, and physical or psychological abuse – that contravene human rights standards and norms or that remove the right to self-determination."<sup>75</sup>

The Chinese government should take up these evidence-based recommendations to improve their response to the drug problem and associated health risks, increasing the quality and quantity of services to drugs users based on harm reduction principles, and refrain from repressive policies towards drug users, such as arresting them and forcing them into treatment camps. High relapse rates raise serious doubts about the efficacy of such coercive policy responses.<sup>76</sup>

### China's Opium Substitution Programme

Apart from attempting to address domestic consumption problems, the Chinese government also has tried to reduce opium cultivation in the region. To support the 'People's War Against Drugs and AIDS', in 2004 the central government revamped its approach to tackling opium in the Golden Triangle by setting up the 122 State Council Working Group, this time under the Ministry of Commerce rather than under the Ministry of Public Security as before. Although coordinated by the Ministry of Commerce, 13 other ministries are also involved. This working group aimed to stimulate and coordinate Chinese investment in opium substitution plantations in northern Laos and Burma.<sup>77</sup>

The Yunnan Provincial Party Committee issued a policy document called 'The Main Task of People's War Against Drugs for 2005', and made the Yunnan Provincial Commerce Bureau responsible for organising and coordinating development programmes "in the peripheries".<sup>78</sup> In 2006, Yunnan province approved a poppy substitution development programme for Burma and Laos, and created a special Opium Replacement Fund.<sup>79</sup> Since then the Chinese government has been actively promoting the scheme and mobilising Chinese companies to take part.

From 2005 to 2008 the Yunnan government administered a total of 1.224 billion Yuan (US\$176.74 million)<sup>80</sup> of investments for crop substitution development projects, with a cultivation area of 1.0118 million mu equivalent to 67,453 ha (15 mu equal 1 hectare) in Kachin and Shan States. According to the National Narcotic Control Commission (NNCC), by the end of 2007, officially 135 Chinese companies had conducted 'alternative development' projects in northern Laos and Burma. They had invested 169 million Yuan (US\$26.5 million) to plant 267,500 mu (17,800 ha) of substitution crops in Burma.<sup>81</sup> By 2009, the number of Chinese companies participating in China's opium substitution programme reached 198 (almost all private corporations, and about 80 per cent from Yunnan), an increase of about 170 per cent since 2005. Rubber was by far the most popular crop in terms of area planted.<sup>82</sup>

The focus of the Chinese approach to reduce opium cultivation is on overall economic development that believes in a 'trickle-down effect'.<sup>83</sup> This is done by trying to integrate the local economy of the border regions of Burma and Laos

Poster at methadone treatment centre in China





into the regional market (i.e., China), and through bilateral relations with authorities across the border. According to the Chinese government, the substitution projects have achieved several successes: creating a new source of income for farmers; hastening infrastructure construction; improving knowledge and agricultural production methods; putting into practice new theories on the fight against drugs; and enhancing good neighbourly relationships with adjacent countries.<sup>84</sup>

In a Chinese language publication that pre-empted the move to be placed under the Ministry of Commerce, the author dubbed this more market liberalised strategy a 'substituting economy' where Chinese businessmen backed by Chinese state finance "replace poppy farming with cultivation of grains and cash-generating crops, and promote the economic and social advancement of the poppy-growing areas by fostering trade, tourism and specialized industries."<sup>85</sup> Moreover, "Yunnan's 'substituting economy' project", the introduction continues, "helps cultivate a healthy economy in the poppy-growing areas and enhances the degree of civilization of the local people, all of which would boost the 'substituting' capability at the grassroots levels." The report boasts that it has been "a blessing for mankind that Yunnan has helped the 4th Special Zone of Myanmar" [NDAA - Mongla Region] with their poppy substitution projects.

Shan State Special Region 4,<sup>86</sup> which is territory controlled by the cease-fire organisation National Democratic Alliance Army-Eastern Shan State (NDAA), was initially selected by the Chinese government due to much higher rates of drug trafficking, addiction, and HIV/AIDS rates transmitted along the Chinese-built Kengtung-Daluo-Jinghong highway that passes through that area.<sup>87</sup> While the road was initially constructed to open up the cross-border area to resource extraction and economic development, it in fact spurred non-traditional security threats which the Chinese government is now trying to deal with the situation by pushing another round of economic development projects.

Inconsistencies between policy objectives and actual impact, as well as how the programme cements business relations between government, military and businessmen, begs further scrutiny. Moreover, the manner in which the substitution projects have unfolded has sparked emerging local land conflicts which are now the major livelihood issue NGOs in northern Burma are grappling with. Therefore, more transparent and open dialogue about these projects is needed.

Chinese companies participating in the cross-border development schemes receive several state-subsidised financial incentives. These include easing bureaucratic hurdles for investment, relaxation of labour regulations, subsidies and import tax and VAT waivers, and, most importantly, permission to import crops produced under the scheme,

as imports to China are subject to import quotas which can be hard to obtain. Some businessmen are even able to obtain several Chinese government subsidies for the same plantation.<sup>88</sup>

The Chinese government has set several conditions for companies participating in this programme. Officially, these investments have to contribute to socio-economic development of the area. Ostensibly, if the company performs well, the government will provide a financial subsidy based on each mu cultivated. The government encourages diversification of crops, but in practice the results are almost exclusively mono-crop plantations, usually rubber.

Chinese companies complain that the subsidies are difficult to obtain, and are not worth the paper work demanded. "The big money for me is from exports to China. We get tariff and VAT exemption," claims one Chinese businessman. But all that notwithstanding, "from our perspective, it [subsidy programme] is over-regulated."<sup>89</sup> Despite these complaints by some Chinese investors, local NGOs in northern Burma argue precisely the opposite—that the lack of regulation and protection for smallholder farmers is their greatest concern with these new cross-border land business deals.

The Chinese companies' agricultural investments, under the crop substitution programmes, are often in areas of relatively lower elevation and near roads, as these are more easily accessible. This practice does not target (ex-) poppy growing areas, which usually are more remote and in higher elevations unsuitable for rubber and sugarcane cultivation. Authorities in northern Burma (especially in the Wa region by the UWSA) and Laos have resettled upland communities from the hills to the valleys and along roads where these plantations are established. This is intimately connected to their policies to end shifting cultivation and opium cultivation.

In contrast, other governments have supported local and international NGOs in Burma and Laos to promote socio-economic development, providing alternative livelihood options directly to the most vulnerable and (ex-) poppy growing communities. While these approaches greatly differ in strategy, the general outcomes are often quite similar in terms of moving upland subsistence farmers into the lowland market economy.<sup>90</sup>

China and other nations have supplied emergency aid to ex-poppy farmers in Shan and Kachin States in northern Burma for years. China donated 10,000 metric tonnes of rice directly to local cease-fire authorities across the border in 2007 and again in 2008 to offset food shortages, which were partly the result of opium bans and forced eradication of poppy fields in Shan State and Kachin State. The main reason behind China's food aid is to prevent instability in areas across its border. Exactly how this aid was distributed by cease-fire groups remains unclear. Offers by

international agencies to cooperate with the Chinese to ensure emergency aid reaches the neediest households have been declined, as the Chinese government only believes in government to government relations, and does not want to provide support through - or even in coordination with - NGOs. China's view of economic development consists mainly of promoting large-scale infrastructure and mono-crop plantations with high-input technologies. This stands in great contrast with strategies to achieve poverty alleviation which would actually benefit smallholder poppy farmers.

TNI researchers on the China-Burma border have found that some Chinese traders abuse the opium substitution schemes by pretending to plant crops, but instead buying up local produce from farmers in Burma, and then importing it into China free of customs duty, making significant profits in the process. Criticism of China's opium substitution scheme also includes concerns about the environment, its failure to work with local communities, the lack of respect for local cultures, and only thinking from a Chinese development perspective.<sup>91</sup> According to a Kunming-based Chinese academic: "The Chinese government does not hear enough about the negative impacts of their policies, so there is an information gap."<sup>92</sup>

As a result the business approach of promoting mono-crop plantations is perceived by the local communities and international development agencies as driven primarily by profit. There are increasing questions of the sustainability of the Chinese approach. The image of the Chinese government and people in these regions has suffered greatly over the years as a result of these projects. There is a growing negative view on China among the population in northern Burma, and an increasing resentment against Chinese investment and the behaviour of Chinese companies and businessmen. "These companies are not sincere, they are just interested in getting loans from Chinese banks," said a government representative from Burma. "They cite they are going to do 'alternative development', so the Chinese government endorse their plans. But in reality they are just doing business. The poppy farmers will not benefit from it, as it will go to their pockets only."<sup>93</sup>

The Chinese government evaluated the opium substitution programme in early 2010 to identify its successes and failures. However, today the programme continues unchanged. According to a Yunnan academic, "This program has a long life time. What happened in 2010 was that the programme as it was proposed was near its end. After an evaluation took place, it seems it will continue with the same policy."<sup>94</sup>

### **Lessons Learned from Alternative Development**

Over the last decade, there has been considerable progress in understanding the impact and lessons of rural devel-

opment in opium poppy and coca growing areas, usually referred to as 'Alternative Development'. Experience has shown that Alternative Development can address the needs of targeted rural communities, and can contribute to a reduction in crops if it is done in an integrated, sustainable way.<sup>95</sup> All actors involved in rural development, including government, development agencies and civil society organisations, need to properly address the causes of coca and opium cultivation in their development strategies and plans. It is also important that Alternative Development is not limited to a project approach, but guides national and local development programme design and implementation.

The cultivation of opium poppy and coca often takes places in areas plagued by conflict, insecurity and vulnerability. Interventions should be embedded within human rights protection, conflict resolution, poverty alleviation and human security. They should also be done in a participatory way and respect traditional culture and values. Interventions should also be properly sequenced. In particular, there should be no eradication or strict implementation of opium or coca bans unless viable and sustainable livelihoods are in place. Aid should not be made conditional on reductions in opium or coca cultivation. Instead, indicators for a successful policy should be based on progress towards sustainable human development.<sup>96</sup>

The lessons that can be drawn from the above are numerous and underline the need for a longer-term vision and commitment, accompanied by more humane and better sequenced development-oriented policies and programmes, which actively involve those targeted from the outset to guarantee sustainability.

In addition, during workshops at the International Conference and Workshop on Alternative Development (ICAD), held in Thailand in November 2011, international experts and practitioners of Alternative Development, as well as representatives of a wide range of countries, discussed lessons learned and the way forward for Alternative Development. Among the most salient points that arose from discussions were that "land tenure and other related resource management issues" act as "key components of building licit and sustainable livelihoods," and that "mono-culture generates a number of risks for the local communities including environmental degradation, dependence on market demands and prices, and reduction in agricultural areas affecting food security and other livelihoods." Participants also stressed that "Alternative development programmes should be based on a market driven approach with an initial emphasis on local and domestic consumption, before aiming for national and international markets. The programmes should include rural economy models that strengthen local markets." The final declaration of the workshop called on member states, international organisations, regional organisations, development agencies, donors and international financial institutions, as well as

non-governmental organisations “to apply their utmost efforts to take into account land rights and other related land management resources when designing, implementing, monitoring and evaluating alternative development programmes, including internationally recognised rights of indigenous peoples and local communities.”<sup>97</sup>

These principles of consultation and community engagement stand in contrast with the Chinese approach to opium cultivation in Burma.

### Substitution of Coca Bush in South America

To curb the growth of areas sown with coca bush (the plant from which cocaine is extracted) the governments of the South American coca producing countries launched alternative development programmes which prioritised the establishment of crops that had favourable prices in domestic and international markets, and where there was private sector interest. The most common licit products were cocoa and oil palm, but there were also other crops such as rubber, coffee, tropical fruits and forestry products. The objective was to generate economies of scale in order to ensure the profitability of business and to constitute a real alternative to the cultivation of coca bush.

As a result of this initiative, countries like Peru and Colombia considerably increased the areas planted with oil palm. Between 2004 and 2008, in Colombia there was an increase of 41 per cent of the area planted with oil palm. Today Colombia is the fifth largest producer of palm oil in the world, with a total area in late 2010 of 360,537 hectares. In Peru, oil palm is the main oilseed crop planted on an estimated 21,222 hectares in 2008. It looks set to expand further as authorities have identified a potential of 1.4 million hectares that could be cultivated, mainly in the coca regions, or regions susceptible to the spread of coca, such as San Martin<sup>98</sup>, Ucayali, Loreto and Huanuco. The huge extensions of this crop in Colombia and Peru has had negative ecological, social and economic impacts, yet failed to reduce coca cultivation nor improved the living conditions of farmers.

In the case of Colombia - a country where the production and trafficking takes place in the midst of a complex armed conflict - the expansion of vast areas of oil palm often took place in the context of violence and displacement of the peasant population. This was the case in the northwestern region of the country,<sup>99</sup> where government funds and even funds provided by the international community (such as USAID<sup>100</sup>) ended in the hands of companies linked to suspected drug traffickers and paramilitaries. These include the same groups that have harassed people and plundered their land. Major human rights organisations allege that several companies have cultivated oil palm on stolen land.

In the case of Peru, while some of the programmes funded by the international community in the San Martin area have brought some benefits to local people, the expansive and intensive cultivation of these products affects the Andean-Amazon's fragile ecology.

The South American experience is that, while large-scale crop substitution projects have in some cases had some local and temporary successes, the programmes have usually been ineffective in achieving their intended aims. This is due to various social and political issues. Projects are based on the principle of (often forced) eradication of coca crops, without taking into account the socio-economic and cultural situation of local communities. Moreover, most of the time the programs are imposed from above without first identifying whether the products are consistent with the availability and suitability of the soil, appropriate for the local ecology, or based on the knowledge of the population in each area. The focus on export markets has also not helped build local and regional markets or helped strengthen local communities. Too often, the vast expansion of oil palm plantations has also led to farmers being dispossessed of their land.

### China's Resource and Trade Diplomacy

China is keen to promote investment in Burma. China's new role as a major regional investor was first articulated by a 2001 official Beijing policy known as 'zou chu qu', literally translated as 'to go out'. Motivated by a host of factors linked to the country's economic reform and changes in diplomacy, including China's lack of raw materials to fuel its engine of economic growth, the aim was to transform the country from a recipient of foreign investment into a major overseas investor.<sup>101</sup>

Beijing and Kunming began to adjust their political-economic strategy to embrace bilateral cross-border development in the 1980s. This represented a major shift away from the former Chinese government's funding and trading only with armed Burmese communists.<sup>102</sup> After a Chinese delegation visited Yangon in August 1988 (as pro-democracy protests were intensifying), the first Burma-China bilateral border trade agreement was signed for Ruili (Yunnan) and Muse (Burma)—a booming cross-border town controlled by the government since the collapse of the Communist Party of Burma in 1989. Since that time, Burma-Yunnan border trade has expanded dramatically, as have large-scale resource extraction projects in the area.<sup>103</sup>

China is Burma's most important strategic regional ally, and its main supplier of arms. Burma is relying on China partly because of western sanctions, which have left the country's leaders few options. “From a strategic point of view, the Chinese want good relations with us,” said a government official from Burma in 2005. “We also need to rely

on them, because the Western bloc is always putting pressure on us. This is the chemistry. We need technical and other assistance from China, because we are not getting it from the West.”<sup>104</sup>

China's policy on Burma is mainly driven by economic and security considerations. China's 'energy diplomacy' aims to provide it with access to oil and gas through the construction of the gas pipeline overland from a deep-sea port in Burma's Rakhine State on the Bay of Bengal to Yunnan's capital Kunming. The 1,100-kilometre pipeline shortens transportation routes and allows access to Burma's rich gas reserves. The pipeline, scheduled to be ready by 2012 and built by the China National Petroleum Company (CNPC), will be extended to Guizhou province and end in Nanning, the capital of the Guangxi region.<sup>105</sup>

China's stake in the Shwe gas field in the Bay of Bengal and the construction of large hydropower dams are also part of this strategy. In 2007, the military government and the state-owned China Power Investment Corporation (CPI) signed an agreement to build seven hydropower projects in Kachin State to supply China with electricity. Preparations for construction of the controversial Myitsone dam, strongly opposed by local communities, began the same year.<sup>106</sup> These developments will make Burma one of the four key energy providers for China, together with Russia, Kazakhstan, and the Middle East.

China's 'transport diplomacy' is aimed at getting access to the Indian Ocean, another key strategic objective. China plans to build a road and railway parallel to the gas pipeline, linking landlocked Yunnan Province with the Indian Ocean. It will facilitate trade and communication, and will also reduce China's reliance on the Strait of Malacca as the single transportation route for oil from the Middle East.

China's national 'Go West' policy aims to bridge the gap between the poorer and landlocked southwest and the much more rich eastern part of the country. Although rapid economic development has taken place in the last decade, Yunnan Province is still considered a backwater in China. Compared to provinces in the east, Yunnan is underdeveloped and lagging behind in economic growth. Furthermore, government officials hold the view that the province has some serious non-traditional security problems, including drug use and spread of HIV associated with it, as well as criminality related to the drug trade, human trafficking, and other illegal activities. Beijing believes that one way to address these problems is by supporting economic development in Yunnan Province.<sup>107</sup> A substantial part of that strategy involves accessing resources in, and further boosting trade with, northern Burma.

Although Chinese influence in Burma is significant, it should also not be overestimated. Beijing cannot dictate the policy of the Burmese government. "It is unlikely that

Border checkpoint with China in the Kokang region



[Yangon] will become a strategic satellite base for China", concludes a study on China-Burma relations. [Burma's] strong sense of nationalism, its past ability to successfully deal with foreign powers to preserve its independence and cultural identity, will likely make [Burma] withstand most odds."<sup>108</sup> However, concerns raised by China are taken seriously by Nay Pyi Taw. As mentioned above, security threats and the continuing conflict in Burma are a serious concern for the Chinese central government, which wants peace and stability along its borders. Following a resumption of fighting in the Kokang region in northern Burma in 2009, for example, the Chinese government in a rare example of open diplomacy called on the Burmese authorities to properly handle domestic problems, maintain stability in the China-Burma border region, and protect the security and property of Chinese citizens in Burma.<sup>109</sup>

The policy objectives of Chinese actors involved in relations with Burma are not uniform, representing different interests and strategies. The central government in Beijing has different priorities from the Yunnan provincial authorities. "Yunnan promotes regional cooperation for economic reasons, because it is landlocked," said a Chinese academic. "Beijing focuses on the grand political strategy. It needs a friendly government in Myanmar, whoever that is."<sup>110</sup> A Chinese academic from Kunming further commented: "For the Yunnan government, economic interests are most important; for the central government, strategic interests are paramount."<sup>111</sup>

For Beijing, border stability is the main concern, and they oppose anything that can threaten this. This includes armed conflict, but also criminal activities such as smuggling of illegal goods and the drugs trade. Beijing has less interest in promoting investment, and so does not always condone cross-border business deals made by Yunnan-based companies. The uncontrolled logging and mining activities, for instance, by Yunnan businessmen have been perceived as unfavourable in Beijing. The Burmese government has also complained to the central government about these activities.<sup>112</sup> Policy makers in Beijing feel that representatives from Kunming paint an overly optimistic picture of the situation in Burma in order to protect their economic interests. Yunnan officials fear their large investment projects might be in jeopardy from any policy changes, and try to convince the central government to ensure their continuity.<sup>113</sup>

In the past, the central government solely relied on intelligence provided by Kunming-based agencies for their assessment of developments in Burma. However, after the Kokang crisis in August 2009, this seemed to change. Beijing was taken by surprise by the events in Kokang, which caused harm to Chinese lives and property, and caused some 35,000 people to seek refuge in China. Beijing blamed the authorities in Yunnan for not providing accurate and timely information about the crisis. Since

that time, Chinese officials in Beijing have started to analyse events in Burma themselves. They also re-established direct relationships with ethnic armed groups along its border. The tensions between Beijing and Yunnan-based interest groups further increased following the outbreak of fighting between the KIO and the Burma Army in Kachin State in June 2011.<sup>114</sup>

Provincial authorities, companies and academics in the provincial capital Kunming, and to a lesser extent border prefecture governments, have been the main driving force behind the large infrastructure projects in Burma, such as the gas pipeline from the Bay of Bengal to Yunnan and the hydropower dams in Kachin State. They have close links to the Burmese central government in Nay Pyi Taw, but also have established contacts with ethnic armed groups along their shared border. They want to make Yunnan the land bridge to Burma, and are therefore focusing on the energy sector and large infrastructure development. They have also invested heavily in infrastructure development in Yunnan itself, from Kunming to the Burma border, to facilitate trade and investment.

For landlocked Yunnan Province, promoting 'harmonious' regional cooperation is an important political-economic objective. However, China's resource and trade diplomacy of the last decade has essentially promoted short-term economic gains for Chinese companies. Their resource extraction activities are threatening local communities' livelihoods and land tenure security, and have caused great damage to the environment. They undermine China's official policy of promoting 'harmonious' cooperation with neighbouring countries, and have the propensity to increase rather than mitigate future conflicts.

Local Chinese traders and businessmen based in the border areas with Burma have established long-term and close relations with the de-facto local authorities across the border, consisting of diverse groups of armed ethnic cease-fire groups and local militias. There are historical links from the CPB time, which was directly supported by China. Influence from China on the neighbouring Kokang, Wa and Mongla regions is substantial, and there are also close cultural and economic links with communities across the border. The Chinese Yuan is, apart from old silver coins from British India, the main currency used in these regions, and Chinese is the lingua franca.

These local Chinese businessmen from the border regions with Burma tend to be relatively more sympathetic to the concerns and political demands of the ethnic armed opposition groups. They have engaged in several cross-border economic activities, including trade, logging, and mining, much of which is considered illegal by both Burmese and Chinese governments. More recently, they have also become involved in agricultural investment using newly available subsidies and encouragement from China's opium substitution programme. They also have contacts with

government and military authorities, such as with regional commanders of the Burma Army, to obtain contracts and concessions for their business ventures.

The Chinese government also maintains direct relationships with local authorities across the border, including with ethnic armed opposition groups. According to a Chinese academic, the Chinese government issued a special policy towards these armed ethnic groups in 1990. China would not give “political recognition, military support and economic assistance” to them, but would view them as “Myanmar’s local authorities and conduct general business contact according to the actual situation; [and] take the opportunity to do more constructive work with their leaders.”<sup>115</sup>

### **The Push for Chinese Agricultural Investment**

Promoting agricultural investment in Burma is not solely governed by concerns about opium cultivation. Rubber is a key strategic commodity for China’s industry, together with coal, iron, and petroleum. Domestically, rubber can only be grown in Yunnan and Hainan provinces, where further expansion is limited by scarcity of suitable land and increasing domestic environmental regulations. Rubber plantations in Burma, where land and labour are cheap and local land tenure nearly non-existent, are of great strategic importance in satisfying China’s growing domestic demand.<sup>116</sup>

Furthermore, economic development of border regions is strongly promoted by different levels of government in China in order to overcome socio-economic disparity between the centre and periphery, viewed as a potential source of conflict. China fears that, should Burma lag behind too much, this could potentially lead to future socio-economic, political and even military conflict.

Providing food for China’s population is also an important national and provincial policy objective. To bolster Yunnan Province’s efforts to provide food security, the provincial government is increasingly promoting contract farming and agricultural concessions by Chinese companies in Burma. “Food security is an important concern, we have 1.3 billion people,” says a Yunnan-based Chinese academic. “This region is the food bowl for the country.”<sup>117</sup>

Other factors contributing to a stronger presence of Chinese agribusiness investment in northern Burma include: China’s liberalizing economy (including tariff reductions); an influx of Chinese migrant labour needing new work opportunities; the absence of legally-binding regulations for companies operating abroad; and accelerated infrastructure development connecting northern Burma with Yunnan.

The ethnic landscapes of northern Burma have come to be defined by post-war, resource-rich, contested ethnic territories caught between Chinese agricultural, mining

and hydropower investment interests and Nay Pyi Taw’s strategic military advances. These low-density populated uplands contain rich minerals and gems, timber, flowing rivers, and suitable agricultural land were previously protected from exploitation due to customary land management, geographic distance from centres of economic power, and past and present conflict. However the Burmese military government’s ‘coming north and up’ and China’s ‘going out’ has converged in Kachin and northern Shan States.

### **Myitsone Dam Suspension**

A major shock to Chinese interest in Burma was the decision by President Thein Sein to unilaterally suspend the Myitsone dam project. The site of this dam, the furthest south of a planned series of seven in Kachin State, was at the confluence of two important rivers (the N’Mai Hka and the Mali Hka) which join to become the Irrawaddy River – Burma’s largest river considered to be a national symbol. The project was jointly operated by the Chinese Power Investment Corporation (CPI) and Asia World Company (a Burmese company)<sup>118</sup> and the government’s Myanmar Electric Power Enterprise. The Myitsone dam, one of Southeast Asia’s largest, would have cost US\$3.6 billion, and was designed to produce 6 gigawatts. Most of the electricity would have been exported to China, with only some 10 per cent going to Burma.<sup>119</sup>

The campaign against the dam in Kachin State started soon after the announcement in 2007 by local communities and Kachin groups representing them. They protested against the relocation of thousands of households as well as the destruction of an important Kachin cultural site. It remained very much a local issue, until in early 2011 the campaign was picked up in Yangon, especially by civil society groups, journalists, writers, and artists. Various publications on the Irrawaddy (with and without official government permission) and a large range of stories in the local media appeared. People in downtown Yangon could even be seen wearing t-shirts with the text ‘Save the Irrawaddy’, and a high profile meeting was held in a hotel with various people publicly calling to stop the dam. The focus of the campaign shifted from being a Kachin issue to becoming a Burman national issue as the Irrawaddy River flows through the Burman heartland.

The decision by the President to suspend construction of the dam for the duration of his term was welcomed by the Burmese population, although some sceptics felt that the government might rescind on his decision later. Others believe that this sudden move had nothing to do with “listening to the people’s voices”, as claimed by Thein Sein, but rather emblematic of a rift inside the military on the ‘China card’.<sup>120</sup> The Chinese government was not informed beforehand, and was clearly not pleased with this decision. According to a Chinese academic based in Yunnan: “Since 1988, economic sanctions pushed by the West forced [Burma] to embrace China. Now I think the government is

going back to foreign policy of neutralism.” He continues: “Still China remains a very important ally for [Burma], we are close neighbours, and we share borders. There is large Chinese investment and political as well as cultural influence in the country. I think [Burma] will not go too far away from China in the future. These projects are not just for China’s benefits, but also for [Burma].”<sup>121</sup>

It is clear that the new Burmese government wants to reduce its reliance on China as their main strategic ally. Sus-

pending the unpopular Myitsone dam served several purposes, including a signal at home and abroad that Burma wants to improve its international relations with the global community at large. At the end of 2011, various high-level missions from Western nations visited Nay Pyi Taw to meet Burma’s new government, including US Secretary of State Hilary Clinton and UK Foreign Secretary William Hague.

Food stall at Myetsone before start of dam construction





## Land: The Final Frontier

### Economic Transformation in Burma

Despite the fact that Burma is rich in resources, the country is very poor. Decades of war and mismanagement has brought the country, once the world's largest rice exporter, to the brink of economic collapse. The large majority (80 per cent) of the population is rural and lives at a subsistence level, and the agricultural and fisheries sector account for about a third of the country's GDP.<sup>122</sup> The main official export products of Burma are rice and rice products, beans and pulses, timber (mostly teak and other hardwood), jade and precious stones. Illegal and/or unregistered exports earnings, including among others drugs trade and timber, are considerable. This situation, combined with the fact that most people in Burma live off the land and the informal economy, effectively prevented the economy from collapse. Burma ranks at the lower end of the UNDP's Human Development Index (HDI), and ethnic minority areas are worst off. Minority leaders complain that while the central government has been keen to extract natural resources from the ethnic states and sell them abroad, the money earned has not been invested to develop these isolated and war-torn areas.

