THE QUESTION
OF COUNTER-
NARCOTICS
ASSISTANCE

IN HIS OWN
WORDS:
Benjamin Min

POPPIES, POLITICS
AND PROFIT
THE QUESTION OF COUNTER-NARCOTICS ASSISTANCE

Throughout the United States the use of heroin is on a dramatic rise, fast replacing cocaine as the main non-alcohol drug of abuse in major metropolitan areas. The increased level of purity — it can now be smoked or snorted rather than injected — has made it attractive to a new and growing audience. Over 60 percent of this heroin comes from Burma. The fact that the U.S. curtailed counter-narcotics assistance to Burma in 1988 in response to the regime’s egregious human rights record has led to a heated debate among U.S. policy makers. Should counter-narcotics assistance now be resumed in light of what some view as a new American epidemic? Or do the continued actions of the Burmese government raise doubts as to whether such assistance would be properly administered or merely be used as a tool to legitimize the regime and open the door to more international aid? Even if SLORC is sincere in its desire to address the problem, does it have the necessary cooperation of the ethnic groups involved? Furthermore, is supply reduction an effective approach to the heroin problem or are dollars better spent on prevention and treatment programs in the United States?

IN HIS OWN WORDS:

U Benjamin Min

Inhabiting an undeveloped and inaccessible territory with no paved roads, a handful of schools and only two hospitals to serve over one million people, the Wa are one of the largest cultivators of opium in Burma. In spite of the fact that they were among the first ethnic groups to enter into a cease fire agreement with the SLORC, promises for economic development have not been met and the Wa remain dependent on opium as a means of survival. The Wa say they want this to change. They are turning to the international community to seek support for drug eradication programs that would be provided directly to them in the hope that the Wa might free themselves from “the bondage of opium.” Benjamin Min, vice-chairman of the United Wa State Anti-Narcotics and Development Organization, presents a proposal and a plea.

POPPIES, POLITICS AND PROFITS

The cultivation of opium and production of heroin in Burma is a complex problem. Enmeshed in a labyrinth of political alliances and economic ties, the heroin trade reaches far beyond the fields where poppies grow, beyond national borders and across oceans. There are no simple solutions. Developing an effective strategy to address this global tragedy can’t be done in isolation. It requires an understanding of historical, social and economic factors such as the link between narcotics and ethnic insurgency, the relationship between States and societies and the underground methods of moving money. The answers must also include a readiness and ability to confront those who profit most in this international business of drug trafficking.
DON'T COOPERATE WITH BURMA'S MILITARY REGIME
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ASIAN MONEY MOVEMENT METHODS
Excerpts from the U.S. Drug Intelligence Report
DON'T COOPERATE

WITH Burma's Military Regime

Since the early years of this century, Americans have viewed drug abuse as essentially a foreign problem for which other countries are largely to blame. When the Harrison Narcotic Act outlawed heroin and cocaine in 1914, drugs were linked in the public mind to immigrant and minority groups who were seen as a threat to the traditional social fabric. Without the supply of foreign drugs, the thinking went, there would be no domestic problem.

This supply-side approach to drug control underlies the current debate in the U.S. government over renewing relations with Burma's military junta. Burma now produces more opium — the raw material for heroin — than all other countries combined. At the same time, heroin in the United States is cheaper and more available than ever before. Heroin bought on the street is now so pure — 40 percent in 1994 compared to 5 percent a decade earlier — that it can be smoked or snorted. This "new" heroin is particularly attractive to users who want to avoid injecting the drug with needles.

Some U.S. officials, concerned about a potential heroin epidemic in this country, argue that anti-drug cooperation with Burma's dictators, the State Law and Order Restoration Council (SLORC), is necessary. They urge Washington to accept the SLORC's offer to defeat Khun Sa, the drug trafficker who controls much of the region's opium production, in exchange for lifting the arms embargo. Providing the

Mathea Falco

Mathea Falco, Assistant Secretary of State for International Narcotics Matters from 1977 to 1981, is President of Drug Strategies, a non-profit organization in Washington, D.C. that promotes more effective approaches to the nation's drug problems.

Mathea Falco
SLORC with helicopters and weapons, they say, will help cut down on drug traffic from Burma.

Those in favor of renewed cooperation have not prevailed thus far, primarily because of the junta’s flagrant record of human rights abuses. The SLORC has forcibly displaced ethnic minorities, imprisoned political opponents without trial and killed thousands who protested the regime’s suppression of the 1988 pro-democracy movement. For six years, the SLORC has detained Nobel laureate Daw Aung San Suu Kyi, leader of the democracy movement, under house arrest. Burma is ruled by one of the most repressive regimes in the world.

Until now, the United States, has led the international effort to end human rights abuses in Burma — cutting off economic assistance and narcotics control programs, suspending trading privileges and opposing World Bank and Asian Development Bank loans to the country. However, in November of 1994, U.S. officials talked with the SLORC in Rangoon for the first time since the junta’s takeover in 1988. Reports of the meeting suggest that the U.S. may be receptive to warmer relations with Burma if the SLORC demonstrates its willingness to change.

Even if the SLORC’s human rights record were less egregious, resuming narcotics control cooperation would not reduce America’s heroin problem. The SLORC does not control the rugged mountainous area where opium is grown by drug lords like Khun Sa as well as insurgent groups struggling for independence. Since the British left Burma after World War II, no Rangoon government has successfully asserted authority over this large, inaccessible region.

As the first Assistant Secretary of State for International Narcotics Matters from 1977 to 1981, I visited Burma frequently. Burmese opium production was then only 15 percent of its current levels, but Burma was still a major supplier for the world heroin market. At that time, the primary drug problem in the United States was heroin. (The cocaine epidemic did not emerge until the 1980s.) Until the 1988 coup, the U.S. government provided assistance to the SLORC’s predecessors to try to curtail drug production.

During several trips to the Shan state and other parts of northern Burma, I saw first-hand the immense difficulties of achieving a military solution to opium cultivation. Many of the ethnic groups had grown and used opium for generations...
as an all-purpose medicine and pain-killer. Opium also served as a reliable cash crop in areas which had few economic alternatives as well as a lucrative enterprise for drug traffickers in the Golden Triangle. During the 1970s and 1980s, opium became increasingly important in financing the ethnic insurgencies which had fought the Rangoon government for decades.

The political and geographic complexities of opium cultivation in Burma make it highly unlikely that the SLORC will have any greater success than its predecessors. Moreover, the SLORC’s primary interest is in asserting military dominance over the region, with the result that narcotics assistance may well contribute to further human rights abuses and suppression of political dissent.

Even if opium eradication were possible, reduced supplies from Burma would not affect heroin availability in the United States. U.S. officials estimate that Americans consume only 6 percent of the world’s heroin — about 20 tons a year out of a total 350 tons. Burma now produces enough opium to supply American demand for heroin 10 times over.

Even if Burmese opium were eliminated — a wildly unrealistic prospect — other countries could easily supply the United States heroin market. In the past decade, Colombia, a near neighbor, has become a major opium producer, and Mexico continues to be a primary source for the U.S. heroin market, despite an active opium eradication campaign. Other countries in Latin America also have the capacity to become major producers if current supplies fall short.
International drug control efforts are not popular among American voters. By a margin of three to one, the public would rather provide funds for community drug prevention, treatment, and enforcement programs than for foreign control efforts, according to a 1994 nationwide poll by Peter Hart Research Associates. In the past decade, Americans have learned from their own experience that drug abuse is most effectively addressed in their families, their schools, and their communities.

But if a democratic government returned to Rangoon, there might be powerful reasons to help Burma address its own drug problems. While opium use has been widespread among various ethnic groups for generations, heroin addiction has increased dramatically in recent years— an unwelcome byproduct of the country’s expanding drug production. Moreover, extensive agricultural and timber acreage has been converted to opium cultivation, destroying valuable environmental resources and further weakening an economy already undermined by an insular, regressive dictatorship.