In the last two decades export earnings have increased dramatically through the sale of natural gas from newly discovered fields in the Gulf of Martaban and the Bay of Bengal. According to one report, the previous military government has earned billions of dollars in revenue from these projects, but has not invested any of it to develop the country. In addition, the money has yet to be accounted for in the national budget.<sup>123</sup>

Since the late 2000s Burma's economy has transformed significantly. This is partly due to an acceleration of certain types of liberal economic reform, due to international pressure to perform more as a regional economic player. Cyclone Nargis in May 2008 provided a trigger for the international community to step up pressure on the country's leaders to overhaul the poorly performing economic system. After decades of isolation, the Association of South-east Asian Nations (ASEAN), in close cooperation with China, the Asian Development Bank (ADB), the World Bank and the United Nations (UN) have positioned themselves to advance economic reform in Burma at the onset of this tumultuous year.

Global oil prices soared and food commodity prices followed suit during mid-2008. The Asian rice market tumbled, making Burma's former role as rice bowl all the more attractive to regional buyers, limited only by the devastation caused by the cyclone. The 2008 global food crisis scare and Burma's gradual opening economy has fomented new national and regional interest in Burma becoming a modernized agricultural exporting country. For example, the Burma chapter for United Nations Economic and So-



cial Commission for Asia and the Pacific (UNESCAP) has recently started a Myanmar Development Group under the Development Partnership Forum with a food security focus. The Burmese focal point for UNESCAP, a Burmese agribusiness consultant, declares, “We [Burma] are self-sufficient in all agricultural commodities. We are a food surplus country for all agricultural commodities.”<sup>124</sup> At the UN General Assembly in September 2010, the Burmese Foreign Minister proclaimed Burma to be a food secure country ready to provide a steady stream of agricultural commodity exports for the ASEAN region.<sup>125</sup> The Burmese head of UNESCAP-Burma confirmed that they are directing Burma to increase agricultural production for export to its Asian neighbours to assist during the current and future food crises. In mid-2010, UNESCAP organized their first meeting in Nay Pyi Taw with military and government leaders as well as select UN representatives to discuss economic development strategies for Burma. The keynote speaker was Joseph Stiglitz, former head of the World Bank. These actors and institutions – including Stiglitz known for his criticism of the World Bank - advocate for private landholding regimes and liberal economic reform as an answer to rural poverty.

Burma’s new government also has begun to promote certain types of economic reform, although with mixed messages. The President has appointed an economic advisory team, and has hosted workshops on poverty reduction and has welcomed an IMF mission to provide advice on exchange rate reform. More careful and critical evaluation is needed, however, of the types of economic reform that would be most beneficial for the majority population in Burma. The country’s population is three-quarters rural farmers that rely on land for their subsistence needs.<sup>126</sup> Few on- or off-farm employment options exist in rural and urban areas to absorb ex-farmers.

All these local and international processes and interests have converged into a concerted effort to push for a liberal economic model, transforming land into a valuable private commodity. This will have dramatic consequences for the large majority of Burma’s population.

### **Land Development and Investment Laws**

After the crackdown on the democracy movement in 1988, the military leaders adopted new laws and policies that moved away from the closed, ‘socialist’ economic policies towards a more open market economy. The government passed a significant law which, until recently, received little attention because it was not often applied. The 1991 Prescribing Duties and Rights of the Central Committee for the Management of Cultivable Land, Fallow Land and Waste Land Law (hereafter referred to as the ‘Wastelands Law’) has recently gained prominence for land development patterns, however. This gave the government legal rights to allocate large tracts labelled ‘wastelands’, which the government defines as land with no land title, even if

it is farmed by the local population. These so-called wastelands and fallow lands would be developed by the private sector rather than continue to be farmed by local households. The Central Committee for the Management of Cultivable Land, Fallow Land and Waste Land (referred to as the ‘land management committee’) was formed to oversee the allocation of land, comprised of relevant department heads and military authorities. This law marks the first time the Burmese government, or any state authority in the history of the country, has systematically targeted the uplands for any type of development in Burma.

According to this 1991 Wastelands Law, up to some 2,000 hectares of land at first, with additional land totalling up to about 20,000 hectares, may be awarded to a private entity for perennial industrial crop cultivation for a maximum 30 year lease. The new private lease holder is allowed to export up to 50 per cent of the crop harvest, with the rest to be sold on the domestic market, according to the law. However, a few select domestic and foreign companies with good connections to high-level Tatmadaw authorities do not abide by these laws, and have larger concessions and export higher percentages of the harvest. For example, Htay Myint’s Yuzana Hukawng Valley concession (see Kachin State chapter) and a Vietnamese rubber concession awarded in Rakhine State are but two examples of concessions that are over 40,000 hectares each, more than double the total allotted land allowed. Furthermore foreign investors and Burmese businessmen are pushing government leaders to extend the period of the lease to a total of 90 years.

Despite the Wastelands Law allowing for private investors to lease land from the government – when they are in fact smallholder farms – the 1963 Safeguarding Peasant Rights law (which is still active from the socialist period) forbids farmer’s land from being confiscated. Moreover, the Transfer of Immoveable Property Restriction Law (2005) made the allocation of land to a 100 per cent foreign-owned entity illegal. However, recently the country’s leaders informally gave permission for foreign investors to lease land for 30 years (with a possible additional 30 years) as a 100 per cent foreign-owned land concession, with a few Chinese companies signing agreements for exceedingly large 100 per cent foreign rented concessions soon thereafter.

The Foreign Investment Law, which guides both foreign joint ventures as well as 100 per cent foreign-operated ventures, stipulates that the minimum foreign capital must be 35 per cent of total equity capital. Many other favourable tax incentives and subsidies are also listed under this law for foreign investment. Foreign direct investment (FDI) must be further approved by the Myanmar Investment Commission (MIC) and in some cases, the newly branded Trade and Investment Supervisory Committee (replacing the Trade Council) – the highest level of approval for investment in the country. The committee is chaired by the Minister of Planning and National Development, and



Rice harvest along Myitkyina-Bhamo road in Kachin State

co-chaired by the Minister of Commerce. However, the newly elected vice-president Tin Aung Myint Oo reportedly has considerable influence over the commission.

Despite these legal provisions in place to welcome FDI in the resource extraction sectors in the country, 100 per cent foreign-owned agricultural concessions are still relatively rare due to a host of disincentives. This includes much higher taxes and fees compared to joint ventures or wholly-rented Burmese concessions, and the reality that more bribes need to be paid to pass through the many bureaucratic layers for FDI. For these reasons, foreign investors in the agricultural sector, and especially in the north, choose to go through a local partner in order to escape from FDI regulations and central government oversight. The Burmese government is hoping to further entice formal foreign investment, however; the foreign investment law is expected to be amended to formally allow 100 per cent foreign concessions. Even before this law may come into effect, several massive foreign agricultural concessions have already recently been awarded. What we are witnessing now may be the start of a new trend in formal FDI contracts in the agricultural sector, pending new land bills more conducive to foreign agricultural investment.

Since Burma's socialist period, no laws or policies have been passed to support smallholder farmers. The post-1988 opening to the market economy has thus far favoured large investors over smallholder farmers in the ways in which the laws regarding land use rights have been conceived and implemented. A Burma agriculture review report summarises these challenges to smallholder farmers: "The ownership of rural land is vested in the State and the right of cultivation can only be provided by the village level land committee as per approval of higher level land committees. Under normal circumstances, land cannot be used as collateral to access rural finance. In addition, there is no legal basis for transfer of land ownership from one person to another."<sup>127</sup> Instead only privatisation policies have been passed that favour selected business conglomerates in the country with close relationships with the government. Moreover, no policies have been put in place to regulate or monitor the situation of farmers evicted from their customary but untitled land by private land investment supported by the 1991 Wastelands Law.

### **The Future of Land Reform**

The country, and rural communities and smallholders in particular, are right now at a development crossroads. As this report goes to press in early 2012, Burma's national parliament will finalise a contentious Farmland Bill as well as a new Vacant, Fallow and Virgin Land Management Bill. The passing of these laws has been delayed due to debates within parliament—often pitting businessmen-cum-politicians with vested interest in agribusiness, led by the newly-elected MP Htay Myint of Yuzana Company with his oil palm monopoly, against a handful of leaders rep-

resenting ethnic political parties. The Farmland Bill has been stalled over a debate about land title transfer versus land title selling rights. The government wishes to formalise the black market practice of transferring land rights by legally allowing land to be transferred. The more contentious counter-proposal pushed by Htay Myint, the largest private land owner in the country (estimated at 280,000 hectares), and his political allies is for full land title selling rights, which foreign investors and international finance institutions (IFIs) are also keen for in Burma. This means that land, while still owned by the state, will become a tradeable commodity with a land market price through the buying and selling of land use rights titles.

This type of land reform, which fits within World Bank and Asia Development Bank (ADB) promoted policies, creates a completely new set of opportunities and challenges, but also leaves smallholder farmers very vulnerable. Some studies argue that introducing private individual land tenure without good governance systems, protections, and credit will undermine smallholder farmers' land tenure security, with negative impacts on economic growth, food production, and national development.<sup>128</sup> Since strong land governance institutions and satisfactory rural credit systems are not yet in place, this situation increases the probability of smallholder farmers losing their land—thus exacerbating landlessness and increasing on- and off-farm wage unemployment. The Wastelands Bill is also set to void four previous bills that have given protection to smallholder farmers, among them the 1963 Protection of Peasants' Rights Law.

This would mean that the large-scale land concessions awarded to Burmese businessmen over the past decade could be sold to investors at a huge profit, as most received the land at no cost. One Burmese agribusinessman explained how these two bills mutually support each other—the Farmland Bill potentially making land a tradeable commodity and the Wastelands Bill further supporting industrial agricultural development.<sup>129</sup> The Wastelands Bill allowed businessmen to obtain tens of thousands of hectares of land, and the Farmland Bill could potentially allow them to then turn that into cash by selling their land use titles. Pending possible changes to the Foreign Investment Law in the country, this could even include officially selling land use titles to 100 per cent foreign ventures. Evidence that agricultural concessions are being acquired solely for land speculation is shown by the number of concessions which have not been developed as intended. According to one retired director general of an agriculture department, only about 20 per cent of the total agricultural concession area is actually being planted.<sup>130</sup> A development worker in northern Shan State estimates about half of the concessions have not been planted with any agricultural crop.<sup>131</sup>

According to informants in Yangon, Burmese investors, and to a lesser extent foreign investors, were particularly eager to obtain large land concessions before the 2010

national elections in order to secure their leased landholding before the government shake up for fear of losing political power and thus investment possibilities. But with new knowledge on the inside politics of the land debate in Parliament, it seems that the Burmese businessmen have not just secured their concessions, but are now pushing for the right to sell them and make massive profits. Their land grabbing as a form of land speculation is tantamount to stealing the country's greatest and most valuable asset.

### Smallholder Farmers under Threat

Since the mid-2000s the Burmese government has redefined what counts as an extractable resource in the country, with significant impacts on rural farmers, especially in the ethnic borderlands. Land itself is now viewed as a resource available for investment by both domestic and foreign private and state-owned companies. This is in stark contrast to Burma's socialist past which ensured, at least on paper, that farmers maintained access to land as a form of social and economic equitable development. The initial movement for socialist reform in Burma after independence in

part was a reaction to the control by non-farmers, and in many cases non-Burmese, of large areas of land. However, over the past few years the country's political leaders – in response to lobbying by the country's business elite – have begun to change their views on the need to protect smallholder farmers. Now 'win-win' rhetoric for farmers and companies is commonly heard.

All land is owned by the state, although farmers have three critical land rights: the right to use land, to transfer land use rights through inheritance, and to obtain residual benefit. According to current laws, while the farmer possesses land use rights, they cannot legally sell, mortgage, divide or transfer the land. In practice, however, land use rights continue to be transferred, rented, and traded as if the land were privately owned. Burma's 2008 constitution also strengthens the concept and protection of private property rights, and reinforces that the national economy is a market economy.<sup>132</sup>

According to the agriculture ministry, "National companies and associations in the private sector are encouraged and granted rights to develop these areas for the cultivation of paddy, pulses, oilseeds, industrial crops, rubber, oil palm, etc."<sup>133</sup> The government declared that 460,000 hectares of arable land would be reclaimed for agricultural cultivation during 2000-2005. Of that, nearly 45,000 hectares in the uplands (mostly ethnic areas) would be targeted, with the aim of converting swidden plots into permanent agricultural systems.<sup>134</sup> 'Wastelands' were also targeted to meet these targets, calculated to be almost 6.5 million hectares in the country,<sup>135</sup> representing nearly 40 per cent of the total cultivatable area of Burma.<sup>136</sup> According to the agriculture ministry's 30-year Master Plan (2000 to 2030), 4 million hectares of these so-called wastelands will be targeted for permanent agricultural production.<sup>137</sup>

By 2001 more than 400,000 hectares had been allocated, involving nearly 100 enterprises and associations, according to government data.<sup>138</sup> By 2008, 198 companies were granted 627,000 hectares for commercial farming. And by mid-2010 the total concession area had expanded further to nearly 708,000 hectares<sup>139</sup> allocated to 216 different private Burmese businesses.<sup>140</sup> Nearly half of the total area allocated was in Tanintharyi Division (in support of palm oil plantation development). The next highest amount of acreage allotted by state/division was in Kachin State, with 11 companies receiving nearly 162,000 hectares (half of which is for Yuzana's Hugawng Valley cassava concession). In southern Shan State, over 26,000 hectares were allocated to 12 companies, and over 16,000 hectares to nine companies in northern Shan State.<sup>141</sup> According to Agribusiness and Rural Development Consultants (ARDC), the country's leading agribusiness firm, even higher numbers of concessions and hectares have been awarded. According to ARDC data, Kachin State has 14 concessions for a total of nearly 243,000 hectares and northern Shan State has 17 companies with over 20,000 hectares awarded in total. This



Farmer husking rice in northern Wa region

is still likely to be an underestimate as some additional lands have been allocated informally by local authorities and may not be counted in these statistics.

**Table 1: Granted Area for Large-scale Commercial Farming, January 2010**

State/Region	No. of companies	Granted Area (hectares)
Kachin State	11	159,159
Kayin State	1	874
Sagaing Region	27	38,670
Tanintharyi Region	37	271,565
Bago Region (East)	9	2,371
Bago Region (West)	7	5,630
Magwe Region	38	81,945
Mandalay Region	16	4,168
Rakhine State	14	1,052
Yangon Region	7	12,536
Shan State (South)	12	26,616
Shan State (North)	9	16,566
Ayeyarwady Region	28	78,247
<b>Total</b>	<b>216</b>	<b>699,399</b>

Source: DAP, Myanmar Agriculture in Brief, 2010:82.

Some recent examples of these drives to grant land concessions include palm oil promotion in Tanintharyi Division (in which over 400,000 hectares of oil palm concessions have already been awarded),<sup>142</sup> a nationwide jatropha campaign (which targets 200,000 hectares per State and Division, for a national total of 3.2 million hectares<sup>143</sup>), and the current push to cultivate other biofuels, including cassava and sugar cane.<sup>144</sup>

Agricultural concessions in northern Burma are also presented by the central Burmese government as part of their statistics on the 'Annual and Perennial Crops Substituting for Opium Poppy in Border Area'.<sup>145</sup> According to this data, more than 600,000 hectares of annual crops were sown by 2006-2007 in Kachin and State States, an acreage which has since remained relatively level. Perennial crops, on the other hand, have been projected to reach over 240,000 hectares in 2007-8, representing an over 50 per cent mark-up from the year before, which was a 110 per cent increase from 2005-06.<sup>146</sup>

Over the past two decades, government data has illustrated land use to be increasingly stratified between smallholder farmers and private companies. The number of private land holdings ('non-household special land holdings') has increased by 900 per cent, and 325 per cent for total area, from 1993 to 2003.<sup>147</sup> During the same period the number of farm holdings under 0.4 hectare increased by 150

per cent while landholdings over 20 hectares increased by 385 per cent.<sup>148</sup> Since the mid-2000s these trends have only been even more exaggerated, although no updated government or other such data is available.

The agriculture ministry recognises that "non-household based land holdings such as private companies who applied for large amounts of land areas for cultivation had not yet utilized the whole area for cultivation."<sup>149</sup> These concessions were allocated from what the government classifies as "cultivable wasteland," but most of the lands are in fact village taungya or grazing lands. Despite the alarmingly high acreage of concessions awarded, this does not always translate into actual hectares demarcated for the concession, and certainly not total hectares planted. In many cases concessions are never planted with any crop, or just a small fraction is planted. Some companies who receive agricultural concessions only log the land, sell the timber on the black market, and then never plant any crops. This seems especially prevalent for oil palm development in Tanintharyi Division.<sup>150</sup> This goes against regulations laid out in the Wastelands Bill that stipulates a concession must be planted within a certain period of time or the government can seize the land. So far this has never been done, however.<sup>151</sup>

Private concessions replacing smallholder farms have contributed to a rise in landlessness and land-poor households. In government-controlled areas, for example, 40-60 per cent of farming households rely solely on small farms under 2 hectares (average 1.4 hectares, under the 2 hectares minimum subsistence level),<sup>152</sup> with some areas (such as eastern Shan State) recording much higher percentages.<sup>153</sup> One report estimated that over 40 per cent of households were landless in remote government-controlled townships.<sup>154</sup> Another report found that landless households in Burma range from 35 to 53 per cent of the national rural population, although this is calculated for the lowlands.<sup>155</sup> And for ethnic upland areas, landlessness and land tenure security is often worse: more than 50 per cent of households were landless in 12 of the 19 townships in Kachin State, for example.<sup>156</sup> In areas targeted by resource extraction projects and agribusiness ventures, landlessness has been recorded at 50 per cent or even higher in some cases.<sup>157</sup>

The land confiscations, lack of rural credit, and increasing landlessness and land-poor households has led to severe food insecurity. A 2005 nutrition survey<sup>158</sup> found that 41 per cent of children under five in Lashio, 62 per cent in Kokang and 58 per cent in Wa exhibited stunted growth. A UNDP survey<sup>159</sup> found nearly half of the rural population of Chin State to be in food poverty, with 22 per cent of northern Shan and 23 per cent of eastern Shan households similarly affected, compared to a national average of 10 per cent. In 2010, in selected areas of Kokang, UN's World Food Program (WFP) found 64 per cent of households to be food insecure, with 22 per cent of all households severely food insecure.<sup>160</sup>

Smallholder farm in KIO-controlled territory in Kachin State



### Challenges to Agriculture Concession Development

In some cases, the government coerces Burmese companies - especially the large and well-known Yangon-based ones - into developing an agricultural concession as part of their contracting-out development scheme. Foot-dragging by many Burmese companies is the common response.

In other cases companies are not foot-dragging as much as other factors leading to under-utilised land concessions. Inadequate fertilizer, lack of or poor quality seedlings, low human resources and technology, and very marginal land allocated are other factors leading to low yields and minimal areas cultivated. For all but the largest Burmese companies, investors lack the financial and human resources to properly develop their concession as intended by the central government.

Yet in other noted cases, some companies 'grab' the land in order to hopefully sell their land use title in the near future - a sort of land speculation. And in other cases the concession is used as a means to obtain other natural resources within the allotted land, in particular valuable hardwoods. Even the government acknowledges that "non-household based land holdings such as private companies who applied for large amounts of land areas for cultivation had not yet utilized the whole area for cultivation".<sup>161</sup> It is very evident based on interviews with companies, informants, and in the field that sometimes agricultural concessions

act as a cover for logging, an issue most prevalent in the oil palm sector in Tanintharyi Division in the south.

For those companies that are genuinely interested in developing their agricultural concession plot as a for-profit agricultural development scheme, many obstacles present themselves. As part of the land concession deals, the concessionaire needs to invest in infrastructure development in the vicinity, such as building roads to their concession from the main road and dredging water ponds for irrigation. The government contracting out state services to private corporations is at considerable expense to the private investor. The businessman, then, needs to find ways to compensate for his financial loss in developing the land concession.

The Burmese businessman acquires with their land concession a coveted agricultural commodity export quota, due to the country's new national policy aimed at achieving 'food-surplus' status following the 2008 global food crisis. The quota permit translates into potentially huge profits for the company, providing the mechanism to recoup their losses in developing the concession. This is a notable change from previous policies as only recently did it become permissible for Burmese traders - which now include these concessionaires - to buy and then export agricultural commodities.

But the businessmen often cannot fulfil their total allotted export quota. Their low yields from low and poor inputs

and marginal land has led to other ways to procure agricultural commodities to export with their permit. Over the past two years, contract farming arrangements have emerged to fill that gap in supply, although this is more the case in central Burma rather than in the north. However, some significant contract farming arrangements are beginning to gain momentum in northern Shan State, mainly corn feed for livestock.

Two different types of contract farming have emerged recently, which is briefly described here. One method is for an investor to make contract farming schemes with smallholders, with many different possible arrangements. The investor provides the credit and inputs whereas the farmers provide the land and labour. This arrangement provides much needed farming credit to farmers who are often forced to borrow from local moneylenders at very high interest rates. This is more common in central Burma, the delta region (particularly after Cyclone Nargis in May 2008) and southern Shan State. This contract farming arrangement – quite common in other countries in the region – is only just emerging as a favourable method for Burmese investors to secure bulk agricultural commodities for export following gradual liberalisation trends in the agricultural sector.

The other method, which is emerging as concessions become more dominant in the agricultural sector in the country, is for the land concessionaire to hire tenant farmers to work their own concession land for them. Usually these are migrant farmers who lost their land in the Central Dry Zone or the Delta, especially in cyclone Nargis-affected areas. In ethnic areas, however, farmers who were evicted from their land are often not hired as wage labourers on the concession. Instead Burman Burmese investors favour hiring Burman Burmese migrant labourers rather than local ethnic farmers.<sup>162</sup> Chinese-operated concessions on the border hire a mix of Chinese citizens, local ethnic farmers, and Burman Burmese wage labourers.<sup>163</sup>

Burma has begun to travel upon a new path defined by a curious blend of the legacy of remnant socialist policies mixed with crony capitalism. For rural households this has translated into not owning land with restricted or now lost access to farming lands, while simultaneously being exposed to large-scale private land investment. The country's political-economic system does not yet allow farmers to protect their land and livelihoods against the allocation of unregulated private land concessions. Smallholder farmers are being squeezed out by denying them rights and tenure security, while agribusinessmen are granted long-term user rights to massive land areas, with perhaps the ability to sell their concessions in the future, pending land reform bills. Farmers are left regulated by socialist policies that keep them from enjoying the financial benefits of global markets which have instead been funnelled to the business elite.

## The Global Land Grab

Jenny Franco<sup>164</sup>

The current land grabbing is global in scope, affecting almost every country in the global South, as well as many middle-income countries and many emerging and transitional countries. Worldwide, an estimated 45 million hectares has changed hands since the 2007-2008 food crisis alone,<sup>165</sup> while as much as 227 million hectares may have changed hands since 2000.<sup>166</sup> This trend is likely to continue, with powerful global actors like the World Bank effectively declaring open season on between 445 million and 1.7 billion hectares of land worldwide, which it has tagged as 'reserve' land 'suitable' for large-scale investments.

The current global land grab is also large in scale, typically involving transfers in a single deal of tens of thousands or even hundreds of thousands of hectares of land and associated natural resources like rivers and forests. Equally significant is the fact that today's land deals involve acquisitions of very long duration, if not by virtue of outright purchase, then via leases of anywhere from 30 to 99 years at a time (usually with the option to renew for an additional term).

Within this overall trend, however, one finds an unavoidably complex mixture of causes, conditions and consequences. For example, the drivers of land grabbing today range from national and international biofuel policies aimed at creating local and global markets for biofuel products in the transportation sector, to climate change mitigation policies aimed at enlisting business sector investments in environmental protection through (re)forestation and other 'carbon capture' ventures. Increasing volatility of world food prices on the one hand and increasing 'scarcity' of water on the other are also important factors driving governments and companies into resource grabbing, though such factors do not drive all countries and all groups within countries in the same way. Then there are drivers related simply to the differentiated and fluid way that capitalism is evolving today. BRICs (Brazil, Russia, India and China) and MICs (middle income countries such as Argentina, Chile and Mexico; Vietnam, Thailand, Indonesia and Malaysia, for example) are seeking large quantities of raw material for the production of food and non-food goods for home markets. Meanwhile, there is a global migration of finance capital from risky housing markets especially in the global North, to 'safer' investments in land and other natural resources and agriculture in the global south.

The kinds of actors involved are diverse and complex as well. This is despite the tendency in the news media to focus on just a few of the actors and entities involved, particularly the Gulf States, China and South Korea. This is especially true since the 2007-2008 world food crisis, when the price of basic food sky-rocketed practically overnight, pushing the official number of people suffering from hunger up to the 1 billion mark for the first time in human history, and revealing the vulnerabilities of nations dependent on food imports.



Landscape in Kachin State near China border



But the situation is much bigger even than this suggests. In fact, one finds variable mixtures and amalgamations of 'old' and 'new' types of 'grabbers'. This ranges from large and small multinational corporations, to former colonial powers in the North, new 'emerging economy' governments in the South, and local and national authorities in every country where resources are being eyed. And perhaps most remarkably, to a whole new array of financial actors and instruments, such as private equity funds, mutual funds, pension funds, and national banks and international financial institutions. And it is not at all unusual today to find several different types of actors – both foreign and domestic together – participating in a single land deal.

### **Monocropping**

Never before has land and its associated natural resources been so attractive to so many varied entities and actors for so many reasons. For some, acquiring land is a step toward ensuring one's own national food supply; while for others it is a purely speculative activity. Indeed, today's global rush to acquire land is unfolding in the name of food security, energy security, environmental protection and management, reforestation and ecological rehabilitation, rural development, and even crop substitution programmes aimed at diverting smallholders away from the production of illicit cash crops. But the overall result is the extension of an unsustainable and unacceptable model of development based on large-scale, monocropping industrial agriculture, industrial forestry, and the unremitting extraction of natural resources (e.g., oil, minerals, and water).

Many of the investments have been in favour of large-scale industrial monocropping agriculture, with known negative consequences, both socially and environmentally. The renewed rush to control land, water and forest resources has led to dispossession and adverse incorporation of local populations. Where local populations have not been incorporated into the new investments, it has unleashed a 'labour-expelling' dynamic producing new armies of 'surplus people' with no hope of (re)constructing viable rural livelihoods and without recognition. It has led to the enclosure of natural commons, clear-cutting of native forests, and degradation of soils and surface and groundwater. It has undermined local food production systems and local and indigenous water management systems. It has been carried out in ways that reflect total disregard for the resource rights of local and national populations and for the human rights of rural people, including the right to food.

Often the process of enclosure and dispossession draws on armed support from military and paramilitary forces. Violent evictions are not unusual, but then, too, the threat of violence is often enough to drive unarmed local people away. Plot by plot, this rapidly unfolding situation is serving to reinforce the dominant corporate controlled, global food-feed-fuel-timber regime – the very model of development that has already contributed most to expanding the ranks of the rural poor, while polluting and destroying our natural resources and natural commons.

### **Voluntary Guidelines**

This global land grab has been the looming backdrop to ongoing negotiations, led by the Committee for World Food Security (CFS), an official body of the United Nations Food and Agriculture Organization (FAO), to produce Voluntary Guidelines for the Responsible Governance of Tenure of Land, Fisheries and Forests (VG-Land). The basic idea is to develop a widely agreed upon international standard for states to follow when it comes to dealing with the question of who should get what rights to which land for how long and for what purposes. The VG-Land has been several years in the making, including a remarkably extensive process of consultation with governments, the private sector, as well as civil society organizations. An important step toward potentially transforming this process into more than mere window-dressing came in 2009, when the CFS transformed itself to allow civil society participation up until the point of decision. The official negotiations took place last July 2011, but after six, very intense, 14-hour days, failed to reach a final agreement, leaving almost three quarters of the document unfinished. This was followed by a second round of negotiations last October 2011, which again spilled over initial time allotments and yet again did not finish, although by the end of it an estimated 75 per cent of the document was completed. A third round will take place in March 2012.

Some of the highly contentious issues in the VG-Land negotiations so far have been: (i) the guidelines' relationship to international human rights law; (ii) their coverage in terms of not just land but other closely associated natural resources such as water; (iii) issues related to the purposes and modalities of different types of land tenure change, such as redistribution and expropriation; and (iv) the whole matter of 'investments' – including what counts as 'responsible investment' and what safeguards are needed to protect smallholders and local land users from dispossession.

With highly charged matters such as these at stake, it is no wonder the negotiations have been just inching along. For the delegation of civil society organisations, some important gains have been made in the content so far, even as there have been some important losses too. And to complicate matters even further, "it ain't over until it's over" – while the process seems to be drawing to a conclusion, the final negotiated document will still be just a draft, which in turn, will have to be approved by the ministerial-level CFS. And despite exhortations from some governments that all agreed the text should be respected, experience shows that this is more hope than reality. What is to come in this arduous process is still to be seen.



## The Rubber Boom in Northern Burma

Since the mid-2000s, the uplands in Kachin and Shan states have been transformed by cash crop concessions. This includes large-scale rubber, as well as tea, sugarcane and cassava plantations. Large areas are now covered with rubber trees, the Golden Triangle having morphed into a virtual 'rubber belt'.<sup>167</sup> Since rubber arrived in the mid-2000s in this new land frontier, it has become one of the country's leading cultivated industrial crops. The rubber concessions in Burma exemplify the dramatic land use changes unfolding from agro-investment.

The government has established a 30-year rubber development plan, and set the goal of reaching 607,000 hectares (1.5 million acres) and an annual production of 300,000 metric tonnes by the year 2030. The government has invited specific preferred private companies to cultivate this industrial crop, as well as an overall general call for the private sector to boost rubber production in the country (along with other industrial crops). The development of rubber concessions is also being pushed by Regional Commanders of the Burma Army in both Shan and Kachin States.<sup>168</sup> The growth rate has been spectacular, and even official government data show that the 2030 goal has perhaps already been reached.

### Rubber Statistics

The bulk of planted rubber in Burma is located in the south, in Tanintharyi Region (formally called Tenasserim Division) and Mon and Karen States in southern Burma. About 90 per cent of the rubber produced is exported to China and five ASEAN countries—Malaysia, Singapore, Vietnam, Thailand and Indonesia.<sup>169</sup> However, the targeted growth in rubber is now in the north along the China border. Here production is strictly for the Chinese domestic market to be transported directly across the border. Official documents from the Burmese government categorize the rubber development in Kachin and Shan States as "perennial crop development substituting for opium poppy in border areas."

Reliable figures are hard to obtain in Burma, and all data should be treated with great caution. From over 200,000 hectares in 2005-06, planted rubber reached nearly 300,000 hectares the following year after Chinese opium substitution subsidies were made available. By mid-2009, this had increased to over 400,000 hectares (see Table 2).<sup>170</sup> Planted rubber is expected to reach over 485,000 hectares in 2010-11 (see Table 3).<sup>171</sup> These official figures indicate the country would quickly reach their 2030 goal of 607,000 hectares. However, these high figures should be taken with caution, as perhaps only about 20 to 25 per cent of the plantations are productive, with many concessions never planted with rubber or rubber trees on older plantations too old to still produce latex.<sup>172</sup>

**Table 2: Rubber Production in Burma 1996-2009 (in acres)**

Year	1996-1997	1998-1999	2000-2001	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Planted area (acres)	294	396	460	457	468	503	559	728	940	1,057
Yield (lb/acre)	505	432	523	526	492	513	530	531	571	577
Production (million lbs)	57	51	81	88	88	115	142	161	195	206

Source: Myanmar Agriculture in Brief, 2010

**Table 3: Planned Acreage of Rubber Plantations in Myanmar, 2010-2011**

State/Region	Planted (Acre)	Trees Producing (Acre)	Yield (Lb/Acre)	Production (Lb)
<b>Northern Burma</b>				
Kachin State	53,377	2,037	573	1,167,201
Shan State (North)	66,065	10,085	665	6,708,922
Shan State (South)	1,178	100	794	79,400
Shan State (East)	77,351	2,681	540	1,448,000
<b>Traditional areas</b>				
Mon State	438,692	219,957	636	139,994,642
Tanintharyi Region	239,295	105,822	480	50,841,145
<b>Rest of country</b>				
Kayah State	111	0	0	0
Karen State	157,756	32,000	627	20,064,075
Chin State	15	0	0	0
Sagaing Region	6,581	15	540	8,100
Bago Region (East)	92,425	10,272	503	5,162,606
Bago Region (West)	1,156	0	0	0
Magwe Region	142	0	0	0
Mandalay Region	431	0	0	0
Rakhine State	37,909	1,341	365	490,000
Yangon Region	35,329	5,342	428	2,285,527
Ayeyarwaddy Region	20,000	136	720	97,920
<b>TOTAL</b>	<b>1,227,813</b>	<b>389,788</b>	<b>586</b>	<b>228,347,538</b>

Source: MAS, 2010.

Kachin State has a goal of establishing 40,000 hectares by mid-2010, which according to official figures is more than half way to being achieved – although maybe more if concessions not captured in government statistics are taken into account.<sup>173</sup> All of Shan State (south, north and east)

has a goal of reaching a total of 145,000 hectares, according to government data, although officially it is far below that benchmark. But the government-recorded concessions probably do not include the massive rubber expansion in the Wa region under control of the UWSA.<sup>174</sup>

As always with official government data, these tables should be carefully interpreted and treated with caution. The data does not include the majority of the rubber concessions in areas administered by ethnic armed groups, such as the KIO in Kachin State and the UWSA and MN-DAA in Shan State. In addition, agricultural concessions in government-controlled territory but administered through military officials may not always be included in national statistics. In some cases the military may be orchestrating these concessions independent of any government agency. Furthermore, discrepancies in national land data also exist between and within ministries and departments. For example, the Myanmar Perennial Crops Enterprise (MPCE) and Settlement and Land Records Department (SLRD) report different data on rubber establishment, despite both agencies being located within the Ministry of Agriculture and Irrigation.

Furthermore, based on data retrieved through interviews, there is discrepancy between what is recorded by the agriculture ministry and what is actually allocated. Moreover, for some of the official data it is unclear whether the total reported acreage is that which is actually already planted or whether it only reflects the total awarded concession area. In some cases, reported data on planted acreage might be significantly less, in order to make it appear to government officials that companies are complying with quota allocations on crop production. Therefore, while government data does not include some significant concessions awarded in non-government controlled areas, government figures also may over-exaggerate what is actually planted from recorded concessions. Thus we can only say that the number of concessions awarded is probably higher than officially recorded, but that the acreage actually planted is perhaps lower than officially recorded.

### Investment Patterns

TNI research in northern Burma shows a wide variety of state and non-state actors involved in contracts for rubber concessions: the Burma Army Regional Commanders, the Ministry of Agriculture and Irrigation, cease-fire groups, pro-government militias, local companies and individual local businessmen. The common denominator connecting these divergent actors is Chinese finance through China's opium substitution programme. All conflict parties have thus joined the rubber bandwagon, and have actively promoted the expansion of rubber production in the past decade. Much of this agro-investment is located within areas controlled by the central government, with permission granted from regional military commanders, and in some cases top officials from the capital, Nay Pyi Taw. Local military and government authorities have also promoted rubber cultivation in their areas.

According to 2006-07 official government data, overall the private sector controls about 95 per cent of the planted rubber area.<sup>175</sup> The current privatisation model of agri-

cultural development in the country has led the central government since 2004 to allow the private sector to freely purchase and export rubber.

In government-controlled areas, rubber concessions are predominately located along the sides of major roads. In Kachin State this includes the routes leading out from provincial capital Myitkyina northwest to Namti and Dainai, southwards to the KIO-controlled town of Laiza, and further down to Bhamo. Every major road constructed in Kachin State since 2005 is now flanked with rubber plantations. In Northern Shan State, thousands of hectares of agricultural concessions, mostly rubber, have been planted along the famous Burma Road, leading north from the city of Lashio to Muse on the Yunnan, China border. Other roads, such as the one leading from Lashio to Mone Yaw, and from the town of Nam Tu to Muse, as well as around Thein Ni town, are also lined with rubber plantations. Eastern Shan State shows similar patterns. One report documents the rapid spread of rubber in Tachilek Township along the Thai border, although the real extent of rubber cultivation in this region is much less known.<sup>176</sup>

Several armed opposition groups have also actively promoted rubber in their areas. In Kachin State, both the KIO and the NDA-K (the latter of which transformed into BGFs in 2009) signed contracts with different Chinese companies to establish rubber plantations. They have also engaged in other plantations, including sugarcane, banana, watermelon and cassava, all under the Chinese opium substitution programme.<sup>177</sup> Since 2006 the NDA-K has supported rubber plantations in their area along the Yunnan border in cooperation with Chinese companies and outside the purview of the Burmese government. Most of the deals have been made with NDA-K leaders in their private capacity as individual investors/entrepreneurs, with the profits going to them rather than to the organisation.

Several KIO officials have private rubber plantations around Laiza (their headquarters), Myitkyina, and in the Hukawng Valley. Despite individual KIO families investing in rubber in and outside KIO-controlled territory, a KIO development officer claims that the KIO as an organisation is not involved in promoting rubber concessions. However, KIO gives consent to the central government to establish rubber concessions along their jointly-controlled territory, such as just east of the road running north-south between Laiza and Bhamo, parallel to the Yunnan border. According to a KIO official this is because KIO lacks bargaining power. However, the KIO is most likely assuming they will be able to tax the latex exported through KIO-controlled areas across the border to China. According to the KIO development official, the KIO was not given any financial compensation for the land on which this rubber is cultivated.<sup>178</sup>

Some of the largest extent of rubber concessions has sprouted up in the Wa region. The UWSA authorities in

partnership with Yunnan Chinese businessmen have converted entire mountain slopes into agricultural concessions. UWSA leaders claim to have provided income opportunities for former poppy growers by developing 33,000 hectares for rubber, 13,000 for tea and 6,600 for sugarcane plantations.<sup>179</sup> In the Wa region, all rubber plantations are owned by UWSA leaders, but backed by several Chinese companies that have maintained good connections to UWSA leaders. For example, the Chinese company Hong Yu Group is particularly active in Wa area through their strong ties to the UWSA.<sup>180</sup> In the Kokang region, local leaders also own rubber plantations.

Some smaller rubber concessions have been granted by other cease-fire groups and local militias in northern Shan state, such as in areas between Lashio and the Yunnan border at Muse,<sup>181</sup> and north-eastern Shan state in the heart of the Golden Triangle around Kengtung and Tachilek townships.<sup>182</sup> For example, the Mang Pan militia in northern Shan State appears to have significant investments in rubber development schemes in and outside their controlled territory in northern Shan State due to their good connections with the Burmese Army and Chinese businessmen. For example, they own three different rubber plantations in a village 15 km from Lashio, a total of 600 hectares.<sup>183</sup>

Finally, some well-to-do urban and rural households are planting rubber in their customary or officially-titled land as a mechanism to enhance tenure security. Their strategy is to plant the government-approved crop to please local

officials and further secure their occupation of the land, with the possibility of doing something else with their land later. For instance, some Sino-Burmese in Myitkyina established rubber plantations in the hills south of Myitkyina after rubber started being planted in Kachin State in 2006.<sup>184</sup>

The general pattern of capital inputs provided is as follows: a Chinese company provides technical expertise along with seedlings, fertiliser and capital expenditures, while the local government and/or cease-fire group authorities provide confiscated farmer's land and labour. Chinese businessmen usually pay for labour through local military authorities overseeing the project rather than directly to the farmers, who usually earn only a fraction of what is paid, if anything.

There are almost no smallholder plantations in the north for rubber. The Myanmar Rubber Production and Planters Association (MRPPA) confirmed that central government does not support smallholder agricultural development, especially in the north, and instead only provides incentives for big companies who receive land concessions.<sup>185</sup> Also no rubber factories exist yet in the north; rubber is directly exported by the Chinese investors across the border into China without any value-added processing. However, as rubber sap needs to be processed very soon after tapping, the lack of processing facilities and poor infrastructure development presents a major obstacle to maximise profits.

Government signboard detailing 400 hectares private rubber concession



Moreover, the total lack of smallholder involvement in the rubber boom in the north sets the stage for a future social and ecological disaster. Large-scale industrial production patterns are much more destructive to the environment – both land and water – as well as funnel profits to a few well-placed individuals at the expense of farmers. This lack of financial benefit coupled with loss of land use rights will have dramatic socio-economic impacts.

### **Business Alliances**

The contracting authority in Burma is usually a local Burma Army, cease-fire, or militia leader, or sometimes a well-connected local businessman. These influential people front the deals as they are able to secure the land for the Chinese investors because of their good connections to the Regional Commander. These families often also have maintained good cross-border connections with Chinese businessmen from Yunnan – which is how they are able to access these newly available agricultural investment funds. According to a Burmese development worker: “The Burmese companies are just puppets for the Chinese businessman.”<sup>186</sup>

To varying degrees Sino-Burmese play a facilitating role in rubber development, especially in northern Shan State. The category ‘Sino-Burmese’ is a confusing term: it can include the Kokang Chinese, Burmese citizens with Chinese ancestry, and/or China-born citizens who live in Burma, who sometimes illegally purchase their Burmese citizenship card. Research suggests that Sino-Burmese in northern Shan State, especially Kokang, are playing a significant role in helping mainland Chinese investors obtain agricultural concessions. This is less the case in Kachin State, however, where rubber development is led by mostly prominent ethnic families from the area.

In government-controlled areas, joint ventures are more common than entirely Chinese-owned contracts since having a Burmese partner eases various bureaucratic hurdles, including taxes. Chinese businessmen work with their local business partner to establish a deal with local Burmese army officers, militia or cease-fire group leaders, or occasionally national military leaders, depending on the size and location of the project. If the Chinese investor already has an established presence in northern Burma, for example Hong Yu Company, in Wa areas, then they may go directly to these local non-state military authorities in order to strike a deal and obtain a land concession.

These military connections are paramount for making the concession happen, without which it would not be possible to be awarded the land. Military officials facilitating the concession deals are often at odds with government officials and agencies responsible for trying to follow the law on land. The rubber concessions in the north for these reasons are sometimes not being processed by the state agricultural offices because they don't comply with the laws

spelled out in the 1991 Wastelands Law, such as certain land tax rules.<sup>187</sup>

Sometimes concessions in areas of armed opposition groups, or involving individual members of such organisations, are even orchestrated in conjunction with government and/or regional military commanders. Ethnic political-cum-business leaders grant concessions to their favoured business associates within their own semi-autonomous territory (so-called ‘black’ areas), within jointly-administered areas (‘brown’), and even government-controlled territory (‘white’). Therefore the mosaic of Chinese-backed land concessions is a messy one, much like the complicated border politics, where political enemies can become business partners. As a result, despite political differences, Burmese military-state officials and ethnic political leaders are all implicated, in varying and different ways, in agribusiness deals, much like other resource extraction sectors in the north.

Large Burmese companies from Yangon or Mandalay, such as Htoo Trading Company or Yuzana Company, however are rarely involved in rubber development in the north. They do not have the local resource patronage network needed to ink the land deals with the local power holders in the region. Rather, they are involved in other large-scale land development projects in Kachin and Shan States, such as mining, hydropower, and infrastructure development projects.

But as Nay Pyi Taw gains greater economic control and political authority in northern territories, these large companies from Yangon and Mandalay are likely to increasingly overtake local businessmen in securing agricultural concessions. Another emerging trend is increasing prevalence of mainland Chinese businesspeople gaining concessions in northern Burma without being backed by local businessmen. As Chinese investors continue to cement good relationships with high-level military officials in northern Burma and the new capital, local interlocutors become redundant. This trend of mainland Chinese investor dominance is further supported by China's opium substitution programme.

### **Impact on Farmers**

The surge in agribusiness investments in northern Burma has greatly impinged on local food security, land tenure and local resource access, resulting in a toxic scenario of deforested lands, degraded landscapes, land confiscation, fenced-in cash crops, landless farmers, and lack of alternative local employment. Farmers in northern Burma are completely missing out on what could potentially be a lucrative enterprise. Due to military control over land and the concession allotment process, Chinese dominated resource networks, and the relatively high initial investment in capital without a quick return, farmers continue to lose their land and are unable to get any benefits.

**“Believe it or not”**

Letter from Tengchong resident, Yunnan, August 2010

Dear Friend,

I am going to tell you about the so-called “Opium Substitution Programmes” in and around here as I have heard about it from the mouths of the local people. If I were to add a title for this piece, I would have written “Believe it or not.”

Whenever I mention the opium substitution programme to the people from Tengchong, they turn up their noses with a short remark: “It’s all a farce!” Those who know more may add, “This is the work of Baoshan people, not the work of the Tengchong administration.” One of them told me, “Those contracts are made with Baoshan Government or Yunnan Provincial Government; not one is made with [the] Tengchong [administration].”

Here, I would like to remind you that though Tengchong is under the administration of Baoshan at the time being, it was previously in charge of Baoshan before liberation. There are many stories among the Tengchong people that depict people from Baoshan as rednecks and rustic yokes. So, Tengchong people, especially old folks and government officials, have a prejudice against the Baoshan people. It is the aspiration of every governor of Tengchong to convert Tengchong into a city level territory, so that it will be free from Baoshan administration and will be on par with it.

Of course, there are people from Tengchong who are carrying out the opium substitution programmes, but most of them are swindlers and are carrying them out with the approval of Baoshan or Kunming. No department, except the anti-drug police department from Tengchong, takes part in the programmes.

I asked them about how they cheat. They just said in many ways, and didn’t continue as if it was, as everybody here knows, plain clear and needed not to be explained. Only when I insisted, they told me the following points:

Opium Substitution Programmes enjoy the most favourable preferences from the government. Loans are given, almost free of interest. Then, there are subsidies of various kinds, including financial aid that need not to be paid back. So, various projects appeared after these guys easily made agreements with the leaders of the cease-fire groups in Burma. People like NDA-K leader Ting Ying willingly signed after receiving a certain amount of kickbacks.

Another attraction for the swindlers is that the Chinese government allows them to import the products from those plantations free of customs duty. So, some of them pretend to plant anything while in reality they bought the farm products from the Burmese farmers in order to import them into China free of duty, thus making a lot of profit. The respective Chinese authorities are reluctant to go to the “malaria-infested” places high up and far away in the mountains of Burma to check. Instead, they are perfectly satisfied if they receive some gifts and a few facts to report back to Kunming!

Sometimes, these plantations also act as transit for doing illegal trade. These are the most noticeable facts about the so-called opium substitution projects here.

Yours sincerely,

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Farmers could potentially make a good profit from their own tea or rubber plantations if they had access to land and capital, and the government encouraged small holder plantations. But so far none of these conditions are in place. Rubber trees do not produce resin for about seven years, and require significant investment before then, which ordinary farmers cannot afford. Even though farmers could inter-crop for the first few years to help compensate, the initial investment to establish the rubber plantation is too much for farmers to finance.

The commercial plantations have decreased land available for farming, while at the same time increasing competition for labour during peak agricultural season in areas that hire locals. In most cases in the North, local farmers whose lands were confiscated are not being absorbed as rubber wage labourers. The exception is the Wa region, where the local population is trained to tap rubber. In some cases communities – including entire villages – have been

moved to be located near rubber plantations. When local farmers are hired, they find it difficult to tend to their swidden fields as planting and weeding coincide with rubber plantation maintenance, further decimating their food security. Most of the agricultural concessions hire migrant wage labourers from other poor areas of the country, such as the Central Dry Zone and the Delta region. For large-scale concessions awarded to big Burmese companies, the authorities may help arrange for migrant labourers, particularly from the Central Dry Zone. This not only pushes out possible job opportunities for local farmers, but also increases animosity between local ethnic communities and Burman migrants. This situation has meant that the poor local farmers, who are in most need of alternative sources of income following the opium bans, are left behind while the local political-elite and migrant wage labourers benefit. This is at complete odds with the rhetoric of China’s opium substitution programme which is supposed to uplift ex-poppy farmers.

Rubber plantation operated by local militia in northern Shan State





## Migration and Wage Labour

Burman businessmen who are familiar with the rubber boom in the north claim that Burman migrant workers from other parts of the country who have previous rubber tapping experience are the preferred labour source. Racial slurs against the local ethnic population, such as being labelled as backwards, stupid, and lazy, also play a role in preference for Burmans. For this reason, claim the businessmen, they are not interested in training local farmers how to maintain a rubber plantation. This migration affect is contributing to claims by the local ethnic populations that the government purposefully seeks to dilute their ethnicity by promoting Burman labour migration into their indigenous territory. For them, this is yet another government 'Burmanisation' strategy to defeat them. Chinese citizens on some occasions also work on the plantations, but this is mainly on plantations very close to the Yunnan border, including areas controlled by ethnic armed groups. They are mostly skilled Chinese workers who obtain a temporary work card to cross the border to offer technical and managerial oversight.

In some cases, local villagers whose lands were confiscated for rubber concessions have been ordered by local authorities to work as labourers on the plantation or leave the area. If they agree to work they are paid a meagre wage (just enough for food, cigarettes and transportation for the day) based on a range of possible payment options, such as by trees planted, hours worked, or total days worked in a month. Payment of this nominal wage is still considered forced labour if coerced to work, and therefore falls under the International Labour Organization's (ILO) mandate in Burma.

In Wa Autonomous Region, however, a different labour regime operates. Seasonal labour in Wa controlled areas is mostly drawn from local farmers who have had their customary lands dispossessed to make way for Chinese rubber plantations. There are allegations that this is also forced labour as it is sometimes enforced by the local Wa army officials overseeing the plantation, or based on a very small payment which only covers minimum daily needs (about 2,000-3,000 Burmese Kyat, or US\$2-3, or about 15 RMB).<sup>188</sup>

The establishment of rubber plantations in the Wa region has had a deep impact on local communities already facing dire poverty and food insecurity following the strict opium ban implemented in 2005. Local authorities have relocated ex-poppy farming communities to areas near rubber plantations to provide low-wage or free labour. Plantations have in many cases been established on land confiscated without any consultation or compensation for local farmers.<sup>189</sup> The establishment of many large mono-crop plantations in the Wa region has severely limited access to land for food crops and grazing, further destabilising local livelihoods. These problems do not only exist in the Wa region, but also present problems in the rest of northern Burma.

The creation of "rubber plantation villages" is a new phenomenon in the northern Burma's countryside, where business owners build housing facilities for their labourers, and sometimes even cafeterias and small convenience stores for larger concessions. These 'villages' are mostly filled by migrant wage labourers, not local farmers who prefer doing swidden cultivation on their own farms. The young people from these border areas in northern Burma who no longer want to be farmers are now increasingly illegally crossing the border into China to seek better job opportunities, although their prospects are grim as they are unskilled labourers who don't speak Chinese. The arrival of Burman migrants from central and southern Burma, the establishment of new company 'villages', and sweeping land dispossession have had a large impact on the social cohesion of rural villages in northern Burma.

No authorities in northern Burma, nor even the central government, provide any legal support or labour regulations for wage labourers. According to interviews, each company is left to manage its own labourers as well as any



Former opium farmers digging holes for new rubber trees in the Wa region



Villagers in Wa region

remaining farmers whose land was taken. In some cases, concession owners reportedly provide small subsistence agricultural plots to farmers to allow them to continue to marginally exist on a corner of their concession. However, this seems more common for Burmese companies in other parts of the country, which are also experimenting with contract farming. In the North, the evicted farmers must leave to find another swidden field to cultivate, become an on- or off-farm wage labourer, migrate to a different area, or engage in poppy cultivation again.

Rubber concessions are playing a significant role in not only dispossessing farmers of their customary land and forming new labour regimes, but are also involved in resettling upland communities from the hills to the valleys and along roads. This so-called 'alternative development' connected with poppy substitution projects has a historical precedence in northern Burma with decades of forced resettlement of ethnic upland populations.<sup>190</sup> During this past decade, however, forced resettlement patterns have become intimately connected to anti-shifting cultivation

rhetoric and policy, anti-drug production, and pro-market discourses, all of which the opium substitution projects are tied to, whether deliberately or not. These new forms of border development, which are linked to Burmese military-state security strategies, has been less about integrating upland subsistence farmers into the lowland market economy and more about military securitisation and Burman nation-state building.<sup>191</sup>

However, displacement is also happening because armed ethnic groups leaders, such as the Kachin Defence Army (KDA)<sup>192</sup>, are attempting to consolidate areas under their administrative control. The UWSA has ordered the relocation of tens of thousands of Wa villagers from their mountainous homelands in the northern Wa region to the more fertile valleys of southern Shan State along the Thai border, which is also under control of the UWSA. UWSA leaders say the objective is to move poppy growers and impoverished villages to areas where they can grow other crops.<sup>193</sup> However, it also strengthens the UWSA's control over this strategic border area. The exact number of Wa farmers relocated to the Thai border during 1999-2002 is unknown. Estimates by Wa leaders vary from 50,000 to 100,000 people.<sup>194</sup>

### Environmental Consequences

There are serious environmental concerns about the massive increase of rubber plantations in northern Burma. They have caused deforestation as a direct result of establishing rubber plantations in upland forests and compared to swidden fields that maintain high-levels of biodiversity. In some cases NGO sustainable livelihood projects had to be abandoned when their project sites became rubber concessions. International NGOs in the Wa region say that there are already significant ecological problems because of destruction of watershed forests and misuse of limited water resources. The mono-cropping of rubber also has a negative impact on the biodiversity of the area, and local people have already noticed that certain local plants and animals are disappearing.<sup>195</sup>

After the implementation of opium bans in northern Burma, poor households are increasingly becoming dependent on the collection of non-timber forest products (NTFPs) for which there is great demand from China. Many villagers in the Wa region, as well in Kachin State, have resorted to collecting medicinal roots, orchids, bamboo shoots, rattan, starchy tubers, leaves, bark and fuel wood to sell to Chinese traders who come to buy these products in Burma. This further increases the pressure on land and forest resources which are already degraded by unsustainable Chinese company logging practices.<sup>196</sup>

"Some villagers have no uplands any longer; they are virtually surrounded by rubber. The problem is where to keep their buffalos; they cannot find a place to feed them. If the animals go into the rubber field, they are shot."<sup>197</sup>

## **The Dark Side of Chinese Rubber Plantations**

Letter from a former government official, April 2010

Dear Akogyi ('elder brother'),

There are several impacts on the socio-economic conditions of the poor farmers due to Chinese rubber plantations in the Kokang and Wa Regions.

Taking advantage of the lowly educated Kokang and Wa Leadership, the Chinese companies bribed the Kokang and Wa officials (at the central, district, township and village levels) to confiscate the land of the poor farmers.

Rubber plantations were established in an altitude below 1000 meters because of the warm climate where rubber gum could be collected. This deprived the poor farmers of their land to cultivate substitute crops after the eradication of opium poppy, so the poor poppy farmers became uprooted people and were automatically forced to work as low-wage labourers in those rubber plantations.

The Chinese companies got profits from the rubber plantations in the Kokang and Wa Regions as well as benefits in the form of very low interest loans from the Chinese local government for implementing poppy eradication undertakings in Burma.

The skilled labourers were brought in by the Chinese companies as high-wage labourers from China. The socio-economic conditions and the livelihoods of the poor farmers remained the same as in the days when they still cultivated opium poppy for the landlords, rich men, and laopans [Chinese for 'boss', or common slang for entrepreneur]. They remain just as the low-wage labourers in the poppy fields in the past, and could not escape the vicious cycle of poverty.

The Kokang and Wa officials, and rich businessmen that are very close to them, are enjoying the profits of the rubber plantations owned by themselves or by joint ventures with Chinese companies. The establishment of rubber plantations in the Kokang and Wa regions has had an impact of deforestation of indigenous and primary forest, and has caused landslides, soil impoverishment and erosion, and above all the relocation of the poor farmers who are already in the vicious cycle of poverty due to the poppy ban in the Kokang and Wa regions.