A new democratic government might also be able to bring an end to the bitter ethnic struggles which have divided the country for the past forty-five years and in turn create a climate of cooperation where counter-narcotics measures would be possible. Although the SLORC has negotiated ceasefire agreements with a number of the ethnic groups, it remains to be seen whether such agreements will lead to peace. Very recently several of the groups which have signed ceasefire agreements—including the Wa, who are major opium cultivators—expressed their dissatisfaction with the SLORC by forming an alliance, the Peace and Development Front (PDF). Demands by the PDF for swifter progress toward democracy and political reform could be an indication that these ceasefire agreements are more tenuous than the SLORC would care to admit and that its claim of having established peace in key border areas is indeed questionable.

If and when peace returns to Burma sustained development in the opium growing regions could provide real economic alternatives to impoverished farmers. Without such stability and opportunity, any lasting success in reducing opium cultivation is unlikely.
Drug abuse and control experts from a diverse array of geographic and functional areas have in the last several years sounded in unison the unambiguous warning of a new American heroin epidemic. The U.S. Drug Enforcement Agency (DEA) has noted an incredible rise in Southeast Asian heroin's share of the US market since 1986 — growing from less than 20 percent to 88 percent in the early 1990s. At the same time, drug treatment experts began noting a rise in heroin abuse treatment admissions and related deaths. By the end of 1993, heroin had overtaken cocaine as the main non-alcohol drug of abuse in three major metropolitan areas. At the same time, snorting (versus intravenous injection) has risen in popularity to be the dominant method of administering the drug in six metropolitan areas. Accentuating the potential for a health and law enforcement crisis is the new trend among young, more educated and affluent who prefer to snort increasingly potent white "Number Four" heroin found easily on streets throughout America. This is the same user group that made cocaine such a major crisis in the 1980s. At the end of the supply pipeline making this new trend in drug abuse possible is one dominant source — Burma.
Growing Epidemic

It is no coincidence that Burmese heroin exports to the U.S. surged immediately following suspension of anti-drug aid to the military government in Rangoon in late 1988. The opium crop harvested in the spring of 1989 was a world record — 2,575 metric tons. At the same time, few questioned the rationale for the U.S. policy of isolation towards the Rangoon junta: the government's ruthless crackdown of pro-democracy demonstrators had vividly displayed the regime's bloody human rights credentials. Similarly, when faced with an overwhelming loss in national elections a year and a half later, the government shamelessly ignored the results, incurring worldwide condemnation and a continuation of diplomatic isolation by the U.S. government.

Six years later, however, some are beginning to question the efficacy of the U.S.'s moralistic and unyielding stance towards the Burmese military regime, especially in light of Washington's thoroughly inconsistent but more pragmatic decision to renew China's MFN status in June of last year. If Washington's objective has been to influence events in Burma, it may be time to question just how successful its policy has been. The military government has consolidated power and eliminated any meaningful threat to its control while enticing several ethnic insurgent groups into peace pacts. There appears to be few discernible weaknesses in the junta's control.

Had U.S. drug control interests been sacrificed for a greater and tangible payoff in the human rights field, one would find little cause for discontent with the current course. However, since 1988 the human rights situation has improved only marginally, if at all. Meanwhile U.S. citizens are increasingly falling victim to Burma's number one export as the result of a conscious U.S. policy decision to abstain from fighting the massive drug trade ensconced in various ethnic enclaves of Burma's Shan State. The tradeoff between saving the lives of thousands of U.S. citizens and improving the human rights of Burmese citizens does not have to be made when the lot of the latter has not been significantly improved under the six-year old policy. Moreover, the efficacy of current policy deteriorates further when some less-known realities of the Burmese drug trade are examined.

THE MYTH OF SLORC DRUG INVOLVEMENT

The charge that the current military government is making millions from the drug trade is an old chestnut cited religiously by anti-government groups when addressing relatively uninformed American audiences who have difficulty discerning fact from fiction in a land of which they know little. The fact is that the SLORC controls little of the areas under opium production in Burma. Indeed, most cultivation and all heroin labs are under the tight control of ethnic drug armies such

* The article appearing here was written by a U.S. government official close to the issue who prefers to use a pseudonym.
as Khun Sa's Mong Tai Army. Therefore, even if the SLORC desired an active and lucrative role in the drug trade, it would be hard pressed to develop one. This is not to say, however, that there is not ample corruption among senior Burmese military officers, especially among field commanders closest to the drug producing areas. But such graft, found worldwide and lately quite noticeable in neighboring Thailand, is a far cry from the institutional sponsorship of the drug trade it is accused of by U.S.-based opposition figures.