These are the dark side/negative impacts of the Chinese rubber plantations. However, there are also some positive impacts of the Chinese rubber plantations. Infrastructure of the area near the rubber plantations, especially the roads, is being upgraded from earth/dirt roads to gravel/fine roads to transport the rubber produced in those plantations. Education and health facilities and markets could be reached in much less time due to much better roads that have been upgraded for the plantations.

Some of the children of farmers - who are now labourers in the plantations - can have access to better education, which can open the minds of the people in the communities to foster sustainable development and improve socio-economic conditions.

Farmers could learn skilled jobs in the rubber plantations (human development and capacity building) and later replace the Chinese skilled labourers. Farmers could also learn vocational skills and have access to markets for their on-farm or non-farm produce and value added products.

If micro-credit and micro-finance schemes are introduced, and are coupled with vocational trainings in the communities that are near the rubber plantations, the livelihoods of the communities could be uplifted faster than other communities in the remote areas which are hard to access without proper roads.

Socio-economic development undertakings for those communities near the rubber plantations could be implemented, taking advantage of the good access roads by the central government, the Kokang and Wa authorities, UN Agencies, local and international NGOs, and other interested organisations and donors. These can then be extended to other communities and villages nearby with spill-over effects.

In the long run, people in the communities as well as authorities will see/feel and benefit from the development of the area, brought about by the foreign direct investment from China, although the benefits and profits will not be the same and equal.

The big investments from the central government and from the private sector for development undertakings will not reach Kokang and Wa regions in the near future, due to political implications and the mistrust between the government and the armed groups stemming out from the Border Guard Force issues.

With Best Regards,

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## Land Transformation in Kachin State

Kachin State is situated in the northern most part of Burma, sandwiched between northeast India and China's Yunnan province. The northern part of Kachin State is dominated by high snow-capped mountains, which are the foothills of the Himalayas. It include Burma's highest peak, Hkakabo Razi, which stand at nearly 6,000 metres. Two important rivers, the Mali Kha and the N'Mai Kha, flow between the steep mountain ranges running north to south. Their confluence – locally known as 'Myitson' – just north of the state capital Myitkyina marks the beginning of the Irrawaddy, Burma's most famous river. These rivers are also important transportation channels. Access in the north is difficult, and most transport and communication takes place through lower elevation areas in the southern part of Kachin State. The main transportation routes are the road between Myitkyina running east and then south to Bhamo (the second largest town), and the road southwest to Mogaung and Hopin, along the railway to Mandalay.

Kachin State is extremely rich in natural resources. The area is famed for its gold, silver, iron, lead, and amber. The jade mines in Hpakant are the only source in the world of imperial jadeite, which has always been in high demand in China. Kachin State is also a biodiversity hotspot. For example, the Hugawng Valley Tiger Reserve is the world's largest tiger sanctuary, although there remain doubts how effectively the reserve is managed.<sup>198</sup> There are various other protected animals inhabiting the region, including the red panda. Kachin State is also home to rare wild orchids and other flora. Until the early 1990s, large expanses of relatively intact tropical forests covered many parts of Kachin State, containing teak and various valuable hardwoods. Much of these forests however, especially along the Yunnan border, have already been logged and exported across the China border.

The majority of the population is ethnic Kachin (the majority sub-group and language called 'Jingphaw'), but there are also a large number of Shan, mainly inhabiting the valleys. There is also a significant ethnic Chinese population, especially in eastern Kachin State along the border as well as in towns. There are also Kachin communities in neighbouring Arunachal Pradesh in India (referred to as 'Singpho') and in Yunnan Province in China (called 'Jingpho').

Traditionally, opium in Kachin State is cultivated by farming communities in the Sedun area in eastern Kachin State as well as the Danai region in Hugawng Valley. They have their own origin myth of how opium came into their communities.<sup>199</sup> However, annual cultivation levels have always been relatively low compared to Shan State, the country's main poppy cultivation area. Some of the opium in Sedun, located between Myitkyina and the China border, is cultivated by migrant workers from China. Apart from being

grown as a cash crop by poor communities, opium also has medicinal and traditional uses.

In the Sedun area, the demarcation of territory between the central government, KIO and the now defunct NDA-K is not clear, and has in the past resulted in conflict with local communities, especially when one of the conflict actors implemented an opium eradication campaign (mainly the KIO). In recent years, opium cultivation in Sedun and Dainai regions has increased, partly due to high opium prices. According to UNODC, opium cultivation in Kachin State increased from 1,500 hectares in 2008 to 3,800 in 2011, representing 9 per cent of cultivation in the country.<sup>200</sup>

### Role of Neighbouring Countries

Following the cease-fire between the KIO and the central government, Chinese companies actively engaged in cross-border investment and natural resource extraction, especially large-scale mining, logging, and hydropower dams. To facilitate trade and investment with Burma, the Chinese authorities invested heavily in upgrading infrastructure in landlocked Yunnan, and built new highways from the provincial capital Kunming and border counties leading to the Burma border, such as from Tengchong.

The Chinese authorities have also sought access to Burma as a market for their consumer goods, and as a gateway to India. In 2007 a road leading from Tengchong in Yunnan Province to Kachin State's capital Myitkyina via Kampaiti (headquarters of one of the NDA-K BGFs) was formally opened. The cost of the road, 192 million Chinese Yuan (about 23 million Euro), was funded completely by the Tengchong government, while, according to Tengchong authorities, the Burmese government took "responsibility of expropriation and relocating people".<sup>201</sup> The eagerness of the Chinese to build this road can be demonstrated by the fact that they sent more than 40 diplomatic missions to negotiate with the Burmese government. The ultimate goal of the project is "to open Yunnan to South Asian countries."<sup>202</sup>

The territory along the India border is much less accessible and subsequently has received minimal government development. The Ledo (or Stilwell) Road, built during the Second World War leading from Myitkyina northwest to India, needs upgrading and cannot facilitate heavy traffic. Northeast India itself is an isolated and mountainous region, and also has a number of long-running ethnic insurgencies. Unlike on the China border, few if any Indian companies have engaged in cross-border economic activities. The main border crossing between the two countries at Tamu connects Burma's Sagaing Region with the State of Manipur in Northeast India. Infrastructure on both sides of the border is poorly developed, and pales in comparison with road connectivity on the China-Burma border.<sup>203</sup>

India initially supported the democracy movement in Burma, but later adopted a 'Look East' policy which focused

on improving political and especially economic strategic relations with China and the ASEAN countries. In 1995 the Indian and Burmese armies carried out joint military actions against armed ethnic opposition groups from both countries in the India-Burma border region. Like China, India is also involved in big infrastructure projects in Burma. It is building a deep sea port at Sittwe in Rakhine State on the Bay of Bengal, as well as plans to build roads and other infrastructure connecting the port to India's North-east.<sup>204</sup>

### Conflict Actors

The government controls all major towns - including the capital Myitkyina - and main roads in Kachin State. However, almost all border areas with China are under control of the KIO and the three NDA-K BGFs. Since the cease-fires, the number of Burma army battalions has increased significantly.<sup>205</sup> The 'Northern Commander' of the Burma army, which includes Kachin State as well as neighbouring Sagaing Region along the Indian border, has its headquarters in Myitkyina.

The main armed opposition group in Kachin State is the Kachin Independence Organisation (KIO). Formed in 1961, the KIO controls a significant amount of territory, demarcated with checkpoints on all roads leading into their territory. The KIO-controlled areas comprise unconnected pockets of land, mostly rural areas. The KIO also controls a long stretch of territory along the China border. The KIO also has some armed units in northern Shan State near the Kachin State border. Its headquarters Laiza is an official border crossing with China, and a major trade gate.

Soldiers of the now defunct NDA-K at Manao festival in Kachin State



The KIO has tried to promote political change for the whole country by advocating for a federal state on democratic principles. It has pushed hard for positive change for all ethnic minority groups, its interests extending beyond Kachin State or areas under KIO control. The KIO tries to advance its goals through lobbying and dialogue at the national and local levels, at the National Convention, in meetings with government officials in Yangon, Nay Pyi Taw and in Kachin State, as well as through alliances with other ethnic minority representatives.

A smaller Kachin armed group is the NDA-K, a breakaway group from the KIO. Not all cease-fire groups actively promote political change. Some groups, such as the NDA-K, treated cease-fires as 'a way of life', and appeared content with the status quo to control their own territories in order to engage in profitable business activities such as logging, mining, and black market trade.<sup>206</sup> Following government pressure, the NDA-K was transformed into three BGF battalions in 2009, located at former NDA-K bases along the China border. Furthermore, several cease-fire groups or factions of them have changed into militias. These include the Rawang Militia (formerly the Rebellion Resistance Force) and the Lasawng Awng Wa Peace Group in Kachin State.

All of the conflict actors have granted concessions to local elites and Chinese businessmen. Sometimes companies need to pay fees to more than one conflict actor. For instance, some Chinese companies paid for a logging concession to the Burma army Northern Commander. But in order to transport the logs to China the company must pass through KIO territory, and thus pay a fee to them too. All conflict actors have also given out rubber and other agricultural concessions to Chinese companies, especially in the border regions.

In June 2011 fighting broke out in Kachin State after government troops attacked two KIO positions near a strategic hydropower dam.<sup>207</sup> The fighting intensified, and by February 2011 some 60,000 civilians had been displaced, of which over 20,000 were seeking refuge in KIO controlled areas along the China border. The fighting halted traffic along the Myitkyina-Bhamo road, as well as all cross-border trade through KIO's Laiza gate. In meetings with the KIO since June, the central government has offered a new cease-fire to the KIO.

The KIO says that, after 17 years of cease-fires, they were promised a political dialogue, but this never materialised. Instead, the SPDC demanded that the KIO transform into BGFs (a demand that was only withdrawn after the fighting had started) and the national Election Committee refused to accept registration of the KIO-backed Kachin State Progressive Party (KSPP) to participate in the 2010 elections, excluding them from the political process. Various meetings between different government representatives (from the regional 'Kachin State Peace and Stability

Coordination Committee' as well as the union level 'National Peacemaking Group') and the KIO, as well as an exchange of letters between the two sides, have so far failed to produce a new agreement. Therefore, the KIO says it will not sign a new cease-fire if this does not include a political dialogue.<sup>208</sup>

On 12 December, media reports quoted a spokesperson of the President office in Naypyitaw as saying: "The president instructed the military on Saturday not to start any fighting with the KIA (Kachin Independence Army) in Kachin State, except for self defence. All military commands were sent the president's instruction."<sup>209</sup> President Thein Sein's order to halt all offensive actions by the Tatmadaw in Kachin State is also an unprecedented and positive step towards building peace and reconciliation. However, fighting in Kachin State and northern Shan State has continued since, according to government officials because the order was proving hard to implement on the ground.<sup>210</sup> It is unclear whether this is a sign that President Thein Sein is unable to control the army and/or some hardliners in the new government, who may be unhappy with some of his reforms. They may also object to giving ethnic groups more political rights.

It is not clear yet what the resumption of fighting in Kachin State will mean for these agricultural investments from China. During the outbreak of hostilities in the Kokang Region in 2009, Chinese property was looted and damaged, and several Chinese citizens were killed. The Chinese government was very upset about this, and called upon the Burmese government to protect Chinese citizens and Chinese property, and prevent fighting in the border areas.<sup>211</sup>

#### **Public Announcement of Chinese Import Quotas from Opium Substitution Projects in Kachin State in 2009<sup>212</sup>**

In terms of "the 2009 declaration in Yunnan on the Opium poppy substitute cultivation of buying back agricultural products and processed products in the Foreign Areas Outside the Border of Yunnan Province to the domestic import scheme notice" by the Office of substitution management of Yunnan Province (No. 13, 2008) notification requirements, the applicant will now be able to sell the agricultural products produced back to China. Some selected company contracts are as follows:

Yunnan Yuan Yuan Trade Co., Ltd., registered in March 15th, 2006, with registered capital of 3 million, the legal representative of Zhu Fahou, phone [deleted by TNI]. The company signed a cultivation contract with Agricultural Department of SR2 of Kachin State of Myanmar [NDA-K] for 40,000 mu (2,667 ha) of rubber and 10,000 mu (667 ha) of tea. It has planted 3,000 mu (200 ha) of rubber, 600 mu (40 ha) of corn. The amount for the domestic buy-back quota: 1,000 tons of rubber, 50 tons of corns.

Yunnan Jiuzhou Jinke Investment Co., Ltd. was established in March 2, 2005, with a registered capital of 10 million Yuan (1.5 million US dollar), the legal representative of Liang Dingjin, phone [deleted by TNI]. The company signed a contract with KIO government of Kachin State of Myanmar on a total investment of almost 44 million Yuan (7 million US dollar) to develop 22,000 mu (1,467 ha) of natural rubber in 2006. In 2008, it has been planted 3,800 mu (253 ha) of natural rubber, and has planted to plant new species of rubber for 10,000 mu (667 ha) in 2009. The amount for the domestic buy-back quota: 1,000 tonnes of rubber.

### Agricultural Concessions

Since the mid-2000s Kachin State has become a stomping ground for agribusinessmen searching for cheap or even free expanses of land with a good growing climate for a number of agricultural crops. Even the national government recognises the value of land by listing Kachin State as having over 1 million hectares of ‘wastelands’ – the category of land deemed available for agricultural development. Soon after cyclone Nargis, the government announced its plans for Kachin State to become the country’s fourth largest rice producing state of the country, with its big open valleys and low population density.

As the military has more tightly secured control of larger territorial areas in Kachin State, government agencies, hand-in-hand with the Northern Commander, have been able to allocate large-scale agricultural concessions to Burmese business elite, local ethnic businessmen and Chinese investors. Moreover, as more ethnic political groups fold and became de facto militias, or were transformed into BGF troops (e.g., NDA-K), more political authorities in Kachin State could be paid off with resource concessions, such as agricultural plantations.

Rubber concessions have sprouted up in Kachin State since the mid-2000s, especially around Myitkyina, the provincial capital, and along the eastern border with Yunnan, along most of the roadsides and radiating out into the surrounding hillsides. According to local researchers, the Gindai rubber farm was among the first rubber plantations in Kachin State. Established in 1990, it encompasses some 800 hectares at Nawng Hkying village, located about ten miles from Myitkyina. Several other rubber plantations owned by Kachin businessmen dot the hillsides outside Myitkyina, especially near the Irrawaddy confluence, where the Myitson dam is currently suspended. However, TNI research shows that rubber plantations have only really surged in Kachin State since 2006, largely driven by the arrival of Chinese businessmen with subsidies from China’s opium substitution programme.

For rubber alone, the most recent available national government statistics lists over 17,000 hectares of planted rub-

ber in Kachin State by 2009-10, which is expected to reach over 21,000 hectares by 2011. However, most of the rubber plantations are still young, with only about 800 hectares of trees actually producing any latex. The provincial agricultural ministry in Myitkyina is pushing a rubber concession target of over 40,000 hectares by 2010 (see Table 5). According to this table by provincial authorities, 40,000 hectares of rubber alone have already been successfully allocated, although this exact figure seems unlikely and is possibly meant to appease higher-level government officials. However, in terms of actual hectares planted, the provincial government data for 2010 matches that of national government data of over 17,000 hectares.

But rubber is not the only thing being planted. Kachin State is being divided up piecemeal into a mosaic of industrial agricultural concessions. According to the most recent national government data on agro-investment in the country, Kachin State easily captured the second highest amount of hectares by state and region with eleven different companies allotted a total of nearly 160,000 hectares of agricultural concessions (although half of that is for Yuzana’s concession in Hugawng Valley—see case study below and table 2 in previous chapter). However, the Burmese consultancy firm Agribusiness and Rural Development Consultants (ARDC) compiled data, based on government-provided figures of agribusiness concessions allocated in the country, diverged from that released by the national government. ARDC presented an even higher number of hectares allocated in Kachin State to the companies listed below. According to ARDC data, fourteen different companies are operating in Kachin State with a total of nearly 240,000 awarded hectares (see table 4).

However, most of the companies listed are not known by TNI and local researchers as operating agricultural concessions in Kachin State. In fact, local researchers have produced a different set of companies who have received concessions, based on field work. Some of these company names recovered by local researchers include Sea Sun Star, Jadeland, Jade Brother, Yuzana, New Royal Jade, Mega Jade Star, Daw Zamee family, and Silver Star, among many others. These companies, which appear to be owned by influential local business people, have close connections to military and government personnel in Kachin State. According to local researchers, a partial list of agricultural concessions includes 93,000 hectares of concessions awarded for mixed planting of rubber and timber trees, 3,600 hectares of monoculture rubber, 24,000 hectares of bananas, and 8,000 hectares of paddy. The companies compiled by ARDC listed below (table 4) all have Burmese names and presumably have connections with central government authorities. It does not appear these are local businessmen. Several, including Yuzana and Htoo Trading, are the country’s highest profile companies based in Yangon.

None of this data, however, includes concessions allocated in territories controlled by ethnic armed groups (KIO

**Table 4: Land Allocated to Private Companies in Kachin State, August 2010**

No.	Company Name	Township	Area Allotted (hectares)
1	Pearl Family	Moe Hnyin	400
2	Mya Theiggyi	Moe Hnyin	400
3	Kyauk Sein Company (219) unit	Myitkyina	1,400
		Waingmaw	19,235
		Mogaung	1,345
		Mohnyin	4,464
		Hpakant	6,466
		Karmaing	983
		Bhamo	14
		Dawphoneyan	3783
		Putao	4
		Tanain	200
		<b>Total</b>	<b>38,694</b>
4	Thiri Bat Sone	Bhamo	11,225
		Putao	1,214
		Sinbo	14,313
		Myitkyina	1,253
		Tanain	121
		<b>Total</b>	<b>28,126</b>
5	Yuzana	Hpakant	3,904
		Hpakant	15,087
		Hpakant	64,924
		Kamaing	6,989
		<b>Total</b>	<b>90,904</b>
6	Khant Nyar	Bhamo	4,694
		Momauk	1,214
		Dawphoneyan	647
		<b>Total</b>	<b>6,555</b>
7	Myawaddy	Sinbo	11,455
8	Htoo Trading	Sinbo	18,522
9	Kaung Mon Oo	Bhamo	8,903
10	Golden Myanmar	Myitkyina	2,185
11	Well being Myanmar	Myitkyina	9,134
12	Paing & Paing	Myitkyina	3,237
13	A Myo Thar Kyee Pwar Yay Company	Tanain	16,912
		Shinbway yan	3,321
		<b>Total</b>	<b>73,669</b>
14	Chan Yin Khuu		3601
		<b>Grand Total</b>	<b>241,549</b>

and NDA-K). While the size of concessions awarded in government-controlled areas is significantly higher, the absence of data on non-government areas remains a significant omission. Furthermore, it is not known whether or not concessions granted to militias and BGF groups are included in these statistics, as well as those concessions administered by Burma Army units, military officers and the Northern Commander. If all these different possible omis-

sions were included, the total size of awarded concessions would certainly be higher.

### Concession Case Studies

Several influential local businessmen were allocated rubber concessions in the past half-decade, according to TNI field research. These include, for instance, the Lagwi family



## KIO Position Letter on Chinese Opium Substitution Projects

November 28th, 2010  
Laiza

We are sending you a message with information and inputs we would like to share in your workshop. It regards the KIO's historic role in drug eradication and our conceptual understanding of the opium substitution programme.

### HISTORY OF DRUG ERADICATION AND AGRICULTURAL DEVELOPMENT IN OPIUM GROWING AREAS

In 1991 the Kachin Independence Organisation (KIO) declared the Kachin State an Opium Free State. Growing opium and drug trafficking were totally banned. Those who were drug addicted were sent to the drug eradication camp and got medication. Since 1998 some farmers started growing opium again deep in the forest in small areas here and there. The KIO destroyed some of the fields which were found during operations. The reason why these people returned to growing opium is that the many farmers in Wa and Kokang region in Shan and NDA-K and the government in Kachin State had been allowed to grow opium openly. So the KIO did not take any serious action against the opium growers.

Since 2001 a joint operation of the military government, KIO and NDA-K has been launched to destroy opium fields for three years. It can be said that these operations were not fully successful, because the commanders and those, involved in the operation did not totally destroy, all fields, feeling that destroying everything could cause a great loss to the farmers. It seemed that farmers took advantage on this kind of mercy and expanded their opium fields year by year.

Thinking that destruction of fields after they have developed is not an appropriate strategy, the KIO then changed its drug eradication policy in 2008. Before sowing time the organisation administrators come to communities and raise awareness about alternative crops to plant instead of opium. However, the KIO could not provide sufficient subsidies to the farmers for opium substitution crops, so the programme was not successful. Continuously growing opium along the border is a big concern for China as well. The Chinese called on all organisations to stop growing opium along the border and offer the opium substitution programme to ex-opium farmers. China is interested in a company to company approach and has sent some companies to implement agricultural development opium substitution programmes for ex-opium farmers. The Chinese Government wanted the companies to focus on the opium growing farmers, but there is no direct positive impact for them. The so-called agricultural development programme run by the companies is planting tropical crops suitable to grow in lowlands easily accessible to road infrastructure. They are rubber, banana, watermelon and sugarcane. To grow them on a large scale as mono-crop plantations, the companies needed huge land and bought this required land from the military government. Many farms traditionally owned by the local farmers were lost. Most of Kachin village communities are uneducated innocent people. They are not acquainted with modernised company activities, and are not interested to work as wage labourers with companies. The current labourers working for the companies are outsiders from lower Myanmar and China. The whole region is gradually filled with outside labourers who grab the land of the original native communities and stake claim as land owners. The poor native farmers become landless and are forcefully expelled to far remote areas.

Even though the agribusinesses are doing well, the size of the opium field is still increasing year after year. This happens because the opium is grown in only high elevated mountain areas where the companies' opium substitution programmes have no impact. This programme is meaningless for opium farmers. It proves that the private sector approach – company to company - of agribusiness or agricultural development programmes for opium substitution is not suitable for KIO controlled areas in Kachin State.

Drugs like heroin, yama [amphetamines] and etc. are not manufactured in KIO administrative areas. These drugs come from outside sources and are used as a cold war weapon targeting the Kachin youths. These drugs are causing great social setbacks in Kachin Society, most severely in Military Government administrative areas. There are many drug users in towns and cities. Seventy per cent of Myitkyina University students are drug-addicted (local source). There are high rates of HIV/AIDS transmission among youngsters and many young people have died. Social and immoral problems occur every day.

To rescue people from the drug cold war, the KIO has considered the opium and drugs as “the Principal and Worst Destructive Enemy” on October 1, 2010. It restructured the existing Drug Eradication Committee and granted it the authority to perform the following interventions:

- (1) To totally ban growing opium in KIO administrative areas.
- (2) To check for drug trafficking, trading and storage, etc and take serious action.
- (3) Send all drug users to drug eradication camps for proper medication
- (4) Capacity building programmes (especially agriculture and livestock) for ex-drug addicted people.

Since this intervention, growing opium in KIO administrative areas has been banned completely by the KIO Special Drug Eradication Committee. Some people involved in drug trafficking and trading have been arrested. Around 700 drug users are lodged in drug eradication camps, and given medication.

## KIO'S STAND ON AGRICULTURE DEVELOPMENT FOR OPIUM SUBSTITUTION

Opium growers can be grouped into two kinds of farmers – local indigenous farmers and outside capitalists or rich men. Around 70 per cent of opium fields belong to outside capitalists. They can afford high amounts of investment, and thus are able to hire a lot of labourers, expanding into large number of hectares in a short period of time. All capitalists are from national and international towns and cities. They earn high profits compared to indigenous farmers.

Nearly all local indigenous farmers do not have enough investment. Most of them have to borrow money from capitalists for farming. After paying the borrowed money back, not much profit is left. However, growing opium is more profitable compared to other crops within a short period and requires little technology, so many farmers get interested in opium growing as they cannot think of the long-term consequences. But there are some farmers who can analyse the advantages and disadvantages of opium farms. In a public awareness workshop recently, many farmers said that disadvantages outweigh advantages. Many parents of youngsters and indigenous opium farmers have embraced the KIO's drug eradication scheme and many fields have been abandoned without sowing opium seeds in 2010.

When we think of opium substitution crops, we believe that this is a complex issue and that we should look at it from different angles or different perspectives. Before setting any policy and strategy, the following points will have to be taken into account to bring about the maximum positive impacts to ex-opium farmers.

- (1) Instead of a company to company approach, a farmer centred approach needs to be considered.
- (2) Soil and geographical features of those particular areas
- (3) Communication and transportation
- (4) Markets and saleable crop species
- (5) Affordable and appropriate technology to the farmers
- (6) Suitable crop species for short and long term
- (7) Rights of indigenous farmers to be respected

To be able to develop an appropriate opium substitution policy and strategy, in which all interested and acceptable national and international organisations can work together in collaborative manner with KIO, the Agricultural and Forest Conservation Department and Civil Administrative Department are jointly doing a situational analysis.

Agriculture and Forest Conservation Department

which is headed by a NDA-K officer. In 2007 they established a 200 hectares rubber farm, which they expanded to some 800 hectares in 2010. The farm is located in a village near the Yunnan border in Sedun Township, in one of the main poppy growing areas in Kachin State. In 2007, U Lan Chyaw Saung Tein, another local Kachin businessman, established 200 hectares of rubber along with Chinese tea in the same village.

Several rubber concessions were set up in Waingmaw Township, located just east of Myitkyina across the Irrawaddy River. These include a large rubber concession of some 1,000 hectares in Gang Dau Yang village, awarded to the Mega Jade Star Company in 2007. This company is owned by Mr. La Jawn Ngan Seng, a Kachin businessman from Myitkyina who reportedly made his money from the jade trade. In the same year, a 400 hectares agricultural concession was established in nearby Nam San Yang village, along the road between Myitkyina and Bhamo. The owner is Daw Zamee, a Lisu woman backed by Chinese investors. In addition to rubber, she has planted mangoes, Jatropha, and agar wood behind the tall brick gate entrance and new house located on the road leading to Bhamo.

Nam San Yang village provides a good example of the politics of concessions. The village is located halfway along the road between Myitkyina and Bhamo, north of KIO's

Laiza headquarters. Since the cease-fire agreement, this town was jointly managed by both KIO and the government. A dual governance system was worked out to manage the land, trading, and the population, which resulted in some agricultural concessions allocated to the clientele of local Burmese government authorities, presumably with the KIO taking a cut. In 2010, the government seized Nam San Yang from the KIO after they rejected the governments' BGF plan, making Nam San Yang an exclusive government-controlled town. It is expected that more concessions will be given in the area to business affiliates of the local Burmese government and military authorities. Current plantations in Nam San Yang include a 1,200 hectares rubber concession granted to Mya Thanda Tun Company in 2007, and a land concession to grow rubber, teak and Jatropha owned by the Northern Commander. A Chinese company was also awarded a gold mining concession on the nearby river after the KIO were kicked out of town.

Rubber concessions were also given in other areas. Daw Htu Raw, a well-known Lisu-Chinese businessman, obtained a rubber farm in 2007 in a village about ten miles east from Myitkyina towards Mogaung town. He received financial support from the Chinese citizen Lao Ying (see case study below). He also has good connections to Kareng La Seng (formerly of Jadeland Company with Yup Zau Hkawng).

A 120 hectares rubber concession in another village near Waingmaw across the river from Myitkyina was given to Aik Son, the Chinese owner of Two Dragons Hotel in downtown Myitkyina, in 2008. It was then expanded to 800 hectares in 2010. Aik Son was reportedly involved in logging deals in NDA-K area during the 2000s. In the same area the Thiha Rubber Farm Company has been managing a 400 hectares rubber concession since 2009 off the Myitkyina-Kampaiti road.

Apart from rubber, several other agricultural commodities are being cultivated on an industrial scale on the hill-sides in Kachin State. Most of these are also carried out by Chinese companies, or by locally-influential businessmen backed by Chinese investors. These crops consist of mainly watermelon, banana, paddy, tea, and sugarcane. Some of these concessions, such as for sugarcane, is being established through contract farming arrangements, right on the Yunnan border in southeastern Kachin State.

Yunnan Yuan Trade Co., registered in 2006, signed a contract with the agricultural department of the KIO for 40,000 mu (2,600 hectares) of rubber and 10,000 mu (660 hectares) of tea, which included an import quota of 1,000 tons of rubber and 50 tons of corns.<sup>213</sup>

In Momauk Township, Loiye sub-district, 2,300 hectares of sugarcane are being cultivated by different Chinese companies for export across the border to Yunnan.<sup>214</sup> Watermelon is also very prevalent along the Yunnan border, particularly in KIO and territories jointly controlled by the central government and the KIO. A KIO development official claims that KIO as a political party is not endorsing or supporting watermelon concession projects, but that Chinese companies are coming to engage in contract farming with local Kachin villages.

However, the KIO is working with Chinese companies to establish banana plantations within KIO-controlled territory. The KIO claims to compensate local farmers for their land for the banana plantation, hiring them as wage labourers for income generation.<sup>215</sup> TNI has not been able to confirm KIO's statements, however. Other banana plantations are being established in territories jointly administered by the central government and the KIO, as well as in central government-controlled territory wedged against KIO territory.

### Hkaya Concession Case Study

In 2008, a 12,000 hectares rubber and banana concession along both sides of a newly built road in the Hkaya area

**Table 5: Kachin State Rubber Planted and Planned, 2006-07 to 2009-10**

<b>Kachin State Rubber 40,000 Hectares Target Program (Hectares)</b>					
District/Tsp	2006-07	2008-09		2009-10 (up to Nov 30 2010)	
	Concession	Concession	Planted (cumulative to date)	Concession	Planted (cumulative to date)
<b>Myitkyina District</b>	<b>4,740</b>	<b>13,203</b>	<b>6,446</b>	<b>21,101</b>	<b>8,138</b>
Myitkyina	2,891	6,878	3,948	10,599	4,764
Waingmaw	1,573	5,155	2,354	8,498	3,228
Danai	275	1,169	136	2,003	138
N Jang Yang	1	1	1	1	1
Chipwe	0	0	7	0	7
<b>Monhyin District</b>	<b>1,499</b>	<b>4,885</b>	<b>1,764</b>	<b>8,043</b>	<b>1,824</b>
Monhyin	725	1,910	773	3,015	808
Mogaung	525	2,218	792	3,797	810
Hpakant	249	757	199	1,231	206
<b>Bhamo District</b>	<b>1,503</b>	<b>6,579</b>	<b>7,209</b>	<b>11,319</b>	<b>7,590</b>
Bhamo	393	1,747	281	3,011	477
Mansi	258	1,028	337	1,747	374
Shwegu	293	1,308	49	2,256	52
Momauk	559	2,496	6,542	4,305	6,687
<b>TOTAL</b>	<b>7,742</b>	<b>24,667</b>	<b>15,419</b>	<b>40,463</b>	<b>17,552</b>

Source: Myanmar Agricultural Services (MAS), 2010.

## **Agreement between the Government of Baoshan City, Yunnan, China, and the government of Kachin Special Region Number (1) [NDA-K] for Cooperation to Establish Opium Substitution Model Plantation in Myanmar**

In order to consolidate the results of banning of opium; to transform the livelihoods of the people who have to depend on opium growing as the main source of income; to elevate production and improve the living standards of the people; to root out the cultivation of opium and to effectively prevent the re-cultivation of opium; and to promote the economy of the former opium cultivating societies within the framework of the "Agreement between the Government of the People's Republic of China and the Government of the Union of Myanmar to Ban the Illegal Trafficking and Using of Narcotics and Stimulants" signed in Nay Pyi Taw, Myanmar, the Government of Baoshan City, Yunnan, China and the Government of Kachin Special Region No. (1) signed an agreement to establish an opium substitution model plantation program. Both parties, on the basis of friendly discussions and along with the principles of equality, mutual benefit and mutual respect, signed the following agreement to establish an opium substituting model plantation.

(I) Name of the program: Substitution Cultivation

(II) Location: Waingmaw and Shinkyai, along the Tengchong-Myitkyina Motor Road, Kachin Special Region No. (1).

(III) Method of implementation and contents

1. Method of implementation: The programme is divided into two parts, namely, a no-profit programme under the guidance of the government; and the company that shall carry out the concrete work.
2. Contents: A model plantation for various crops; training courses to improve labour and skills; and the establishment of infrastructure and social integrated services.

(IV) Implementing organisation

The Senxin Timber Liability Company Limited has been entrusted to implement the program of setting up 4,000 mu tea plantation in Waingmaw, Kachin Special Region No. (1). At the same time it is also entrusted with the duty to plant 500 mu [33 hectares] of maize, 500 mu of Caoguo (Fructus Tsaoko), and 500 mu of walnut trees there.

(V) Requirements for the programme

1. The Commerce and Trade Department of Baoshan City will give guidance to the implementation of the program. The Company shall be the organization that will carry out the program practically. The government of Kachin Special Region No. (1) shall cooperate with them during the implementation. The person in charge from the Chinese side is Li Anquan, Vice-Chief of the Commerce and Trade Department, Baoshan City. Res. Phone No [deleted by TNI], Mobile Phone No. [deleted by TNI]. The person in charge from the Myanmar side is: Zawkan Khawzone, People's Administration department, Panwa, Kachin Special Region No. (1). Res. Phone No. [deleted by TNI], Mobile Phone No. [deleted by TNI]
2. The time limit of the establishment of the program is 12 months.
3. The undertaking company shall extend not less than 2,000 mu [133 hectares] during the term of establishment.
4. The right to ownership and allocation of profits shall be determined according to the ratio of investments or as said in the agreement.

(VI) Source of capital and management

The capital for the substitution program shall be mainly provided by the enterprise, and the People's Government of Baoshan City shall provide subsidies. The implementing company shall set up a complete financial system together with special funds for special use. The daily supervision shall be undertaken by the Trade and Commerce Department of Baoshan City.

(VII) Rights and Obligations

The Chinese Side shall be responsible for:

1. The collection of capital quota for the model plantation program.
2. The mapping out of the plan for the substitution model plantation, selection of crops, providing and teaching technology and management.
3. Re-collecting the products from the plantation, processing, allocating and transport, selling, etc.

The Myanmar Side shall be responsible for:

1. The acquirement of permits and documents that will affirm the legal right to get the land to establish the substitution plantation.
2. The solving of problems relating to the establishment of program in Myanmar. Organise the local farmers to take part in setting up the plantation, cooperate with the personnel from China in holding courses for local farmers.
3. Guarantee the lawful rights of the Chinese investment and the security of the lives and properties of the Chinese personnel who come to establish the program.

- (VIII) If there is occurrence of matters not included in the agreement, both sides shall discuss the matter and resolve it.  
 (IX) The agreement shall be printed into two copies in Chinese and Myanmar, and each side will keep a copy.  
 (X) The agreement shall come into force once both sides have signed.

Signed on January 28, 2010 by:

People's Government,  
 Baoshan City, Yunnan, China  
 Representative

Government of Kachin Special  
 Region No. (1), Myanmar [NDA-K]  
 Representative

was awarded to Kachin and Chinese business elites. The Hkaya area is located off the main paved road connecting Myitkyina and Bhamo, near KIO's headquarters, Laiza town. This concession in the Hkaya area is a clear example of how the politics of cease-fire resource extraction in Kachin State and China's agricultural subsidies are closely intertwined. In order to understand the political dynamics of this concession, the main actors need to be introduced.

Among them is a well-known Chinese woman in Kachin State locally known as 'Ali Jie' ('Older Sister Ali'). Ali Jie operated many of the logging concessions in Kachin State in the 2000s due to her marriage to the then Northern Commander of Kachin State, Maj. Gen. Maung Maung Shwe. Ali Jie is still involved in logging in Kachin State. For example, since January 2010 she has been reportedly orchestrating logging near the now-cancelled Myitsone dam site. At night the logs are carried to the Yunnan border at the Kampaiti border pass in territory controlled by one of the NDA-K BGFs.

Despite this familial alliance she maintains good relations with the KIO as well, running several businesses in the KIO headquarters Laiza, and is even contracted to collect

custom duties in Laiza. This arrangement also facilitates the export of extracted resources through KIO-controlled checkpoints to China. Ali Jie maintains good trade connections in the Chinese city of Tengchong, which lies directly east of Myitkyina connected with a good road. These business alliances across conflict lines illustrate the difficulty in making generalised statements about patron-client alliances, and show how business deals can sometimes trump political allegiances.

Through her political connections and growing capital, Ali Jie started to obtain agricultural land concessions in the late 2000s, such as a 6,000 hectares farm in southeastern Kachin State. She also acquired land previously farmed by local subsistence farmers near the Washawng dam along the Kampaiti road just east of Myitkyina. In addition, she has hired several hundred labourers from Lower Burma to work her farms.

After Ali Jie made her money from logging, she teamed up with a Kachin businessmen Kareng La Seng, also known as 'La Kok'. Kareng La Seng is a former business partner of Yup Zau Hkawng, the owner of Jadeland Company, and previously the most powerful businessman in Kachin

Banana plantation in the Hkaya area



State. Kareng La Seng wanted to start his own company based on his growing Burmese military network, thanks to introductions through his boss, Yup Zau Hkawng.

Ali Jie and Kareng La Seng were then introduced to a Chinese citizen known only as 'Lao Ying' ('Old Man Ying'), with previous experience and riches made in various resource extraction sectors in Kachin State, which included working with Yup Zau Hkawng and making substantial donations to the annual Kachin traditional Manao festival in Myitkyina. He promised access to Chinese state subsidies, through China's opium substitution programme, if they were to invest together in agricultural land conces-

sions in Kachin State, as he needed local partners with political connections to make it happen. Lao Ying's Kong King Company develops rubber plantations in Kachin State.<sup>216</sup>

Shortly thereafter, Kareng La Seng started up his own company called Northern Royal Jade Company (NRJ) and obtained land and financing for a 12,000 hectares concession of rubber and banana, along with some timber trees, near Hkaya village in Daw Hpon Yan township, butted up against Laiza. It is assumed that this is in collaboration with Ali Jie and Lao Ying. As of 2010, 4,600 hectares of rubber, banana, teak, and rosewood have been planted. This concession, however, is located in the Thein Daw forest

### **Agreement for Sino-Myanmar joint-establishment of 4.000 Mu Model Tea Plantation**

The agreement has been reached between the government of Kachin State Special Region No. (1) [NDA-K] (hereinafter shall be referred to as Party A) and Senxin Timber Liability Company Limited (hereinafter shall be referred to as Party B) with the aim of enhancing a good-neighborly relationship between the two parties and along with the request of the Kachin State Special Region No. (1), Baoshan City sent technicians to Kachin State Special Region No. 1 and carried out an on the spot survey. Both sides went through thorough discussions and decided to establish a 4,000 mu [266 hectares] tea model plantation at Waingmaw and Shinkyaik, Kachin Special Region No. 1, Myanmar in accordance with the following articles.

(I) The program shall be carried out by Senxin Timber Liability Co., Ltd.

(II) The joint development of the cash crop model plantation is a joint-stock partnership program. The specific shares shall be made up of two kinds, capital and land. The ratio of shares' value is as follows: the value of the capital share is 90 per cent and that of the land share is 10 per cent.

(III) The method of joint venture is to put in investments by both parties and to distribute the profit according to the ratio of the value of shares. Cash capital shall be invested by both parties, whereas, land investment shall be made solely by Party A. Cash investment by both parties shall be put under the charge of Party B and shall be allocated by it.

(IV) As for the know-how, the Agricultural Department of Baoshan shall carry out the whole planning of the program, shall execute it and send experts to carry out planting tea saplings and holding courses on agricultural science.

(V) The Agricultural Department of Baoshan shall, during the term of contract, occasionally send experts to Kachin State Special Region No. (1) and help, as well as instruct the cultivation and planting of tea saplings.

(VI) Party B shall be responsible for supplying tea saplings, and to gather and send them to the aforesaid plantation area. The cost for the saplings and transport shall be shared between the two parties.

(VII) Security problem: Party A shall provide full security for the life and properties of the staff sent to Kachin State Special Region No. (1). Party A shall be responsible for acquiring necessary permits and documents from authorities of Myanmar and guarantee safe passage.

(VIII) The agreement shall be in force for thirty years: From July 15, 2009 to July 15, 2039.

(IX) Both sides shall be responsible for processing and marketing of the product.

(X) If there is occurrence of matters not included in the agreement, both sides shall discuss the matter and resolve it.

(XI) The agreement shall be written in Chinese and Myanmar and shall be printed into two copies. Both the Chinese version and the Myanmar version are equally effective in court and each party shall keep a copy.

Signed on 15 July 2009 by:

Party A: Kachin State Special Region No. (1) [NDA-K]  
Representative: U Ting Ying

Party B: Senxin Timber Liability Company Limited  
Representative: Li Guo Xiang



reserve, causing conflict with the central government's Forest Department. The forest provided logging revenue for both the forest department as well as the KIO.

Yup Zau Hkawng's Jadeland Company made a contract in 2007 with the government's military to build a road through the current concession area inside the Thein Daw forest reserve. Yup Zau Hkawng received permission to log the forests on both sides of the road. The road has provided militarily strategic infrastructure in a previously restricted area near to the KIO headquarters.

After the road was completed in 2009, the national military further increased its presence in the area. A military battalion was established in this new agricultural concession area to join with two government-stronghold areas in La Ja Yan and Daw Hpon Yan townships. The concession, with its new military unit, now form a triangle shape with the two other Burmese battalions in that area, forming a rather formidable military formation pushed up against KIO's stronghold at Laiza. Daw Hpon Yan township has a high military presence and is near enough to act as a launching pad to attack Laiza. La Ja Yan is the entry point from government-controlled territory into Laiza, with a government border check point which collects customs duties for cross-border trade.

The land in this concession first was granted to Mr. Hong Dao's (Hawng Dau) Ngwei Je Phyu Company (Silver White Star), a KIO officer who is also the hotel manager for Pantsun Hotel in Myitkyina. He was originally granted a thirty-year lease in 2007 from the national government

authorities. He had been allocated 6,900 hectares for rubber and 1,200 hectares for teak, making up 8,100 hectares of supposedly 'wasteland' despite the area being virgin forest land until that time. This land was then allocated to Lao Ying and Kareng La Seng for their better political connections with the then Northern Commander Maj. Gen. Ohn Myint and with more Chinese financial backing than Silver White Star could manage. Additional land was taken from Taw Win Kyaung Sein (Grand Jade Co.) and from a KIO rubber plantation.

The 12,000 hectare concession is also located along the Dapain River which has already been dammed by Chinese investors for hydropower energy for export to Yunnan. This is the area where the fighting in Kachin State resumed, after the Burma army occupied two strategic KIO post guarding the way to the hydropower dam.

Within the Hkaya concession, one village in Daw Hpon Yan township had already informally demarcated one of their hill forests as a community forest and were currently awaiting for official paperwork as a mechanism to fend off agribusiness ventures on their community land. However, after the concession was granted to Lao Ying and Kareng La Seng's NRJ company, they lost the right to a community forest title, the hill forest was clear cut, and now it is part of the Northern Royal Jade banana plantation.

Local Kachin people are not being hired as agricultural wage labourers. Company managers are instead bringing in Burman Burmese from the south, particularly from Nargis-affected areas of the Delta. There are also unskilled

Chinese labourers from mainland China, who do not have work permits but obtained border passes. NRJ Company registers the labourers with their ID cards. NRJ Company has built labour housing camps around the concession. Unskilled labourers earn 4,000 Kyat (about 5 US dollar) a day, with skilled workers earning 5,000 Kyat (about 6 US Dollar) or higher, pending on their work. These wages are

higher than other places in northern Burma, presumably because the cost of food is very high due to its remote border location.

At the time of the banana harvest in December 2010, the Burmese military blocked off the export route to China via KIO's Laiza town as punishment to the KIO for refus-

### Burma - Kachin State





ing to become a BGF group. This represented a loss of income to the KIO because they taxed each truck 25 Chinese Yuan (about 4 US dollar). As a result, the bananas had to travel further south first through La Ja Yang gate and then through Loiye, both government-controlled check points that tax each truck about 10,000 Kyat (about 12 US dollar). Despite being forced to change routes, about 50 NRJ Company trucks a day, carrying banana cardboard boxes marked 'Made in China', were transported across the border to Yunnan.

### Land Grabbing in the Hugawng Valley

Apart from the rubber boom in Kachin State, mainly financed by China's opium substitution programme, there have also been other large-scale agricultural concessions. Yuzana Company, owned by the prominent Burmese businessmen Htay Myint, was granted a 81,000 to 121,000 hectare agricultural concession in Kachin State's famed Hugawng Valley in 2006. Yuzana is cultivating mostly cassava, and to a lesser degree sugarcane, for China's domestic biofuel market. According to one Kachin researcher, by the end of 2010 Yuzana had only cultivated 12,000 hectares of their entire concession. Burmese businessmen say that Yuzana is backed by Chinese investors for this project, although this is denied by Yuzana.<sup>217</sup> It is uncommon for a Yangon-based Burmese company to be granted such a large-scale land lease in northern Burma.

Reportedly nearly 15 villages are included within the concession area (including the recent expanded area), with an estimated 5,000 villagers in the middle project zone alone.<sup>218</sup> But according to the Yuzana general manager of the concession, only six villages are located in the concession area, which includes villagers' orange orchards. The manager claimed there are only 20-30 household farming plots in that area. However, according to a Kachin environmental NGO, by February 2010, 163 households out of about 1,000 households in a total of 6 villages (Warazup, Nansai, Bankawk, La Ja Pa, Awng Ra and Jahtuzup) had already been forced off their lands and relocated to a Yuzana 'model village' with poor farming land and without fishing grounds.<sup>219</sup> The report documents 1,450 hectares of land confiscated in the surrounding 11 villages by mid-2010.<sup>220</sup>

At about the same time Yup Zau Hkawng of Jadeland Company, one of the most influential Kachin businessmen, received a 81,000 hectares concession within Hugawng Valley. In 2009, 20,000 hectares of Jadeland's concession were handed over to National Progressive Company, allegedly owned by the relative of an ex-high ranking general from the central command. The National Progressive Company has said they will plant banana, corn and sugarcane within their concession. The concession land has been heavily logged and subsequently levelled, and a boundary road has been constructed. This has led to conflict with local villagers, whose customary cultivation rights have been violated. In addition, Burmese migrant labourers have ar-

rived in large numbers to work the plantation, leading to further local conflict.

Both of these concessions also partially overlap with the world's largest tiger reserve, the Hugawng Valley Tiger Reserve, which in 2010 expanded to include most of the Hugawng Valley. The agricultural concession has thus logged crucial protected lowland forests. Two community forests have also been demarcated in the overlapping areas of the tiger reserve and Yuzana's concession, leading to yet more land use conflict.

In response to this situation, local Kachin villagers decided to sue Yuzana Company in the Myitkyina court, an unprecedented move in a country where rule of law hardly exists. They formed the Hugawng Valley Development and Agricultural Planning Committee, comprising of 19 representatives from five different villages and over 800 farmers. In 2007 they signed a petition letter in 2007 on the impact of the Yuzana Company concession on their lives and livelihoods and their lack of adequate compensation, and sent it to then SPDC chairman General Than Shwe (now officially retired).<sup>221</sup>

In early January 2011 the Myitkyina court ordered Htay Myint of Yuzana Company to pay 32,000 kyat per hectares of paddy and 150,000 Kyat (170 US dollar) per house that was confiscated.<sup>222</sup> This is roughly the same amount that was originally offered to the villagers, however. The verdict affected two groups, one representing 46 farmers and the other 17 farmers. A third lawsuit filed by a group of 20 farmers was rejected outright by the Myitkyina court. Farmers are unhappy with these results and the lower-than-expected compensation and have threatened to file an appeal to the High Court in Nay Pyi Taw contesting the State Court decision.<sup>223</sup>

While this played out in the courts, one of the farmers leading the case against Yuzana Company, Ms. Bawk Ja, contested the November 2010 national elections as a candidate for one of the opposition parties, the National Democratic Force (NDF), in Hpakant Township. Her opposing candidate was former Maj. Gen. Ohn Myint, the former Northern Military commander with strong business relations to resource extraction in the area. He was also the original broker for the concession granted to his friend Htay Myint of Yuzana Company (now a MP in Tenasserim Division).<sup>224</sup> After the 'pre-cast votes' were counted and the high number of 'illegal' votes discarded, she lost and subsequently had to go into hiding as she was wanted by the police. However, as Ohn Myint was transferred to a higher political position, Bawk Ja ended up becoming an elected official for NDF in Hpakant. She is now part of a peace committee advocating for a peaceful solution to the ethnic conflicts in the country.<sup>225</sup>



## White Gold in Shan State

Shan State is the largest of the ethnic states in Burma, and borders China's Yunnan Province, Laos and Thailand. The Shan Plateau consists of a mountainous area with relatively harsh living conditions, interspersed with fertile valleys. Two major rivers that originate in the Tibetan plateau flow through Shan State from north to south. The Salween River divides Shan State in half, and the Mekong River forms the border between Shan State and Laos.

Shan State has historically been very rich in natural resources. The silver and ruby mines have long attracted foreign and domestic investors, especially during the colonial period. The area also contains gold, lead, zinc, copper, iron, tin, antimony, coal, tungsten and precious stones. Like Kachin State, rampant logging has had a severely negative impact on the once pristine forests of the area. The worst deforestation has been in areas near the Thai and China borders, where logging companies from neighbouring countries had easy access with links to ethnic armed opposition groups, and have since largely clear-cut vast areas of Shan State. Only a few remaining areas of Shan State still have active logging, as most valuable trees have already been extracted.

Shan State also has the most diverse ethnic population in Burma. The majority Shan population mainly inhabits the towns and villages in the lowlands and valleys, and practice wet-rice cultivation. The Shan, who call themselves 'Tai' but include many sub-groups, are ethnically related to the 'Dai' in China's Yunnan Province, and the ethnic 'Thai' and 'Tai' in Thailand and Laos, respectively. They also tend to dominate trade networks. Other ethnic groups, such as the Palaung, Wa, Kokang, Pao, Akha and Lahu, have predominantly settled in the hills, and practice shifting cultivation to provide upland rice and vegetables for home consumption and trade. The Burman population is mainly confined to cities and towns. As in Kachin State, there is a large and growing Chinese population, who settled in Burma at different times in history.

Traditionally, the Wa and Kokang regions in Shan State were the main opium cultivation areas in Burma, and indeed the world. Most of the opium is grown by poor subsistence farmers who use it as a cash crop to buy food, clothes and medicines. The opium is bought directly from the farm in advance or sold at the local market after the harvest. Most traders are ethnic Chinese or Shan. Since the Wa and Kokang authorities banned opium cultivation in 2003 and 2005 respectively, opium cultivation has predominantly shifted to southern Shan State.<sup>226</sup>

### Role of Neighbouring Countries

Following the cease-fire agreements with various political opposition groups, the Burma Road, built during the Second World War connecting Kunming in China to Lashio in

northern Shan State, has been repaired and upgraded. It is now the main trade route between Mandalay, the country's second largest city, and China. Unlike the former capital Yangon, which is the country's main harbour and hub for international trade, Mandalay's economy is largely dominated by business with China. Another border crossing to China is located in the Mongla region, controlled by the ex-Communist Party of Burma (CPB) National Democratic Alliance Army (NDAA). The road from the China border down to Kengtung and the connecting border towns of Tachilek in Burma and Mae Sai in Thailand has been upgraded, and has potential to become a major trading route if current travel restrictions by the Burmese government are removed.

During the Cold War, Burma's neighbouring countries supported insurgent groups based on their borders. While China assisted the CPB and its allies along its shared border until the Indo-China political arena changed in the 1980s, Thailand supported ethnic-aligned armed groups based on their border. At the end of the Cold War, security priorities for both Thailand and China changed radically. Both countries prioritised establishing formal relations with the central Burmese military government, and therefore support for insurgent groups significantly decreased. By 1994, all armed opposition groups along the China border who broke off from the CPB had entered into a cease-fire agreement with the military government. In contrast to the situation along the China border, the New Mon State Party, which signed a cease-fire in 1995, is the only group along the Thailand border with a truce. All other armed opposition groups in Burma are still waging a guerrilla war against the Burmese government. This stark difference in where cease-fire and non-cessate-fire groups are based is due to China and Thailand employing different policies and approaches to Burma with regards to its protracted ethnic conflict and access to the country's resources.

Influence from China on northern Shan State (along the Burma Road), especially in and around Lashio and further north, has been significant since the time of the CPB. Chinese political and economic influence in neighbouring Kokang, Wa and Mongla regions is also great, and there are also close cultural and economic links with communities across the border. The Chinese Yuan is the main currency used in these special regions. As China's primary objective is to have stability along its border, China is likely to support groups like UWSA as long as they are powerful with de facto control over territory across the border. It prefers to have the UWSA on its border to SSA South, which China sees as Western backed and pro-US.<sup>227</sup>

Thailand has had a more problematic relationship with Burma. For decades Thailand had tacitly supported the insurgencies along its borders, from which it had benefited economically. However, at the end of the Cold War, the Thai government announced a drastic change in policy: turning Indo-China from a "battlefield into a market

place". Thailand formally declared that the communist threat was over, and said it aimed to be the hub of regional economic development. The same policy was applied to Burma. Hence it sought to normalise formal relations with its neighbours and promote trade and investment. For Thai policy-makers in Bangkok, the insurgencies along their border had outlived their usefulness. The 'liberated areas' were no longer seen as a buffer zone, but as an obstacle to regional economic development.<sup>228</sup>

Although there are several formal border crossings, Thailand does not have the same amount of economic involvement in Burma compared to China. Thailand has generally seen the cease-fire groups as a threat to its security, and has relied more on relations with armed groups that are still in opposition to Yangon. Thai national security interest clearly prefers the SSA-South along its border to the UWSA, which it has accused of flooding the Thai market with large quantities of ATS. The Thai government is also suspicious of China's influence over UWSA, which in the Thai press is sometimes still referred to as 'Wa Deng' ('Red Wa', a reference to their former loose association with the communists). Overall Thailand still blames Burma for condoning the drug trade, a major security and health concern to Thailand.

The Thai government has also sought to satisfy its energy needs by investing in neighbouring countries. In 2006, the Thai MDX Company signed an agreement with the Burmese government's Ministry of Electric Power to build the Tasang Dam on the Salween River in southern Shan State. The dam has been strongly criticised by NGOs and the political opposition. In 2007, the Burmese government gave control of the project to a Chinese company, reducing MDX's share in the venture.<sup>229</sup> The Yadana pipeline that transverses through Tanintharyi Division in Burma on its way to deliver natural gas to Thailand, jointly operated by Total and Chevron. The pipeline has been strongly criticised by human rights groups for forced labour and other human rights abuses, facilitating militarisation along the pipeline, and billions of dollars given to the regime leaders.<sup>230</sup>

### Conflict Actors

There are a large number of conflict actors in Shan State. Apart from the government, there are several armed opposition groups, most of them formed along ethnic lines. Some of them have a cease-fire agreement with the government, while others are still fighting. There are also a large number of militias in Shan State, who do not have a political agenda but focus on business opportunities. The government uses the militias to counter-balance ethnic armed opposition groups. These militias are engaged in various illegal activities, including the drug trade.

The government controls all major towns and roads in Shan State. It also controls the main border crossing at

Muse, on the Burma Road to China, and at Tachilek, on the main road to Thailand. However, most other borderlands with China, Laos and Thailand are under de facto control of a wide range of armed groups. There are three Burmese army commands in Shan State: the Northeastern Command in northern Shan State with its headquarters in Lashio; the Triangle Region Command in eastern Shan State headquartered in Kengtung; and the Eastern Command in southern Shan State with its headquarters based in the Shan State capital, Taunggyi.