THE DEMOCRATIC DRUG TRAFFICKING ALLUSION

Burma's relative obscurity among US policy makers has allowed some facts of its drug trade to remain hidden while misconceptions are promoted, or at best, allowed to be perpetuated. Such is the allusion that all ethnic insurgent groups, by virtue of their anti-government struggle, are in some way supportive of the pro-democracy movement. Thus, the drug trafficking armies of Khun Sa, Chao Nyi Lai, Lin Ming-Shin, and Yang Mu-Lian are errantly lumped together with the Karen, Kachin, Karreni, Mon and ethnic Burman opposition groups on the side of "right." A corollary assertion is the belief that these groups "have been forced" to rely on drug trafficking for their noble cause of ethnic separatism: the end justifies the means. From either or both of these errant assumptions comes the even more dangerous conclusion that a successful resolution to Burmese drug trafficking can only come after a democratic transition in Rangoon. Nothing could be further from the truth.

THE SHAN STATE: 500 MILES AND LIGHT YEARS FROM RANGOON

The armed struggled against Rangoon put up by drug warlords like Khun Sa greatly predates the pro-democracy movement of 1988. Khun Sa and lesser-known drug-thugs like Lin Ming-Shin fight to protect and enlarge their drug business. They have shaky, if any, ethnic and political credentials. Most have frightened or killed off more legitimate political contenders. In short, they have little regard for the political composition of the government in Rangoon: they only care to fight the ethnic Burman regardless of political striping — for autonomy in the Shan hinterlands. Democracy could come in Rangoon without so much as a hiccup in the Mong Tai Army's fighting with the Burmese Army. Aung San Suu Kyi, or any future democratic leader, can be assured of facing the same security threat presented as that facing the SLORC.

WHAT TO DO?

In the face of such a bewildering array of ethnic, political and security obstacles, it is easily understandable to simply throw up one's hands in resignation. However, U.S. citizens facing the scourge of Burmese heroin and Burmese democrats of a future government deserve our best efforts to deal now with the armed drug trafficking threat which has distorted northern Burma's ethnic landscape. While there is not a single solution or "silver bullet" that can guarantee quick success, past experience has proven the need for two basic ingredients in any successful approach.

CARROTS AND STICKS

Crop control essentially involves outside intervention of two varieties: "soft" economic and crop
substitution assistance — which can be called the "carrots," — and the "hard" involuntarily use of opium eradication and law enforcement confiscation of harvested opium — which can be called the "sticks." The "carrots" can extend to include less drug-related forms of assistance such as schools, hospitals and road building, and the "sticks" can be extended to include more aggressive forms of enforcement aimed at the armed trafficking bands holding sway in the opium-growing areas. The basic idea is that, absent that coercion to grow opium from the armed traffickers and the added incentive of new crops, farming tools and techniques, new roads, and the disincentive of new eradication, hill tribe farmers will lessen their dependence on opium.

Currently there is little of both being applied in Northern Burma, and what few anti-drug efforts are in place are distributed quite unevenly. The inconsistent SLORC policy of punishing one trafficking group (Khun Sa's Mon Tai Army) while rewarding the others does little to advance real anti-drug reforms. There is an absence of necessary drug enforcement — or use of the "stick" — among Wa and Kokang areas in the northern Shan State, while there is a large Burmese military response to Khun Sa but little in the way of economic development "carrots" offered to Shan opium growers in the MTA-controlled areas of the southern State. One only need contrast the October 7, 1994 execution in China of Kokang heroin kingpin Yang Mao-Hsien with the October 9, 1994 meeting in Rangoon (one of many) between Yang's brother and SLORC strongman General Khin Nyunt for a ready example of the SLORC's unorthodox and unique approach to some of Southeast Asia's most notorious heroin traffickers.