Until 1989, virtually all territory along the China border was under control of the once powerful CPB. The CPB collapsed in 1989 after China curtailed its financial support, with war-weary Kokang and Wa troops initiating the mutinies. The military government offered cease-fire agreements to the breakaway groups and promised aid to develop their war-torn areas. The mutineers formed a number of new armies, such as the Myanmar National Democratic Alliance Army (MNDAA) in the Kokang region, the United Wa State Army (UWSA) in the Wa hills, and the National Democratic Alliance Army (NDAA) in the Mongla region in eastern Shan State.

These cease-fire groups set up their own administrative structures with civilian departments, including agriculture, health, education, culture and justice. Quality and

quantity of services of these agencies vary widely between the groups. Some of these areas, such as the UWSA and the NDAA, also have health facilities run by the central government. Although in principle these should have better qualified staff and equipment, they are mostly understaffed and lack sufficient facilities.

With up to perhaps 20,000 soldiers, the UWSA is the largest armed opposition group in the country, controlling significant territory east of the Salween River along the China border. All entry points into the region by road are manned by separate UWSA and central government checkpoints. The Wa capital Panghsang has grown into a small town with modern Chinese style architecture, shops, paved roads, electricity and Chinese communication infrastructure, as well as a new border crossing with China. Since the mid-1990s, the UWSA also controls a strategic area along the Thai border, referred to as the 'UWSA Southern Command' or the 'UWSA 171st Brigade'. The UWSA has set up its own governance structure in the Wa region, effectively creating a state within a state. The UWSA is a hierarchical and top-down organisation, and its leadership style is, like most organisations in Burma, highly personalised. The capacity of most UWSA Departments is weak, and only a limited number of the staff is able to read and write Chinese, the language most commonly used within the top UWSA administration.<sup>231</sup> The top-down decision-making

Former opium farmers in Wa region practising rubber tapping



process prevents bureaus from making any important decisions; most initiatives come from the Wa capital, Panghsang.

The NDAA army is much smaller than that of the UWSA, and its governance structure is also smaller and weaker. The NDAA controls a relatively large swath of territory bordering China and Laos. It has a close relationship with the UWSA, and the two territories are connected. The main population in the Mongla area is Akha and Shan. The town of Mongla has a large amount of casinos, mainly catering to customers from China. The NDAA also controls a ferry crossing to Laos at the Mekong River. The NDAA has made few public political demands. Its main aim seems to be to maintain the status quo, which in this case appears to be business deals.

In Shan State, only the Myanmar National Democratic Alliance Army (MNDAA-Kokang) has agreed to transform into a BGF Battalion. This followed the takeover by the Burmese army of the Kokang region in August 2009, effectively ending a 20-year old cease-fire with the MNDAA. During the conflict, a rival group sided with government troops, and was given nominal control over the region. The Kokang population is ethnic Chinese who migrated to Burma centuries ago, but the region also includes other ethnic groups, such as Palaung and Hmong.

The UWSA and the NDAA both rejected the BGF proposal.<sup>232</sup> Following their refusal, communication with the government was cut. The cease-fire areas also face economic isolation from government controlled areas. All government staff, including doctors, nurses and teachers, were withdrawn from cease-fire areas in the Wa and Mongla regions.<sup>233</sup> Tensions were high, and speculations of Burmese army offensives were rife, but fighting did not occur. Fighting did occur in northern Shan State, however. In March 2011, the Burma army attacked part of the Shan State Army-North (SSA-North), which had also refused to become a BGF, and now calls itself Shan State Progress Party/Shan State Army (SSPP/SSA).

In early September 2011, the UWSA and the NDAA signed new cease-fire agreements with the new Burmese post-election government. These agreements, however, basically maintained the status quo. They stipulate that both sides will continue the cease-fires, re-open liaison offices, report on any troop movements outside their respective areas in advance and in agreement with the other party, and have further discussions in the future if these are required. These agreements do not address any of the political grievances and aspirations of the UWSA and NDAA, and thus can only be seen as a temporary agreement. The positive news is that the BGF proposal is apparently now off the table for these groups.

A second meeting also enabled the return of Burmese government staff (mainly health and education) as well as UN

agencies and INGOs to the Wa region. According to one source, the agreement also stipulates that the UWSA can continue to maintain relations with China. It also shows that the government continues its strategy of conflict management – rather than solving it – by making different agreements with different groups, focusing on security issues rather than on political dialogue.

Until recently, the main group in Shan State still fighting the central government was the Shan State Army-South (SSA-South). It has number of bases along the Thai border, and is fighting a guerrilla war in the centre of southern Shan State. In November 2011, the SSA-South agreed a cease-fire with the government.

There are also a large number of militias in Burma. According to a report by a Shan exile media group, there are 42 different militias groups in Shan State alone.<sup>234</sup> The smaller groups may have fewer than twenty soldiers, whereas other forces may number up to two or three hundred. Most of them are headed by local leaders and many are formed along ethnic lines. There are various Lahu militias in southern Shan State, for example, while in northern Shan State there are Kachin, Shan, Lisu and Chinese militia groups. These include paramilitary groups that were formed in the 1960s and 1970s under the auspices of the central government to counter the CPB-led advances, as well as the more recent breakaway groups from the Mong Tai Army (MTA). These groups, having no clear political agenda, are mostly involved in business, especially the drugs trade. The Burmese army uses them as a buffer at strategic places in border regions with neighbouring countries and against large cease-fire groups, such as the UWSA. Several cease-fire groups or factions of them have also been transformed into militias. These include the Kachin Defence Army (KDA), the Palaung State Liberation Army, the Shan State Army – North (3rd and 7th Brigades), the Pao National Organisation, and the Mong Tai Army Peace Group.<sup>235</sup>

### Rubber Concessions

At the same time that the agribusiness boom arrived in eastern Kachin State in the mid-2000s, northern Shan State started to be divided into large-scale, private agricultural concessions. “At first we thought that the ‘emergency phase’ after the cease-fire agreements in northern Shan State was over and we should move to implementing community development projects,” said a local NGO worker in Shan State. “But in fact we now realize with the current land grabbing situation that the storm had actually not even arrived yet. Now the situation is really bad.”<sup>236</sup>

Northern Shan State around Lashio, Kutkai and Muse along the old Burma Road, as well as in Kokang and Wa Autonomous Areas in northeastern Shan State, are now dotted with agricultural estates, largely but not only rubber. Rubber is often referred to as ‘white gold’, or shwe phyu, in Burmese language. While the physical landscape

may appear similar to that of nearby Kachin State with rubber fields extending away from valley roads up into the highlands, the politics operating behind these land concessions are different.

The political and economic histories of northern Shan State have evolved into particular political, economic and racial relationships with Yunnan province, Yunnanese migrants, and China at large. For example, many of the businesses operating in northern Shan State are run by Sino-Burmese, Sino-Shan, or Chinese born in northern Shan State. The Kokang region is inhabited by ethnic Chinese who refer to themselves as Kokang, who migrated to northern Burma several hundred years ago. In the 1950s, thousands of Kuomintang (KMT)-defeated supporters were pushed out of China by the winning communists, providing another migration flow from China and subsequent influence.

Moreover, more recent resource extraction opportunities in northern Shan State have invited new Chinese immigrants, largely from across the border in Yunnan, but also from more far-flung provinces in China, which has opened up new business connections to China. According to TNI research, Kokang Chinese businessmen play an important intermediary role between Burmese military government officials and mainland Chinese investors in obtaining agricultural concessions in northern Shan State.

### Extent of Agricultural Concessions

Similar to Kachin State, only fragments of information can be put together on the extent of agricultural concessions in northern Shan State. Agricultural concessions are predominately along major roads, reducing household farm-

ing to small plots. Villages further afield seem to be so far largely spared from the concession boom. However, farmers pushed away from the infrastructure routes to make way for agribusiness concessions has had the knock-on effect of forcing these uprooted farmers to look for new swidden lands further away from roads, spreading impacts deep into the countryside.

The agriculture ministry's 2010 data on agribusiness investment lists nine different Burmese companies holding nearly 16,500 hectares of agricultural concessions in northern Shan State, growing all agricultural crops.<sup>237</sup> But information compiled by ARDC reports over 20,000 hectares by a total of seventeen companies (see Table 6). The companies have Burmese names and most were never heard of by local researchers, who instead gave names of local influential businessmen who secured agribusiness contracts. The majority of agricultural concessions appear to be rubber.

However, data from other government agencies contradict the figures above. While the agriculture ministry lists 16,600 hectares of agricultural concessions, the same ministry lists in 2009-2010 a total of over 52,000 hectares of planted rubber in Shan State (not just the north). The most recent data available for 2010-2011 lists a total of nearly 58,000 hectares, or about 6,000 additional hectares of rubber from the previous year.<sup>238</sup> Furthermore, Shan State (mostly just the north and east) has a national target of reaching a total of 145,000 hectares of rubber alone (compared to 40,000 hectares in Kachin State).<sup>239</sup> This government data records much higher amount of hectares of agricultural concessions established than that provided by ARDC and the government's agribusiness investment data. The discrepancy listed here among data provided by the government, ARDC, and local researchers is the same situation for Kachin State. And the same caveat to this data holds true as for Kachin State: it is presumed that areas not under government control are not included in these figures, and it is unknown the degree to which the concessions have been actually planted. This is especially important for the case of Shan State as there are many non-government controlled territories, the Wa area being the most important among them as it appears to have the largest area of rubber planted.

The lower elevations in northern Shan State are particularly targeted for rubber cultivation, as they have higher temperatures and are more suitable for the crop. Along the old Burma Road linking Lashio to Muse via Kutkai, many rubber plantations have been established on both sides of the road that leads up into the hills, much like the situation in Kachin State. Rubber is also being established beyond the Burma Road, such as around Nam Tu. The land along the road from Lashio to Mone Yaw also has rubber cultivated from confiscated land since 2007.<sup>240</sup> The area around Kunglong, which has a lower elevation, is also being targeted for rubber cultivation. The elevation from Kutkai to Muse is quite high and so not as ideal for cultivating rubber; in this



Rubber plantation in Wa region

**Table 6: Land Allocated to Private Companies in northern Shan State, August 2010**

No.	Company Name	Township	Area Allotted (hectare)
1	May Flower Hosana Green Farm Enterprise	Kutkai	4,492
2	Shwe Kone Myint	Kutkai	4,000
3	Do. Inn Arr	Namtu	400
4	Khin Maung Win Myint Tar Yin Khwin	Namtu	202
5	Shwe Pyae Sone	Moe Mate	607
6	U Win Sein Htet Aung San	Mabain	2,685
7	Nant Chin Rubber Enterprise	Laukai	2,023
8	Hnin Hnin Khaing	Lashio	81
9	Diamond Star (Shwe Wah Myay)	Naung Cho	2,023
10	Water Company	Lashio	81
11	Aung Paw Company	Minekhet	810
12	Croasia	Naung Cho	160
13	Shan Yoma	Lashio	400
14	Shwesabar		283
15	T&C Co. Ltd.,		747
16	Yadanar Myat Company	Kyaukme	40
17	United Metal Co.	Kutkai	465
		Kyaukme	471
		Hsipaw	45
	<b>Grand Total</b>		<b>15,523</b>

Source: ARDC

case other crops, such as cassava, seem to be a more popular crop of choice for Chinese investors.

Government-controlled areas and territories controlled by different armed groups around Tachilek district along the Thailand border have also facilitated vast rubber expansion over the past half-decade. Lahu militias have transformed swidden hillsides into rubber concessions in Tachilek and Mong Hsat townships in eastern Shan State along the northern Thailand border since the mid-2000s. Burmese army officers are also joining in the rubber boom in these areas, competing with various militia groups to obtain sufficient land.<sup>241</sup> These large-scale land clearings could even be responsible for the acute air pollution problem in northern Thailand during the dry season.

There is also considerable Chinese agribusiness investment around Mongla in territory controlled by the National Democratic Alliance Army (NDAA). Chinese businessmen have not only cultivated rubber in the Mongla region, but are also engaged in growing bananas and maize, among other crops, all for export across the border to Yunnan.<sup>242</sup> Since Chinese agricultural investment in Mongla began to flood in, other areas of the Shan State-Yunnan border have also been targeted for Chinese land investments.

In addition to rubber, maize is also an important crop being significantly invested in by Chinese and Thai businessmen, although it is not known to what extent. Maize is

mostly grown under contract farming arrangements rather than large-scale private concessions. Chinese businessmen are also obtaining maize concessions in different parts of Shan State along the Yunnan border, as recorded by both Chinese and Burmese governments and Chinese language websites. The maize grown in the border regions is destined for the Chinese domestic market. Maize is the second most important crop after rubber for China's opium substitution programme. According to limited Chinese government data, over 2,300 hectares of corn was planted in northern Burma by Chinese investors under the substitution programme by 2008-09, with import quotas of over 11,000 tons, although this data is incomplete.<sup>243</sup> In May 2011 alone, China imported over 12,000 tons of maize, much more than previous months and years, to offset domestic supply shortages and rising food costs in China. Three-quarters of that month's imports were from Burma, a country increasingly providing for China's domestic maize demand as an alternative source to US supplies.<sup>244</sup>

Several foreign investors are behind the maize production boom in the Shan hills. Thailand's prominent Charoen Phokphand Company (CP) has established strong control over maize contract farming in Shan State, with an office in Lashio. CP has vertically organized its value chain in order to deliver hybrid maize seeds to farmers to sow instead of their traditional varieties, to sell chemicals to the farmers for the new seed varieties, and to purchase their harvest. The maize is then either exported across the border to

Yunnan where CP is also increasing its share of the market, or to supply their livestock feed chain in Burma. However, according to sources in Lashio, CP has been out-competed by Chinese businessmen in recent years, with the northern Shan State military commander apparently banning CP chicken from being sold in Lashio.<sup>245</sup>

### The Hongyu Group Company

The Hongyu Group Company is a large Chinese agribusiness investor from Yunnan province that is actively engaged in poppy substitution projects in eastern and northern Shan State.<sup>246</sup> The Hongyu Group Company, in cooperation with relevant departments of the Yunnan provincial government, has worked with relevant Burmese authorities since 1998 on opium substitution cultivation along the China border. Agreements were concluded in 1999 and 2003 with local authorities in opium growing areas in northern Shan State, mainly UWSA. According to the company's chairman Ma Zhengshu, these programmes are "aimed at relieving the shortage of rubber supply needed by China as well as the world on the one hand, and reducing the opium poppy cultivated area on the other."

The company's website claims, "In order to follow China's principle of 'regarding neighbouring countries as friends and partners,' and to carry out the policy of 'helping neighbouring countries develop drug-crop substitution cultivation' by the Yunnan Commission of Narcotics Prohibition, to cooperate with the international anti-drug undertaking and reduce the drug hazard to China and even to the

world." The company website advertises how "the Yunnan Hongyu Group has been actively engaged in developing the drug-crop substitution cultivation outside China for years, and has paid much attention to cultivation of poppy-substituted crops."

The Yunnan Hongyu Group Company was established in February 1995 and is located in Kunming, the capital city of Yunnan Province. Hongyu Group Company is involved in a wide range of business activities, including education, agricultural industry, opium substitution cultivation, and high-tech industry. It has been one of Yunnan's large-scale private enterprises since 2002, and reports to have over 5 hundred million Yuan (80 million US dollar) in assets. In March 2004, the Yunnan Commission of Narcotics Prohibition awarded Hongyu Group Company the 'Prize for International Cooperation in Border-Area Narcotics Prohibition.'<sup>247</sup>

The Yunnan Green Treasure Industrial Development Company, Ltd., a subsidiary of Hongyu Group Company, was founded in 1999 to work on agricultural development in opium growing areas along China's borders. The company made agreements with various central and local governments, as well as with armed ethnic groups in Burma, such as the UWSA's 171st Military Region along the Thai border. It has a contract to develop about 100,000 hectares of rubber plantations between 2004-2014, as well as 6,600 hectares of lemon trees between 2009-2014. According to the company's report, they have since 2009 established in Shan State 5,600 hectares of longan, 1,000 hectares of

Former opium farmers in Wa region practising rubber tapping





Wulong tea, 1,000 hectares of tangerines, and 33 hectares of banana. “Green Treasure has become one of the enterprises in the ‘Golden Triangle’ area with the widest range of substitution crops and strongest industrial support,” writes the Hongyu Group Company chairman.<sup>248</sup>

The Hongrui Lemon Development Co., Ltd., the largest lemon growing and processing enterprise of China, is also affiliated to Hongyu Group Company. In 2009, the company reported building a 200 hectares demonstrative maternal lemon garden along the Sino-Burma border and a 13,300 hectares lemon base in Dehong Prefecture of Yunnan Province. In the meantime, it concluded a cooperative agreement on opium substitution cultivation with Shan authorities to develop a 3,300 hectares) lemon agricultural base near the Chinese border town Ruili/Muse.

Other sources confirm that Hongyu Group Company arranged contracts in 2006 to establish 2,000 hectares of rubber in Mong Hsat Township under Shan State’s Southern Military Command along the Thai border, as well as an additional 2,000 hectares of rubber in Tachilek Township. The contract was enforced in March 2007 when the Tachilek military field commander ordered seventeen villagers to cut and burn forests around their settlements to prepare for rubber planting for Hongyu Group Company.<sup>249</sup> According to a report by ethnic Burmese environmentalists, Hongyu Group Company has already established 81,000 hectares of rubber in Shan State.<sup>250</sup>

### The Wa Rubber Revolution

Government data on rubber concessions excludes the Wa and Kokang regions. These two areas – especially the Wa region -- are the parts of Shan State that have been most heavily targeted by Chinese agro-investors under the opium substitution scheme. These concessions have been made in concert with the UWSA and the now defunct MNDAA in their respective territories. Although there are no reliable data on the exact extent of rubber growing in these areas, it is clear based on research that the region has been transformed into a ‘rubber belt’.

Following the implementation of opium bans in the Kokang (2003) and Wa (2005) regions, local authorities have promoted mono-cropping as a way out of poverty and opium cultivation. In the Wa region the authorities have aggressively promoted huge rubber plantations, and now entire mountain ranges are covered by rubber trees. Tea plantations are also being promoted, mainly in areas of higher elevation, such as in Mong Mao in northern Wa region and in parts of northern Kokang region. Sugarcane is grown in some lowland areas, such as in Mong Pawk District in Wa region, and in the southern part of the Kokang region.

In early 2009, Wa leaders claimed they had provided income opportunities for former poppy growers by develop-



UWSA soldier in Panghsang

ing 33,000 hectares of land for rubber production, 13,000 for tea and 6,600 for sugarcane.<sup>251</sup> An ex-development Burmese worker in UWSA area claims that the Wa authorities set a target of increasing rubber by 1,000 hectares every year until 2010.<sup>252</sup> By late 2010, a UWSA agricultural official claimed there are 84,000 hectares of opium substitution agricultural plantations in the northern Wa region alone, with 66,600 hectares entirely dedicated to rubber.<sup>253</sup> Data compiled from township offices in UWSA area in 2009 record 13,000 hectares of rubber, about one-fifth of which is under Hong Pang company - whose shareholders include UWSA leaders - in Mong Mao district.<sup>254</sup> This number is now considerably higher as a significant amount of rubber in the Wa region has been planted since this time.

Most alternative cash crops have therefore been initiated by the local Kokang and Wa authorities, in cooperation with Chinese companies. According to a representative of the UWSA Agricultural Bureau, over 40 Chinese agricultural companies are active in Wa region. The Chinese companies provide the seedlings, fertiliser, expertise, and payment for labour, while the Wa authorities provide the land and the manpower. The Wa authorities levy a tax on the products exported to China. The Chinese businessmen also pay the villagers wages to establish and maintain the plantations.<sup>255</sup>

The opium bans, which are strictly implemented, have left ex-poppy farmers very vulnerable as their primary income has been stripped from them without a systematic

plan devised to provide alternative livelihoods, apart from introducing mono-crop plantations. However, the rubber plantations in the Wa region have created many undesired effects and do not significantly benefit the local population.<sup>256</sup>

### Food Security

According to the UWSA Agricultural Bureau, following the opium ban, nearly 50 per cent of the population in the northern Wa region can produce enough rice to feed their families for only three to six months of the year, and some only just one month. According to a representative of the UWSA Agricultural Bureau: "Food security is the most urgent need [in order] to address this situation."<sup>257</sup>

Coping mechanisms include trying to increase food production and/or grow alternative crops. However, there are many factors inhibiting communities from doing so. Most of the Wa region consists of steep mountain ranges, and farmers practice upland shifting cultivation. Their fields are rain fed, not irrigated.

The main problem, however, is that the most suitable land for the industrial agricultural concessions promoted as opium substitution is the same land on which rice and other edible crops are best grown by local communities. The land used for poppy cultivation is at much higher elevations with poor, alkaline soil conditions, undesirable for growing alternative cash crops as promoted by Burmese and Chinese governments. According to UWSA Vice-Chairman Xiao Min Liang, "The best land to promote rubber and sugarcane plantations [with investment of Chinese businessmen] is also the best land for food crops. Therefore we had to face this conflict between land for food and land for alternative crops. We had no other option to promote job opportunities for farmers."<sup>258</sup>

Some farmers have attempted to grow small plots of tea, sugarcane and walnut as alternative cash crops, either with assistance from Chinese companies and the local authorities or from international organisations. This help has been given mainly in the form of providing seedlings and technical know-how. But these crops require some investment, and can only provide a yield after several years. Very few farmers have been able to establish their own production, as they have neither the capital nor time to wait until harvest.

Apart from trying to increase food production or grow other cash crops, out of despair people have also resorted to collecting various non-timber forest products (NTFPs). "Before the opium ban we could get enough income by working in the poppy field," says a 32 year-old Wa man from the northern Wa region. "But now daily labour is very difficult to find, that is why most people here collect roots."<sup>259</sup> People not only collect roots but also tree bark and other meagre NTFPs, and sell these to Chinese traders in the local market. Trucks full of bags with such products

can be seen on the roads leading to China. This heavy reliance on collecting NTFPs has had a severe negative impact on the environment. Some of these NTFPs have already become scarce because so many people are gathering them. As a result of this situation, the large majority of ex-poppy farmers have come to rely on casual labour for income. After the opium ban, this solely consists of work as on-farm wage labourers, mostly rubber but also other mono-crop plantations.

### Wa Business Models

According to the UWSA Agricultural Bureau, it regulates agricultural plantations according to size. Plantations under 1,000 mu (67 hectares) only need permission from UWSA county or township authorities, while plantations between 1,000-3,000 mu (67-200 hectares) need to be approved by the UWSA Agricultural Bureau in their headquarters at Panghsang. In the case of plantations of over 3,000 mu (200 hectares), the businessmen must go through central UWSA authorities. Local communities are not involved in the decision making.<sup>260</sup>

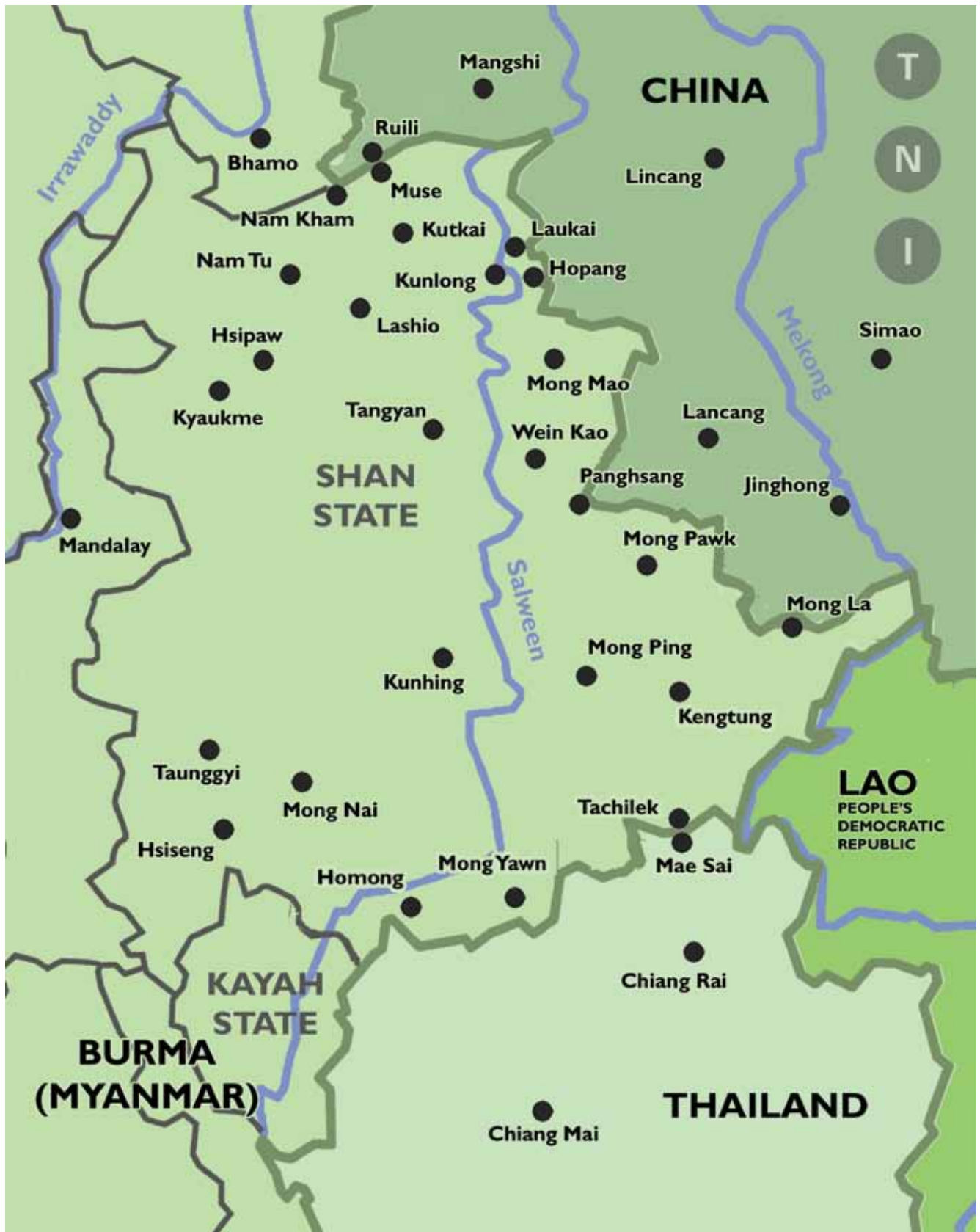
There are different types of companies operating in UWSA areas subjected to these guidelines. These are Chinese companies from China operating by themselves; joint ventures between Chinese companies and UWSA authorities; and Wa companies (which are usually fully owned by UWSA military authorities). One Burmese ex-development worker in the Wa region estimated about 30-40 rubber plantations are owned by Wa military authorities, but that they rely on Chinese businessmen to provide the seedlings, transportation permits to export to China, and technological advice. For this arrangement, the Wa authorities receive 70 per cent of the profit, with the Chinese investor obtaining the rest. For 100 per cent-operated Chinese rubber concessions, the Wa authorities provide the land and labour (through forced confiscation and conscription), but it is operated and leased by the Chinese investor. It is unknown what taxes are paid by the Chinese for this arrangement, nor the profit-sharing agreement.

Farmers are paid small fees to clear the land, dig holes, plant the seedlings, and maintain the rubber plantation. Only during the first two, maybe three, years are they able to do any inter-cropping to enhance their food security. After that period, the need for daily labour on the rubber plantation decreases, and is limited to tending the rubber plants until they are about seven years old and start to produce rubber latex. Wa agricultural officials claim there is a severe labour shortage, as over one million mu (66,667 ha) of rubber requires a vast supply of wage labourers.

### Forced Labour

Local communities are also forced to work on the rubber plantations by the Wa authorities. UWSA township authorities give UWSA village authorities a labour quota for

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working the rubber plantations in the area for one month. According to an international aid worker based in the Wa region, “There is not a single household [in this township] that does not have to contribute work on the rubber plantation. They are forced to work, but they receive some payment.”<sup>261</sup> Forced labour demands on the population,

whether on plantations or infrastructure projects, decrease opportunities for communities to find casual wage labour.

In some reported cases the local labourers received about 5 Yuan (0.8 US dollar) per month per mu (less than for this kind of forced labour on the rubber plantations).<sup>262</sup> A

Farmland near Mong Pawk in the Wa region



high-level Wa agricultural official said labourers received 6 Yuan per month per mu, plus 30 kilograms of rice per person per month.<sup>263</sup> In other cases higher wages have been reported, up to 15 Yuan per day.<sup>264</sup> Not only are these very low wages, but it is also only for 4 months out of the year when labour is needed, which happens in the same period when farmers need to prepare and plant their upland swidden fields, if they still have any land to farm. The overlap in timing presents a huge obstacle to food security for farmers. Moreover, in practice these labourers may not receive even these meagre financial benefits due to corruption, as the Chinese investors pay the local authorities for the labour, not directly to the labourers themselves.

According to Wa officials, they have been able to employ 70 per cent of the villagers in rubber plantations, although others believe the percentage may be only as high as 50 per cent.<sup>265</sup> Overall, even in the best of circumstances, on-farm

wage labourers are paid minimal cash to prepare the concessions – all of which interferes with their own subsistence agriculture's seasonal demands. Due to labour shortages, the households cannot fully attend to their upland plots, which has caused an estimated reduction of up to one third of paddy area cultivated in 2008 and contributes to endanger food security in the area. Forced labour may also seriously impede the construction of water supply systems and schools for which male labour force from communities is often required by local Wa authorities for up to three months.<sup>266</sup>

### Dispossession

After the opium ban, the Wa authorities also moved people to areas near rubber plantations to ensure sufficient available labour. Wa leaders say that in Man Man Sein, Nar Kao and Pang Yan Townships of Wein Kao District, 100 per cent of the families are involved in the rubber plantations. "The rubber is a positive thing," says a Wa leader. "But it is difficult to expand because of the lack of labour. Now we are moving people to rubber plantations. It is based on annual labour demand, and is a permanent resettlement. These people have to take care of the rubber plantation continuously."<sup>267</sup>

These new developments and labour requirements have led to the ad hoc emergence of new 'rubber villages' with temporary housing settlements and limited shops. A similar trend is seen around the Burma Road in northern Shan State and in eastern Kachin State. NGOs are concerned that these new satellite rubber villages will have no access to necessary services, such as education and health, with serious socio-cultural impacts.

One estimate of landlessness suggested it has affected between 20 per cent and 50 per cent of households in Wa areas due to the forcible transfer of swidden lands to rubber plantations.<sup>268</sup> As much as 10 per cent of village household labour in UWSA areas has been forcibly moved to act as free or very cheap labour.<sup>269</sup> For example, 125,000 Wa villagers from Panghsang were forcibly resettled by the UWSA into its Southern Command along the Thai-Burma border in southern Shan State as part of a strategy partly linked to rubber development.<sup>270</sup> The UWSA hopes that the Southern Command will produce enough rice, vegetables and fruit to offset the food shortage in the Northern Wa Region following the 2005 opium ban. The UWSA has set up large plantations in the area, including oranges, corn, beans, and coffee. There has been some support from China, including agricultural training as well as provision of seeds.<sup>271</sup>

The politics of rubber development in Wa territory underlines the dangerous mix of aggressive rubber promotion, close ties to Chinese commercial interests, food insecurity and dispossession. Rubber replacing former swidden fields has exacerbated an already dire situation for Wa communities and their capacity to feed their families. According to a

UN representative in Burma working in the Wa region, the Wa rubber revolution has transformed Wa territory into a “Chinese vassal state.”<sup>272</sup>

### **The Politics of Agricultural Investment**

Rubber investment patterns in northern Shan State have some similarities with Kachin State. Agribusinessmen from China obtain concessions in government-controlled territory through the regional Burmese Army military commanders. This is also the case for plantations in areas where various government-backed militias operate. These militias are able to operate because of their patronage to the regional military commanders and leaders in Nay Pyi Taw.

The main difference is the large number of different authorities that operate in northern Shan State, which complicate the mechanisms through which concessions are obtained by investors. These include various government-backed militias, and ethnic armed groups with and without a cease-fire.

Among the larger militia in northern Shan State is the Mangpang Militia,<sup>273</sup> with their headquarters in a village of the same name nearly 30 km southeast of Lashio in the Tangyan area, wedged in between Kachin Defence Army’s (KDA) (see below) and UWSA territory. This militia broke away from Khun Sa’s army, and is led by ethnic Chinese who maintain a Chinese identity and prefer doing business with Chinese citizens. Mangpang’s company name is ‘Nyein Aye Myae’, or Peaceful Land Company.

There are a large number of agricultural concessions in the territory where the Mangpang Militia is active. However, there are even more plantations owned or facilitated by Mangpang Militia leaders in government-controlled territory, or areas controlled by other militias, such as the KDA. For example, the Mangpang Militia operates three rubber plantations of 200 hectares each in Kharshi village near Tang Yang, about 15 km from Lashio. According to a local researcher, the regional military commander in northern Shan State gets a cut on all their profits as he provides them permission and security. There are unconfirmed reports of forced labour for some of their rubber plantations.<sup>274</sup> In Mangpang Militia territory there is also increasing poppy production, again under the protection of the military commander.<sup>275</sup>

The Kachin Defence Army (KDA) in northern Shan State was originally part of the KIO, but broke away in the early 1990s, and now has militia status.<sup>276</sup> KDA’s territory is around Kutkai, half way between Lashio and Muse on the China border. Some of their leaders allegedly are involved in agribusiness deals, although KDA leaders are more involved in gold mining with Chinese businessmen. KDA leaders collaborate with Mangpang Militia leaders as the territory they operate in overlaps. The Mangpang Militia

has liaison offices in KDA administrative territory bordering their own area, for example. There are several rubber plantations operated by these groups in these areas.

Another large group is the Tar Moe Nye Militia. It is led by Myint Lwin (Burmese name), also known as Wang Guo Da (Chinese name), an important Kokang businessman based in Ta Moe Nye village, adjacent to Kokang territory. His company is named Ta Moe Nye Chan Thar Company, with an office in Yangon. Myint Lwin had a close personal relationship with former SPDC Chairman Senior General Than Shwe (now officially retired). It is believed that he introduced Than Shwe to Chinese businessmen interested in resource extraction projects in the 1970s when Than Shwe was based in Ta Moe Nye. Myint Lwin has been involved in resource extraction in northern Shan State since that time, and has facilitated several contracts with Chinese businessmen, because of his good relations with the regional and national level Burmese army military officers.<sup>277</sup> Myint Lwin contested in the 2010 elections on a USDP ticket and is now a representative in the Shan State parliament. He is also accused of involvement in the drug trade.<sup>278</sup>

The Kokang region is inhabited by ethnic Chinese who arrived in the area centuries ago. The mountainous region is located immediately north of Wa region, tucked up in the most northeastern part of Shan State between the Salween River and the Yunnan border. The Kokang are considered ‘local Chinese’ in Burma. Following the collapse of the CPB, ethnic Kokang began to settle in Lashio looking for new economic opportunities. The Kokang speak a Chinese dialect, and maintain close business relationships with Yunnanese businessmen.<sup>279</sup> The political and economic history of the Kokang region has tied the area closer to China than to Burma, and has placed it in a prime position to facilitate Chinese investment in resource extraction, most recently agribusiness ventures.

### **Rubber Concession Case Studies<sup>280</sup>**

In 2008, four rubber concessions totalling almost 200 hectares were allotted in a village composed of Wa, Shan and Kachin communities in northern Shan State. Three of the concessions were owned by Kokang Chinese businessmen and one by a Shan businessman. The villagers’ taungya (swidden) land was forcibly taken, and they only received minimal financial compensation. The villagers complain that they have much less land now for grazing their cattle, as their animals are not allowed to graze in the rubber plantations. Some businessmen allow the wage labourers working on the rubber plantations to inter-crop maize and sesame during the first three years of the rubber plantation, when the rubber trees are still small. However, their labourers are not the local villagers whose land was taken for the concession. Instead, daily wage labour for the rubber plantations are made up of mostly Shan and Chinese from Lashio, who work on the rubber plantations for extra income.

The government-appointed village headman wrote a petition letter to the authorities in Lashio complaining about an agricultural extension officer surveying land in his village to further allocate plots to a businessman. The provincial office responded by not giving away any land belonging to the headman, but instead providing other land in the village. As a result, villagers whose land was confiscated now farm further away from their village. However, this new farm land is rented from other villagers at 12,000 Kyat (about 15 US Dollar) per hectares per year. They have to continually plant on the same plot every year instead of shifting to different sites using traditional taungya methods as before. This permanent agricultural cultivation system requires more fertiliser and the use of higher yielding hybrid seeds, both of which are purchased from Chinese businessmen, who are happy to provide these costly inputs. These farmers are mostly doing maize contract farming with Chinese businessmen.

In another village in northern Shan State, composed of Shan, Kachin, Palaung and some Burmans, a Chinese company known as T & C Company obtained an agricultural concession in 2007, which has since expanded every year, to reach 800 hectares by December 2010. T & C Company has a Chinese owner, but the managers fronting the company are local Burmese businessmen with military connections, specifically with the northern Shan State Burmese army regional commander. This high-level military connection enabled the company to receive a larger concession size compared to other concessions in northern Shan State, which usually average between 200 to 400 hectares in total in a village or village tract.

Rubber is the main crop in this concession, but *Jatropha* (physic nut or jet su in Burmese) is also planted, along with some food crops inter-cropped between the rubber seedlings. Some 70 households in the village were forced to give up their land to the company, with each household compensated about 60,000 Kyat (about 75 US dollar). However, the villagers were not happy with being forced to sell their land for such low compensation. They sent a petition letter to the district government office, but did not receive any response.

Wage labourers in T & C Company's concession are hired mostly from Lashio and in general already have some experience with rubber plantations. They are mostly Shan, Palaung and Burman, and receive on-site housing and a minimum daily wage. Only a few workers are from local communities in the concession area. The villagers whose land was taken for the concession have had to travel far from the village to find hillsides to farm. The concession has also greatly reduced land available around the village for cattle grazing.

The Sein Wood Mon Company has a Chinese investor from mainland China, but is fronted by an unknown Burmese businessman from Mandalay. The company has

received several large-scale concessions in two village tracts in northern Shan State. The company has developed a good relationship with the northern Shan State Burmese regional commander, who in turn facilitates obtaining land for the company.

Sein Wood Mon Company has established a total of 1,600 hectares of rubber in this area. A total of 2,500 hectares of the villagers' customary shifting cultivation lands were confiscated for this company by the regional commander without any financial compensation. In return the company offered 10 collective hectares to each of the two villages. Villagers were afraid to speak out since the land transfer was conducted by the regional commander. In exchange for his help, the company gave one plot to the commander within the company's concession. Some local villagers were hired as agricultural wage labourers for 2,000 Kyat (about 2,5 US dollar) per day per person, but most of the labourers are from Central Burma and Lashio. The concession areas were clear cut to make way for the rubber, leaving little wood left near the village for villagers' needs for firewood and house repair. The concession also has land available for cattle grazing for local communities.

Sein Wood Mon Company also received a total of 890 hectares of customary village taungya land to plant rubber, as well as some maize and paddy in another village in northern Shan State. Some local villagers were hired as wage labourers for the plantations at 2,000 Kyat per day, but most labourers are Shan and Chinese from other areas in northern Shan State and Burmans from the central part of Burma. Villagers say they do not want to inter-crop the rubber because they are afraid they will accidentally cut a rubber seedling and get into trouble. Villagers complain that they no longer can get any firewood because all the forests around the village have now been cut for these plantations. Also they do not have grazing fields any more for their cattle, and are scared to use concession land for grazing after one of their cattle was shot after entering the plantation.

The company also has concessions in other villages. Sein Wood Mon Company is currently investing in tea plantations and has built a tea processing factory in the area. They have also started to invest in orange plantations. All agricultural produce from these concessions is for the Chinese domestic market.

### **Labour in Rubber Estates**

As is the case in Kachin State, the wage labourers on agricultural estates in northern Shan State are predominately ethnic Burmans from the central part of Burma as well as from the Irrawaddy Delta region, the latter devastated by Cyclone Nargis in May 2008. The influx of agricultural wage labourers from outside northern Shan State appears to have had less of a negative reaction from local villagers due to a different history of migration and ethnic identity

compared to Kachin State. Burmans and other ethnicities have been migrating into northern Shan State from Burma for a few decades, making the recent spate of agricultural work available to migrant workers less threatening to some villagers' notion of ethnic and national identity. However, resentment at Chinese agro-investment, which they see as causing many of their hardships, has been escalating to unprecedented levels.

Those farmers whose lands were confiscated for the concession are not being hired as labourers on the rubber plantations, just as in Kachin State. The dispossessed villagers find swidden fields to grow upland rice much further from

their village, sometimes far enough that they must sleep there for weeks at a time to tend the fields, forming 'satellite villages' that are also developing in Kachin State.<sup>281</sup>

The land confiscation as well the labour conditions on the agricultural estates have caused great resentment among the local population. "Villagers are expressing a lot of anger at Chinese agribusinessmen, and they want the Chinese all out", says a local staff of an international NGO working in the area. "The villagers are afraid about Chinese rubber plantations expanding further. This situation is what we call a 'rubber empire'.<sup>282</sup>

### **Public Announcement of Chinese Import Quotas from Opium Substitution Projects in Shan State in 2009<sup>283</sup>**

In terms of "the 2009 declaration in Yunnan on the Opium poppy substitute cultivation of buying back agricultural products and processed products in the Foreign Areas Outside the Border of Yunnan Province to the domestic import scheme notice" by the Office of Substitution Management of Yunnan Province (No. 13,2008) notification requirements, the application will now be sold back to the domestic agricultural products in 2009 and the processed products of the quota of alternative program- related publicity is as follows:

Yunnan Jin Chen Investment Company, registered in 2006 with capital worth 16 million Yuan (2.5 million US dollar), has engaged in rubber plantations in Longkwa Area, Mongmao County in Special Region 2 (UWSA) since 2006 with a concession awarded for 20,000 hectares. In 2008, 6,500 hectares of rubber plantation had been successfully planted, with an additional 3,300 hectares of rubber planned for planting in 2009. The Chinese import quota is 2,800 tons of rubber.

Yunnan Jin Chen Investment Company Limited, registered in 2006 with capital worth 16 million Yuan (2.5 million US dollar). The company has engaged in rubber plantations in Gongba Area, Mongmao County in Special Region 2 (UWSA) in northern Shan State since 2006 with 20,000 hectares of rubber. In 2008 6,500 hectares of rubber had been completed, with an additional 3,300 hectares of rubber planned for 2009. The Chinese import quota for this project is 2,800 tons of rubber.

Kunming Ji Li Economic and Trade Development Co., Ltd registered in 1996 with capital worth 200 million Yuan (32 million US dollar). The company has engaged in tea and fruit planting in Special Region 1 (Kokang) in Shan State since 1998, with a total of 3,300 hectares of agricultural concessions, which includes 453 hectares of tea, 733 hectares of rubber, 133 hectares of sesame, 13 hectares of peanuts, 26 hectares of cashews, and 233 hectares of beans. The import quotas for this project include the following: 300 tons of tea, 1000 tons of rubber, 500 tons of beans, 200 tons of cashews, 200 tons of peanuts, and 400 tons of sesame seeds.

Yunnan Wei Kai Industrial Co., Ltd registered in 2003 with capital worth 500 million Yuan (80 million US dollar). The company has since 2002 in SR 2 (UWSA) cultivated 5330 hectares of longan, 2,667 hectares of oranges, and 600 hectares of rubber. It has established 15 hectares of rubber seedling bases and facilities since 2006 in SR4 of Shan State. The import quota for this project is 5,000 tons of longan and 1,200 tons of rubber.

Yunnan Gelin Lante Biochemical Co., Ltd registered 2005 with capital worth 500 million Yuan (80 million US dollar). The company engages in cultivation projects in SR 2 (UWSA) since 2005, with 867 hectares of rubber and hectares 200 hectares of tea. The import quota for this project is 12 tons of tea and 550 tons of rubber.

Yunnan Victoria Bio-technology development Co., Ltd. was established in 2003 with capital worth 500 million Yuan (80 million US dollar). In 2006, the company, along with Xiaomengla logistics department of Special Region 4 (NDAA – Mongla), signed an agreement on a 1,333 hectares rubber concession. By 2008 the investors had planted 600 hectares of rubber with an additional 67 hectares planned for 2009. The import quota for this project is 1,000 tons of rubber.

Yunnan Si Hao Economic and Trade Co., Ltd. was established in 2003 with capital worth 1 million Yuan (160,000 US dollar). The company began to engage in agricultural projects in Special Region 4 (NDAA – Mongla) in 2007 with 1,333 hectares concession of rubber and 667 hectares concession of chilli pepper in 2009. The import quota for this project is 1,600 tons of rubber and 1,000 tons of pepper



## Conclusion and Recommendations

Burma's northern borderlands have seen dramatic socio-economic changes the last quarter of the century. Following decades of war, a series of cease-fire agreements between the military government and different ethnic armed opposition groups since the late 1980s brought dramatic consequences for the political landscape in Burma, and have had huge socio-economic implications. These include both positive as well as negative developments. They put an end to the bloodshed and curtailed the most serious human rights abuses. The end of fighting has brought relief for local communities, and allowed development and the functioning of civil society. However, these cease-fires were merely military accords, and lacked a peace process as a follow up in order to find a political solution. Furthermore, the truces provided space for large-scale unsustainable investment and natural resource extraction, mainly by companies from neighbouring countries, causing environmental damage and loss of local livelihoods.

This report documents three main and interconnected developments simultaneously taking place in Shan State and Kachin State in northern Burma. These are (1) the increase in opium cultivation in Burma since 2006 after a decade of steady decline; (2) the increase at about the same time in Chinese agricultural investments in northern Burma under China's opium substitution programme, especially in rubber; and (3) the related increase in dispossession of local communities' land and livelihoods in Burma's northern borderlands. These overlapping land investment and drugs production patterns in northern Burma since the mid-2000s are set to a backdrop of a dramatic rise in Burmese and foreign industrial agricultural land concessions throughout the country. As this report goes to press, Parliament is deciding behind closed doors the path of future land reform in Burma which will no doubt have a dramatic impact on smallholder farmers in the country.

Opium production initially rose significantly after the first truces were concluded in 1989, as the end of hostilities provided farmers with an opportunity to tend to their fields without fear of being shot. Some cease-fire groups were, at least initially, allowed to grow and transport opium largely unhindered by the military government. However, opium production in Burma declined steadily from 1997 to 2006. The most important reason for this was a number of opium bans in key opium-cultivating areas declared by cease-fire groups in northern Shan State. These were imposed by the NDAA in the Mongla region (1997), the MNDAA in the Kokang region (2003) and the UWSA in the Wa region (2005). After decades of war and isolation, they hoped to gain international political recognition and support for the development of their impoverished regions.

Another important factor, which has received less attention, was the trend in the global market. Heroin of Bur-



mese origin was almost completely pushed off the American and European markets by heroin from Colombia and Afghanistan, respectively, in the course of the 1990s. Furthermore, production of amphetamine-type stimulants (ATS) increased significantly in the last decade. The ATS boom in the region is an example of what can be described as 'displacement': a campaign against one drug (opium and heroin) can lead to the rise of an equally or potentially more harmful substitute (methamphetamine). The increase of ATS is also related to the profound socio-economic changes in the region, where countries are moving from rural agricultural based economies to urban, industrial and market based societies.

However, in recent years, opium cultivation in the Golden Triangle - Burma, Laos and Thailand - has doubled. The main increase has been in Burma, especially in Shan State. Poverty clearly is the key factor determining opium cultivation in Burma (as it is in other countries, such as Laos and Afghanistan). Poverty is not just simply a function of income, but includes a whole range of socio-economic and security-related factors that define the ability of people to live with dignity.

The opium bans by the cease-fire groups have been strictly implemented. In finding replacements to opium cultivation, cease-fire groups have focussed on introducing mono plantations supported by China's opium substitution programme. As this report will show, the main benefits of these programmes do not go to (ex-)poppy growing communities, but to Chinese businessmen and local authorities. These programmes have therefore further marginalised these communities. Current interventions by international NGOs and UN agencies to provide farmers with sustainable alternative livelihood options to offset the impact of the opium bans have been insufficient, and are merely emergency responses to prevent a humanitarian crisis.

The Beijing government is concerned about drugs production in northern Burma because it is a major 'non-traditional security' threat to China. Drug production and consumption, and related infectious diseases such as HIV/AIDS, are important security and health concerns for China. The vast majority of the opium and heroin on the Chinese market originates from northern Burma. Drug use – and especially injecting heroin use – has increased dramatically in the last two decades in China. On the one hand, the Chinese government has dealt with this through accepting previously controversial harm reduction programmes for drug users, such as methadone treatment and needle exchange. On the other, however, China maintains a harsh punishment regime, executing drugs traffickers and forcing recidivist drug users into compulsory treatment camps.

China's drug use problem at home cannot be solved by reducing opium cultivation abroad in neighbouring coun-

tries. Instead, the Chinese government should increase the quality and quantity of services to drug users based on harm reduction principles, and refrain from repressive policies towards drug users, such as arresting them and forcing them into treatment camps. High relapse rates raise serious doubts about the efficacy of such coercive policy responses. Furthermore, the changing patterns of drug use and the rise of ATS make opium and heroin less relevant.

The huge increase in Chinese agricultural concessions in northern Burma is directly driven by China's opium crop substitution programme, offering subsidies, tax waivers, and import quotas for Chinese companies. This programme allows the central and provincial Chinese governments to address complex and multifaceted border issues through the singular approach of deterring the drug trade and its deleterious effects through substituting poppy cultivation with licit crops. However, clearly other conflicting objectives are operating behind this market-based approach, which raises serious questions regarding its suitability to achieve the stated goals of reducing poppy cultivation and its related effects on border instability. China's overall vision is to deter drug production in northern Burma by integrating Burma's border economies into the regional market through bilateral relations with government and military authorities across the border.

This new market-based approach matches China's liberal economic policies this past decade. In particular the opium substitution programme follows China's new regional political-economic position and engagement strategies, providing sources for state and private investment outside China's borders to feed escalating domestic and international demand for industrial agricultural commodities. These core drivers as well as the non-traditional security threats are distinct yet interrelated in how they have converged in the mid-2000s into China's opium substitution programme.

Economic development along China's border with South-east Asia is strongly promoted by different levels of Chinese governments in order to overcome socio-economic disparity between the centre and periphery, which is viewed as a potential source of instability. China has a long-established strategic interest in Burma. Different levels of government in Yunnan and Beijing have engaged in resource and trade diplomacy with Burma. Burma's rich resources have always played an important role in China's engagement strategies, from elaborate centuries-old jade extraction networks in Kachin State to more recent acquisition of oil/gas and hydropower contracts. Chinese companies logged Kachin State forests after the cease-fire agreement with KIO in the mid-1990s until a bilateral clampdown on cross-border timber trade in 2006. At this point agricultural land became a key resource of interest to Chinese companies, backed by central and provincial Chinese governments. Paramount among agricultural crops

cultivated in northern Burma and Laos is rubber, which is in great demand in China where there are limited suitable areas remaining for rubber cultivation.

For landlocked Yunnan Province, promoting 'harmonious' regional cooperation is an important political-economic objective. However, China's resource and trade diplomacy of the last decade has essentially promoted short-term economic gains for Chinese companies. Their resource extraction activities are threatening local communities' livelihoods and land tenure security, and have caused great damage to the environment. Many Chinese companies undermine China's official policy of promoting 'harmonious' cooperation with neighbouring countries by the way in which they implement their cross-border projects. The investment projects carried out in politically-sensitive areas located in the world's longest running civil war in cooperation with local military authorities have the propensity to increase rather than mitigate future conflicts.

The Chinese approach in addressing opium cultivation in northern Burma focuses on dealing with local authorities instead of directly with affected communities, with the result of strengthening the former at the expense of the latter. This has had dire consequences for communities already living on the margins, who largely distrust and fear local authorities because of the history of conflict.

The Chinese model of development and aid in Burma is to promote top-down regional economic development by giving incentives to Chinese companies to invest in large-scale commercial agricultural projects without any rural livelihoods component. In contrast, efforts by UN agencies, international and local NGOs financed by Western countries focus on directly targeting (ex)opium farmers with community-based development programmes, aimed at providing alternative livelihoods. Some of these agencies are involved in a debate on best principles and lessons learned on doing development in a drug producing environment – referred to as 'Alternative Development'. However, in other regions of the world, agrobusiness has also been promoted as substitution crops for opium and coca cultivation.

The cultivation of opium poppy and coca often takes places in areas plagued by conflict, insecurity and vulnerability. Interventions should be embedded within human rights protection, conflict resolution, poverty alleviation and human security. They should also be done in a participatory way and respect traditional culture and values. Interventions should also be properly sequenced. In particular, there should be no eradication or strict implementation of opium or coca bans unless viable and sustainable livelihoods are in place. Aid should not be made conditional on reductions in opium or coca cultivation. Instead, indicators for a successful policy should be based on progress towards sustainable human development.

Furthermore, land tenure and other related resource management issues are vital ingredients for local communities to build licit and sustainable livelihoods. Monoculture generates a number of risks for the local communities including environmental degradation, dependence on market demands and prices, and reduction in agricultural areas affecting food security and other livelihoods.

Serious concerns arise regarding the long-term economic benefits and costs of agricultural development—mostly rubber—for poor upland villagers. Economic benefits derived from rubber development are very limited. For the situation when migrant labourers are hired, agricultural estates provide little local employment. When local labour is absorbed, it competes with local labour and land for swidden farming. Finally, a very low wage is offered, providing no possibility for savings to invest in smallholder farmers themselves.

The huge increase in large-scale commercial agricultural plantations in northern Burma is taking place in an environment of unregulated frontier capitalism. Land encroachment and clearing are creating new environmental stresses, such as further loss of forest biodiversity, increased soil erosion, and depleting water sources. The concessions also provide a cover for illegal logging, oftentimes encompassing villagers' traditional forestlands and newly demarcated community forests.



Farmer working on her field in the Wa region

Without access to capital and land to invest in rubber concessions, upland farmers practicing swidden cultivation (many of whom are (ex-) poppy growers) are left with few alternatives but to try to get work as wage labourers on the agricultural concessions. However, apart from the Wa region, few get jobs as usually outside migrant workers, predominately from Central Burma and the Delta region, are hired, further inciting ethnic hostilities. The dispossessed villagers are occasionally relocated to nearby rubber plantations to provide very cheap plantation labour. Others are forced to find other forested hills further away to cultivate, migrate to work on road-side concessions as on-farm wage labourers, to urban centres as off-farm labourers, or to participate in dangerous small-scale resource extraction, namely mining and logging. This pattern of development in the uplands is an attempt to modernize the landscape and subsistence farmers in such a way to be more conducive to profit for governments and private investors. This is not in any way a positive development for communities living in northern Burma. The only people benefiting are the local authorities and Chinese businessmen. Local villagers are stripped of their customary land and livelihoods with little recourse to compensation or alternative employment options.

Investments related to opium substitution should be carried out in a more sustainable, transparent, accountable and equitable fashion. A community-based approach should be used following long-established norms within the international development field rather than privilege only external profits. Customary land rights and institutions should also be respected as these areas are often not governed by statutory land laws. Projects could then act as a catalyst to enhance land tenure security rather than erode it. Local communities in the vicinity of the project should be consulted from the beginning. If the community desires the project, then they should be consulted at every stage. Working together with local communities will better assure that they will benefit. Chinese investors should use a smallholder plantation model instead of confiscating farmers land as a concession. This could include rubber agroforestry to minimize environmental costs. Labourers from the local population should be hired rather than outside migrants in order to funnel economic benefits into nearby communities. Transparency in contract negotiations, including of financing, would help build trust with local communities and researchers. Finally a more robust regulatory environment and legal process from China would also facilitate a better working environment that could enhance local benefits while mitigating potential conflicts.