Equitable treatment of ethnic hill tribe farmers through modest agricultural assistance (mainly crop replacement schemes) will minimize the resistance to the necessary involuntary eradication (the "stick") that must accompany drug related development assistance in order to be effective. Together, the disincentive of eradication and incentive of a different economically viable crop will push farmers out of opium. To get to this point of embarkation on a meaningful drug control program, however, the SLORC will be required to abrogate or significantly modify its current "live-and-let-live" arrangement with the country's largest heroin trafficking groups. This would be tantamount to resuming the decades-old fight with the narco-insurgents and would exact an incredibly high cost on the Burmese Army. Moreover, after five years of peace, these drug insurgents are better armed and prepared than any time previously, the security threats they pose have increased considerably. For this reason alone it is understandable why Rangoon is reluctant to revise the status quo. Only with outside assistance on both the law enforcement and economic development/crop substitution fronts can the government sustain such a costly effort.

THE GROWING NARCO-SECURITY THREAT

It is time to adopt a more realistic paradigm through which policy towards Burma is formulated. What has sufficed as policy in the past has viewed Burma's complex drug problem as essentially a political one which can only be addressed through political measures. Such a simplistic assessment conveniently buttresses U.S. policy calling for democratization in Rangoon. However, a closer look at history and the true composition and political attitudes of narco-insurgent leaders will quickly expose this perspective as wildly unrealistic. The Burmese heroin threat is essentially a security threat which can only be answered through counter-insurgency measures. The ethnic Chinese druglords holding sway in the Shan State today are emboldened by their newly enhanced strength and drug trafficking prosperity. They will not listen to calls for democratic reconciliation with a Rangoon regime. All they have achieved has been at the end of a ruthlessly used gun. The sooner U.S. policy-makers understand this fundamental nature of the Burmese drug trade — and the looming insurgent threat it has produced — the sooner Washington can formulate and implement the appropriate response. In the absence of such, the Burmese people, future Burmese governments and Burma's surrounding neighbors can look forward to the "Balkanization" of northern Burma, with small, but well armed and violent drug trafficking states emanating instability throughout the region. Similarly, America should not expect any respite in the onslaught of Burmese heroin flooding American neighborhoods and poisoning its youth.
The Case of Richard A. Horn

In August of 1994, Richard A. Horn, a Special Agent with the U.S. Drug Enforcement Administration (DEA) filed suit against an officer of the U.S. Department of State (DOS) and an agent of the Central Intelligence Agency (CIA) alleging that these individuals had been involved in obtaining illegal wiretap communications of Horn’s private telephone conversations. According to Mr. Horn, such actions were an attempt to "...thwart and undermine the DEA’s mission in Burma" and led to his removal as DEA Country Attaché in Rangoon. The following excerpts from a letter to Congressman Charles Rangel written by Mr. Horn’s attorney outline the case.

May 31, 1994

The Honorable Congressman Charles Rangel
Washington, D.C. 20515
2252 Rayburn Building

RE: Richard A. Horn
Former DEA Country Attache of Burma

Dear Congressman Rangel:

I realize that your time is both valuable and limited. For that reason, I shall make this letter as brief as possible without diminishing its substance. By merit of your longstanding support of anti-drug efforts, I believe you will have a special interest in the contents of this letter.

To very briefly summarize what is to follow in much more detail, a well respected DEA agent was PNG’d [made persona non grata] from Burma for reporting the CIA to Washington for its sabotage of DEA programs and for pressing the DOS to report the truth - which they did not - about Burma's drug law enforcement efforts and the need to support the Country's anti-drug initiatives. When an illegal CIA wiretap failed to produce evidence justifying this removal, the DOS fabricated its own reasons, knowing full well that DEA Agents have absolutely no appeal/grievance rights when serving under DOS authority while overseas. With characteristic DOS arrogance, the agency simply did not believe their deception would ever be discovered or their position even challenged.