Recent cease-fire talks between ethnic armed opposition groups and the new quasi-civilian Thein Sein government have raised hopes for a peaceful solution to Burma's more than 60-year old civil war. Since September 2011, government representatives from the different regional levels and the national level have met with all key ethnic armed

ethnic opposition groups. Most of the large ethnic armed groups have entered into initial cease-fire agreements with the government. The government has promised talks at the national level, but has not provided details on the process nor a timetable. In order to end the conflict and to achieve true ethnic peace, the current talks must move beyond establishing new cease-fires. It is vital that the process is followed by political dialogue at the national level, and that key ethnic grievances and aspirations are addressed.

There are concerns about economic development in the conflict zones as a follow-up to the peace agreements, as events and models in the past caused damage to the environment and local livelihoods, creating new grievances. Socio-economic development is important as a peace dividend, and is key to rebuilding war-torn and neglected ethnic areas. However, economic development in itself will not solve ethnic conflict and, if carried out in wrong and unjust ways, is even likely to bring about new conflicts. Economic development, especially large-scale infrastructure and agricultural projects, should therefore benefit local communities, who should also have a say in how these projects are developed and managed. Failure to do so will not only have negative impact on conflict resolution and national reconciliation, but also create new grievances among ethnic communities, thus contributing to Burma's cycle of conflict.

These issues are especially important now that several large-scale development projects financed by foreign investment are planned by the government in ethnic areas. These include various large dams in Shan and Karen States, Chinese build oil and gas pipelines from a new deep sea port in Rakhine State to Yunnan province in China, and several infrastructure projects. These projects will have a profound impact on the future of ethnic states but also the country as a whole. It is vital that policies are developed now to ensure these developments benefit local communities and the country as a whole and not just foreign investors, central government and a small group of favoured businessmen. They must also be carried out in a sustainable way.

Investment-induced land dispossession has wide implications for drug production and trade, as well as border stability —precisely what Beijing authorities most fear along their shared borders. The data in this report clearly shows that China's opium crop substitution programme has very little to do with providing mechanisms to decrease reliance on poppy cultivation or provide alternative livelihoods for ex-poppy growers. Chinese authorities need to seriously reconsider their regional development strategies and methods of implementation in order to avoid further border conflict and growing antagonism from Burmese society. Financing dispossession is not development.

## Endnotes

- 1 In 1989 the military government changed the official name of the country from 'Burma' to 'Myanmar'. Using either 'Burma' or 'Myanmar' has since become a highly politicised issue. The UN uses 'Myanmar', but it is not commonly used elsewhere in material written in English about the country. Therefore 'Burma' will be used throughout this report. This is not meant to be a political statement.
- 2 TNI, 2009b.
- 3 TNI, 2009a.
- 4 See McCoy, 1991; Lintner, 1999; TNI, 2003; TNI, 2005; and TNI, 2006.
- 5 TNI, 2010.
- 6 Ministry of Information, 2008. The 'regions' were formerly called 'divisions'.
- 7 See Kramer, 2009a.
- 8 Kramer, 2009a.
- 9 Interview with former member of cease-fire group in northern Shan State, 20 August 2007.
- 10 See for instance Global Witness, 2003.
- 11 Shi, 2008 and TNI, 2010.
- 12 Global Witness, 2009.
- 13 Milieu Defense, 2009.
- 14 Kachin Development Networking Group (KDNG) and Kachin Environment Organisation (KEO), 2007 and Palaung Youth Network Group (PYNG), 2007.
- 15 Images Asia and Pan Kachin Development Society, 2004.
- 16 Communication with international consultant with long working experience in northern Burma, 31 January 2012.
- 17 Marn Thu Shein and Chan Myae Thu. 2011. "Sixty-five percent of foreign investment concentrated in resource rich Kachin, Rakhine, Shan States." Eleven Media Group. 20 October.
- 18 See for instance Global Witness, 2003 and Kramer, 2009.
- 19 For more details see TNI, 2009.
- 20 Interview with representative of National Democratic Alliance Army (NDAA - Mongla Region), 6 September, 2008.
- 21 See TNI, 2009b.
- 22 TNI, 2003.
- 23 See: The ATS Boom in Southeast Asia, in: TNI, 2009a; and Phongpaichit, 2003.
- 24 UNODC, 2011a.
- 25 UNODC, 2010 and UNODC, 2011a.
- 26 UNODC, 2011a.
- 27 Office of the United Nations High Commissioner for Human Rights. "What is Poverty? Human Rights in Development." <http://www.unhcr.ch/development/poverty-02.html>
- 28 Burma's HDI value for 2011 is 0.483—in the low human development category—positioning the country at 149 out of 187 countries and territories. UNDP, 2011.
- 29 TNI, 2003.
- 30 Interview with local researcher, March, 2010.
- 31 Interview with Local NGO representative in Southern Shan State, March 2010 (different from above)
- 32 Interview with former member of cease-fire group, August, 2007.
- 33 See Kramer, 2007.
- 34 Chin, 2009.
- 35 Chin and Zhang, 2007, p.3-4.
- 36 Chin and Zhang, 2007, p. 4.
- 37 TNI 2009b.
- 38 Other reasons included: unsatisfactory efforts by Burma to deal with the burgeoning ATS production and trafficking problem; failure to take action to bring members of the UWSP to justice following the unsealing of a US indictment against them in January 2005; and failure to expand demand-reduction, prevention and drug-treatment programs to reduce drug-use and control the spread of HIV/AIDS. US Department of State, International Narcotics Control Strategy Report, 2007, Washington DC.
- 39 See SHAN 2003, SHAN 2005, PWO 2010 and PWO 2011.
- 40 Kramer, 2009b.
- 41 Unofficial translation of some pages of instruction, given by Lt.Gen Ye Myint and other senior officials of the Burma's junta to ethnic cease-fire groups on 28 April 2009.
- 42 TNI-BCN Burma Policy briefing Nr. 5, February 2011. According to the government, there are forty ethnic armed groups in the country: 17 large and 23 smaller groups. Out of these, 15 have handed over their weapons to the state. Among the remaining 25 groups, five have transformed into Border Guard Forces, and fifteen became people's militias ('Pyithusit' in Burmese). The five groups that rejected the BGF proposal are the KIO in Kachin State, the UWSA and NDAA in Shan State, KNU/KLNA Peace Council (a KNU break-away group) in Karen State, and the New Mon State Party in Mon State. Press conference by Minister of Information Kyaw Hsan on 12 August 2011, Government already acceded to peace proposals of KIO to most possible degree, New Light of Myanmar, 13 August 2011.
- 43 Interviews with representatives from the KIO and UWSA, December 2010
- 44 TNI-BCN Burma Policy Briefing No.3, October 2010.
- 45 TNI-BCN Burma Policy Briefing No.4, December 2010.
- 46 Ibid.
- 47 Ibid.
- 48 Horsey, 2011.
- 49 Ibid, p3.
- 50 TNI-BCN, Burma Policy Briefing No. 7, June 2011.
- 51 Interview with KIO representatives, October 2011.
- 52 The agreements had the following points: The Tatmadaw and UWSA will continue the existing cease-fire (i.e. the status quo); a liaison office will be established that is accessible to representatives of both sides; both sides agree that if they make any troop movements with people bearing arms other than in the territory under their control, they will only do so after having informed and made agreement with the other side; and the two sides will have further discussions in the future, as required.
- 53 Interview with representative of KIO, October 2011.
- 54 Interview with Chinese academic, September 2009.
- 55 New Light of Myanmar, Six Agreements Signed at Second Union Level Peace Talk, 29 December 2011.
- 56 U Aung Thaung (a former Minister of Industry) is Secretary-1 of the USDP, and Chairman of the Lower House 'Banking and Financial Development Sub-Committee'. U Thein Zaw (a former Minister of Communication) is chairman of the Lower House 'Ethnic Affairs and Peace Task Force Sub-Committee'. U Thein Zaw was raised in Kachin State, and also won a seat there in the 2010 elections on a USDP ticket, and is now a Lower House representative of Myitkyina Township constituency.
- 57 Communication with representative of ethnic armed groups present at the talks.
- 58 Smith, 2007.
- 59 For analysis of Burma's cycles of conflict see: Smith 2007.
- 60 See, for example, Blickman. 2011 and 2011 Global ATS Assessment, UNODC, August 2011. According to the 2011 Global ATS assessment, no reported crystalline methamphetamine manufacturing facilities have been seized in Burma, but most crystalline methamphetamine seized in northern Thailand during the past three to four years originated from the Burma part of the Golden Triangle.
- 61 Qian, Han-Zhu et. al. 2006.
- 62 Ibid.
- 63 Liu, Lian, and Zhao, 2006.
- 64 IHRA, 2010.
- 65 Lu, M. and Liang, 2009, pp.102-103. Figures on drug use in China vary widely. Unofficially, Chinese officials estimate the actual figure to be higher than five million and in some more pessimistic assessments up to 15 million. In 2006, Chinese

- official sources put the figure at 4 million as a rough estimate (Swanström & Yin He, 2006).
- 66 In China the police generally do not arrest ATS users but only impose fines (300 Yuan); whereas heroin users risk being arrested and put in compulsory treatment for two years. The fines for ATS are official, but police do not enter ATS offences into their surveillance databases. Even in Yunnan there are indications that ATS is surpassing heroin. According to a peer educator TNI spoke in Yunnan there are more ATS users than traditional opium and heroin users in Yunnan. See: Blickman, 2011
- 67 Methamphetamines give ambitious, upwardly mobile, urban people the energy to succeed and the urban and rural labour forces a necessary stimulant to work more and longer hours needed in competitive economies with poor labour conditions. ATS has a social acceptance and are becoming popular, particularly among the urban youth who use it in entertainment facilities, such as bars, karaoke clubs, and nightclubs. ATS are considered to be non-habit forming and more 'fun' to use, while opium and heroin are considered a thing of the past, and seen as dangerous and addictive. See Blickman, 2011
- 68 Swanström & Yin He, 2006
- 69 See for example, Kramer, T., Jelsma, M. and T. Blickman, 2009; HIV/AIDS Asia Regional Program Yunnan (HAARP Project), 2009.
- 70 Office of China National Narcotic Control Commission (NNCC), 2008.
- 71 US Department of State, 2011.
- 72 The Greater Mekong Subregion includes Cambodia, the Lao People's Democratic Republic, Burma, Thailand, Vietnam and bordering provinces of southern China.
- 73 UNODC, 2011b
- 74 WHO Regional Office for the Western Pacific
- 75 Global Commission on Drugs Policy, 2011. Members of the Global Commission on Drugs Policy include Fernando Henrique Cardoso (former President of Brazil - chair), George P. Shultz (former Secretary of State, United States - honorary chair), Kofi Annan (former Secretary General of the United Nations, Ghana), Thorvald Stoltenberg (former Minister of Foreign Affairs and UN High Commissioner for Refugees, Norway), Louise Arbour (former UN High Commissioner for Human Rights, President of the International Crisis Group, Canada), and several others. Its purpose is to "bring to the international level an informed, science-based discussion about humane and effective ways to reduce the harm caused by drugs to people and societies." For more information see: [www.globalcommissionondrugs.org](http://www.globalcommissionondrugs.org).
- 76 See Lu, 2009, pp.117-119; and Human Rights Watch, 2011.
- 77 Jianwen, Q. 2010. Summary Report of the Development of Poppy Substitution in the Peripheries of Yunnan Province. Presented at TNI-GTZ Second Southeast Asia Informal Drugs Policy Dialogue. Bangkok, Thailand, 19-21 April.
- 78 Jianwen, Q. 2010; Yunnan Provincial Document No.6 (2005), issued in May 2005.
- 79 Yunnan State Council, 2006. "The Approval of the State Council for the Poppy Substitution Development Programme carried out in Myanmar and Northern Laos." State Document No.22
- 80 1USD = 6.9253 RMB, based on average exchange rate over 2008.
- 81 NNCC, 2008.
- 82 Pers. comm. with Chinese academic, December, 2010.
- 83 Cohen, P., 2009.
- 84 Jianwen, Q., 2010.
- 85 Zhu, 2001.
- 86 Following the conclusion of cease-fire agreements with ethnic armed opposition groups, the government gave the territory under control of the cease-fire groups a new temporary status called 'atu deitha' in Burmese, or 'Special Region'. These are grouped together into ethnic minority states (called 'pyi-neh' in Burmese) and subsequently numbered. UWSA controlled territories are thus referred to by the government as 'Shan State Special Region No.2', indicating the UWSA was the second group in Shan State to sign a cease-fire agreement with the government. The NDAA was the 4th group in Shan State to conclude a truce, and is thus referred to as Shan State Special Region 4. In Kachin State, NDA-K controlled areas were referred to as Kachin State Special Region 1, and territory under KIO control as Kachin State Special Region 2. However, in referring to these groups, often the terms Shan State and Kachin State are omitted, causing some confusion.
- 87 Le Bail and Tournier, 2010, pp. 30.
- 88 Interview with Chinese academic, Kunming, Yunnan, China, 2010.
- 89 Interview with Chinese businessman, December, 2009.
- 90 Baird and Shoemaker, 2007.
- 91 TNI, 2009a.
- 92 Interview with Yunnan academic, January, 2010.
- 93 Interview with government representative from Burma, September, 2008.
- 94 Communication with Yunnan academic, August, 2011.
- 95 See for instance UNODC, 2005, EU Presidency Paper, 2008 and Kramer, 2010.
- 96 EU Presidency Paper, 2008.
- 97 The Workshop was the first part of the International Workshop and Conference on Alternative Development, organised by Thailand in association with the Government of Peru and in close collaboration with the United Nations Office on Drugs and Crime (UNODC). It was attended by 104 participants composed of experts and government representatives in the field of alternative development from 28 countries. See: International Workshop and Conference on Alternative Development (ICAD), 2011.
- 98 The 'miracle of San Martín' and symptoms of 'alternative development' in Peru, Hugo Cabieses, TNI Drug Policy Briefing Nr. 34, December 2010; <http://www.undrugcontrol.info/images/stories/documents/brief36.pdf>
- 99 Alternative Developments, Economic Interests and Paramilitaries in Uraba, Moritz Tenthoff, TNI Drug Policy Briefing Nr. 27, September 2008; <http://www.undrugcontrol.info/images/stories/documents/brief27.pdf>
- 100 <http://verdadabierta.com/paraeconomia/1969-el-lado-oscuro-del-plan-colombia?format=pdf>
- 101 In China's "Tenth Five-Year Plan for National Economic and Social Development" for the period 2006-2010, it aims to invest US\$60 billion overseas. See Shi, 2008. Pp. 24.
- 102 Qi, P., 1985. Opening the Southwest: An expert opinion. *Beijing Review* 28(35):22-23.
- 103 Kudo and Mieno, 2009.
- 104 Interview with Government official from Burma, July 2005.
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- 107 Interview with Chinese academic, January, 2010.
- 108 Poon Kim Shee, 2002.
- 109 Kramer, 2009b.
- 110 Interview with Chinese academic, January, 2010.
- 111 Interview with Chinese academic, January, 2010 (different from previous informant).
- 112 International Crisis Group, 2010.
- 113 Interview with Beijing-based Western researcher, August, 2011.
- 114 Interview with Beijing-based Western researcher, August, 2011. See also Linter, 1990. During the Cold War armed groups along the China border had established close direct relationships with high-level government officials in Beijing. This especially was the case with the Communist Party of Burma (CPB), which received large amounts of Chinese aid. This was also true of

- several ethnic political groups, such as the KIO. Direct Chinese support came to an end in the 1980s following geopolitical realignments in the region and the subsequent rapprochement between Yangon and Beijing governments.
- 115 Chenyang, 2010.
- 116 Shi, 2008; Chenyang and Fook, 2010.
- 117 Interview with Chinese academic, January, 2010.
- 118 Asia World Company is owned by Lo Hsing-Han, a Kokang Chinese who was once branded the 'King of Opium', but later headed a pro-government paramilitary to act as a go-between for the government and ethnic armed groups in Shan State. See for example Lintner 1999.
- 119 ICG, 2011.
- 120 Lintner, 2011.
- 121 Interview with Chinese academic, October, 2011.
- 122 Department of Agriculture (DAP), Ministry of Agriculture and Irrigation (MoAI), 2009.
- 123 EarthRights International (ERI), 2009.
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- 127 Food and Agriculture Organization (FAO) and United Nations Development Programme (UNDP), 2004.
- 128 ActionAid, 2006.
- 129 Interview, Yangon, December, 2011.
- 130 Interview, Yangon, October, 2010.
- 131 Interview, Yangon, July, 2009.
- 132 Government of the Union of Myanmar (GoUM), 2008.
- 133 Department of Agricultural Planning (DAP), Ministry of Agriculture and Irrigation (MoAI), 2009.
- 134 Ministry of Agriculture and Irrigation (MoAI), 2002.
- 135 Myanmar Agricultural Consensus (MAC) 2003; National Commission for Environmental Affairs Myanmar (NCEA) and Project Secretariat UN Environmental Programme Regional Resource Centre for Asia and the Pacific, 2006.
- 136 FAO and UNDP, 2004.
- 137 MoAI, 2002.
- 138 MAC, 2003.
- 139 This acreage amounts to more land than was nationalized under the Nationalization Act of the 1950s.
- 140 Department of Agricultural Planning (DAP), Ministry of Agriculture and Irrigation (MoAI), 2010a.
- 141 DAP and MoAI 2010a.
- 142 *New Light of Myanmar*, 2002. "Tanintharyi Division geared towards new oil bowl of Myanmar." 5 January; Department of Agricultural Planning (DAP), Ministry of Agriculture and Irrigation (MoAI), 2010b.
- 143 DAP 2010a; Ethnic Community Development Forum (ECDF). 2008.
- 144 Kachin Development Networking Group (KDNG), 2010.
- 145 It is unclear what qualifies for this classification – whether it includes all crops planted in northern border areas, and the degree to which the figures correlate with Chinese investment in the agriculture sector in northern Burma.
- 146 Myanmar Agriculture Service (MAS), 2008. Myanmar national statistics on CD-ROM. Yangon, Myanmar.
- 147 MAC, 2003.
- 148 Settlement and Land Records Department (SLRD) and Ministry of Agriculture and Irrigation (MoAI), 2007.
- 149 SLRD, 2007.
- 150 Burma Environmental Working Group (BEWG), 2011.
- 151 Interview with retired Burmese agriculture ministry official, December, 2011.
- 152 EcoDev, 2008.
- 153 FAO and UNDP, 2004.
- 154 Center on Housing Rights and Evictions (COHRE), 2007.
- 155 Food and Agriculture Organization (FAO), 2007.
- 156 COHRE, 2007.
- 157 Food Security Working Group (FSWG), 2004.
- 158 World Food Program (WFP) and National Nutrition Center, 2005.
- 159 United Nations Development Programme (UNDP), 2007.
- 160 World Food Program (WFP), 2010.
- 161 MAC, 2003.
- 162 Interview with Burman Burmese agribusiness investors, Yangon, 2010, 2011.
- 163 Interview by local researcher with wage labourers on banana concession on border, 2010.
- 164 Jenny Franco is a TNI research associate and adjunct professor at China Agricultural University, Beijing, China, specialising in rural politics, land politics, land rights, and rural social movements. Her recent work has focused on the political dynamics of land and water grabbing.
- 165 World Bank, 2010.
- 166 Oxfam, 2011.
- 167 TNI, 2009b.
- 168 Hla Myint, 2007.
- 169 Boot, 2009.
- 170 Department of Agricultural Planning (DAP), Ministry of Agriculture and Irrigation (MoAI), 2008.
- 171 Myanmar Agriculture Service (MAS), 2010.
- 172 Interview with representative from Agribusiness and Rural Development Consultants (ARDC), Yangon, November, 2010.
- 173 Ministry of Agriculture and Irrigation (MoAI), 2009.
- 174 Noam, 2010.
- 175 Hla Myint, 2007.
- 176 LNDO, 2009.
- 177 TNI research, 2009-2010. Following government pressure on all cease-fire groups, the NDA-K has transformed into three separate Border Guard Forces under Burma army command. The KIO has so far refused to do so, as its demands for political reform have not been met.
- 178 Interview with KIO development official, July, 2009.
- 179 Interview with UWSA Vice-Chairman Xiao Min Liang, February, 2009; Kramer, T. 2009.
- 180 For more information on Hong Yu Company and their agricultural plantations in Shan State, refer to their website at <http://english.ynjd.gov.cn/pubnews/doc/read/tdfz/906991389.117111478/index.asp>.
- 181 Interviews with local researchers, June, 2009.
- 182 LNDO 2009.
- 183 Interview with local researchers, December, 2010.
- 184 Interview with local researcher, July, 2009.
- 185 Interview with MRPPA, June, 2009.
- 186 Interview with Burmese development worker, July, 2009.
- 187 Burmese rubber development expert, June, 2009.
- 188 TNI 2009b.
- 189 *Ibid*.
- 190 The number of internally displaced persons (IDPs) after decades of continued conflict must be placed in the millions. The number of IDPs forcibly displaced between 2005 to 2007 and only in eastern Burma is almost 100,000 people (COHRE, 2007). Until the KIO cease-fire, an estimated one third of the Kachin population was internally displaced, with about 100,000 having been displaced since the 1960s. Since the 1990s, almost 100 Kachin villages have been destroyed and forcibly relocated to a number of government relocation sites, mostly in and around Myitkyina, the provincial capital of Kachin State. COHRE 2007.
- 191 Woods 2011a. See also Baird and Shoemaker, 2007 for the case of Laos, which mirrors trends in Burma with rubber establishment and relocation of upland populations.
- 192 The KDA is based in northern Shan State, and broke away from the KIO in 1991 to sign a separate cease-fire with the military government.
- 193 Interview with UWSA Vice-Chairman Xiao Min Liang September 12, 2003.
- 194 Kramer 2007.

- 195 Interview with Western aid worker in Burma, October, 2008.
- 196 See Woods 2011b and Global Witness 2003.
- 197 Interview with international aid worker in Burma, September, 2008.
- 198 KDNG 2010.
- 199 TNI 2009a.
- 200 UNODC 2011.
- 201 Tengchong County Party Committee 2007.
- 202 Tengchong County Party Committee 2007.
- 203 Observations made during TNI missions to Yunnan Province, China and Manipur, Northeast India.
- 204 Thant Myint-U 2008.
- 205 CHORE 2007.
- 206 See Smith 1999, who described these territories as an ‘insurgency [that] has developed a life of its own.’ p. 88.
- 207 TNI-BCN Burma Policy Briefing Nr.7, June 2011.
- 208 Interview with Gun Maw, KIO Chief-of-Staff, October, 2011.
- 209 Agence France-Presse, “Myanmar tells army to stop attacks on rebels”, 12 December 2011.
- 210 Soe Than Lynn, ‘Govt, KIO Agree to More Talks’, Myanmar Times, 23-29 January 2012.
- 211 Interview with Chinese academic, September, 2009.
- 212 Kunming government, 2009.
- 213 Hong Yu Company website. “Dedicating to Drug-crop Substitution Cultivation, Forging a Green Great Wall Project of “Drug-crop Substitution Cultivation.” <http://english.ynjd.gov.cn/pubnews/doc/read/tdfz/906991389.117111478/index.asp>. Last accessed March, 2009.
- 214 Interview with local researcher, July, 2009.
- 215 Interview with KIO development worker, July, 2009.
- 216 Interview with KIO development worker, July, 2009.
- 217 Interview with representative of Yuzana Company, June, 2008; Interviews with Burmese agribusinessmen, June, 2009.
- 218 KDNG 2010.
- 219 KDNG 2010.
- 220 KDNG 2010.
- 221 Kachin Networking Group (KNG), 2007.
- 222 Khin Hnin Htet, 2011. “Court ‘cheats’ Yuzana land grab victims.” *Democratic Voice of Myanmar*. 11 January.
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- 228 Kramer 2009a.
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- 234 SHAN, 2003.
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- 252 Interview with Burmese ex-development worker, July, 2009.
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- 254 Interview with development worker, July, 2009.
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- 256 TNI 2010.
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- 258 Interview with UWSP Vice-Chairman Xiao Min Liang, February, 2009.
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- 260 Interview with Wa agricultural official, November 2010.
- 261 Interview with Western aid worker, September 2008.
- 262 Interview with Western development worker, July 2009.
- 263 Interview with Wa agricultural official, November 2010.
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- 266 Confidential report from international NGO, 2008.
- 267 Interview with UWSP district Vice-Chairman, February, 2009.
- 268 Interview with WFP representative, July, 2008.
- 269 Interview with international development worker, April 2010.
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- 272 Interview with UN representative, December, 2010.
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Northern Burma's borderlands have undergone dramatic changes in the last two decades. Three main and interconnected developments are simultaneously taking place in Shan State and Kachin State: (1) the increase in opium cultivation in Burma since 2006 after a decade of steady decline; (2) the increase at about the same time in Chinese agricultural investments in northern Burma under China's opium substitution programme, especially in rubber; and (3) the related increase in dispossession of local communities' land and livelihoods in Burma's northern borderlands.

The vast majority of the opium and heroin on the Chinese market originates from northern Burma. Apart from attempting to address domestic consumption problems, the Chinese government also has created a poppy substitution development programme, and has been actively promoting Chinese companies to take part, offering subsidies, tax waivers, and import quotas for Chinese companies. The main benefits of these programmes do not go to (ex-)poppy growing communities, but to Chinese businessmen and local authorities, and have further marginalised these communities.

Serious concerns arise regarding the long-term economic benefits and costs of agricultural development—mostly rubber—for poor upland villagers. Economic benefits derived from rubber development are very limited. Without access to capital and land to invest in rubber concessions, upland farmers practicing swidden cultivation (many of whom are (ex-) poppy growers) are left with few alternatives but to try to get work as wage labourers on the agricultural concessions.

Land tenure and other related resource management issues are vital ingredients for local communities to build licit and sustainable livelihoods. Investment-induced land dispossession has wide implications for drug production and trade, as well as border stability. Investments related to opium substitution should be carried out in a more sustainable, transparent, accountable and equitable fashion. Customary land rights and institutions should be respected. Chinese investors should use a smallholder plantation model instead of confiscating farmers land as a concession. Labourers from the local population should be hired rather than outside migrants in order to funnel economic benefits into nearby communities.

China's opium crop substitution programme has very little to do with providing mechanisms to decrease reliance on poppy cultivation or provide alternative livelihoods for ex-poppy growers. Chinese authorities need to reconsider their regional development strategies of implementation in order to avoid further border conflict and growing antagonism from Burmese society. Financing dispossession is not development.

The Transnational Institute (TNI) was founded in 1974 as an independent, international research and policy advocacy institute. It has strong connections with transnational social movements and associated intellectuals who want to steer the world in a democratic, equitable, environmentally sustainable and peaceful direction. Its point of departure is a belief that solutions to global problems require global co-operation.

Since, 1996, TNI's Drugs and Democracy Programme has analysed trends in the illegal drugs economy and global drug policies, the causes and effects on the economy, conflict situations and democracy. TNI has been one of the very few non-governmental organisations concerned with the production side of the drugs issue.

The programme does field research, fosters political debate, provides information to officials and journalists, coordinates international campaigns and conferences, produces analytical articles and documents, and maintains an electronic information service on the topic.

Over the past decade the programme has gained a reputation worldwide as one of the leading advocates on international drug policy and as a serious critical watchdog of the United Nations drug control institutions.

The goal of the programme is a reconsideration of conventional repressive drug policy approaches in favour of pragmatic policies based on harm reduction principles for consumers as well as small producers. Our efforts are guided by our intention to contribute to a more coherent policy approach, one in which illicit drugs are regarded as a cross-cutting issue within the broader goals of poverty reduction, human security, public health promotion, human rights protection, peace building and good governance.