By way of introduction, please know that I am a former Assistant United States Attorney and Organized Crime Drug Task Force Attorney. My client, Richard Horn, about whom I am writing, is a DEA Agent with whom I worked for several years in Central California. As a team, Mr. Horn and I made some very important drug cases. In fact, one such case still ranks as the largest clandestine drug laboratory ever seized - 2600 pounds of drugs. This case also resulted in the forfeiture of nearly 8 million dollars to the United States Government. As a DEA Agent, Mr. Horn has served his government with distinction for nearly 23 years at six different posts.

In June of 1992, Mr. Horn began his "Dream Assignment" as the DEA Country Attaché in Rangoon, Burma. Twelve months later Mr. Horn was given an outstanding annual evaluation by his supervisors indeed a rare decree in DBA's employee appraisal system. Only two months later and over the strong protests of DEA, Mr. Horn was PNG'd from Burma by [the] Charge and reassigned by DEA to a domestic post ...

... The centerpiece of the problems that befell Mr. Horn concerned his national policy. As you know, the United States is sharply critical of Burma's human rights record. Notwithstanding this fact, Burma has made substantial progress in its anti-drug programs. And herein lies the problem: The Department of State simply did not tell United States Congress and the public the real truth about Burma's efforts and successes.

For example, please examine the following lists of GOB (Government of Burma) actions on behalf of their anti-narcotic program while Mr. Horn was in Burma:

1. The GOB inspired greater performance from drug force operations located throughout the country. According to official GOB statistics for 1992, seizures of heroin rose by almost 50% while opium seizures jumped by more than 35% over the previous year's totals. ... 

2. Significantly, the GOB's latest seizure statistics for heroin are nearly the same as those reported for Thailand. It is important to recognize that there is a substantial difference in personnel resources and financial aid given to the two respective countries.
3. The GOB has steadily increased the number of drug forces in the country from five in 1988 to sixteen in 1993 with one additional task force in its formative stage.
4. In response to a DEA request, the GOB agreed to and recently completed an opium yield study based upon samples taken from representative areas of the country. This is the first study of its kind in Burma.

5. In January of 1993 the GOB enacted new drug laws that bring their statutes much closer to conformance to the major international treaties to which they are signatory. The new statutes close several gaps in its previous laws with respect to corruption, asset seizure and conspiracy. Moreover, the new law allows for the death penalty to be imposed upon drug violators under certain circumstances.
6. In a cooperative investigation with DEA, the GOB arrested traffickers on a "no dope" conspiracy under its new statute. It is important to recognize that this is a major accomplishment and that many countries far more developed than Burma lack the will to arrest traffickers under these circumstances.
7. The GOB fully responded to a long backlog of DEA requests for investigative assistance, e.g., telephone subscriber requests, background information and other investigative inquiry. In some instances the GOB provided more information than was actually requested in the first place.
8. The GOB signed drug agreements with Thailand and UNDCP and also with China and UNDCP regarding crop substitution, demand reduction, and law enforcement.
9. The GOB signed a drug agreement with India, and a drug agreement with Laos is in the works.
10. The Burmese have sought benefit of the Thai experience in the implementation of crop substitution programs.

Nearly all of the points above were given in letter form to a CODEL [Congressional delegation] and STAFFDEL [staff delegation] when Mr. Horn served in Burma. Mr. Horn prepared these letters only after consulting with ranking Department of State figures at the American Embassy in Rangoon. In fact in one instance, the Acting Chargé actually added substance to Mr. Horn's initial draft. Several months later these letters were used to contrast the International Narcotics Strategy Report [sic] (the official Department of State position regarding Burma) with DEA perception. The inconsistency is very apparent. The Department of State's concern over this inconsistency and related issues is well documented in its own cable traffic. Of particular significance is the fact that no one, including [the] Chargé, ever challenged the facts contained in the two letters prepared by Mr. Horn. The issue was simply that the letters clashed violently with the official policy regarding Burma....

... Even to this point in my narrative I suggest to you that the chronicle of Mr. Horn's experience in Burma is truly amazing. But there is an even greater outrage to report here. I respectively refer you to Rangoon teletype AUG 93. This cable, clearly demonstrates, that a wiretap was initiated on Mr. Horn's home telephone — presumably by the CIA. From my knowledge as a federal prosecutor, I know that conducting an illegal wiretap and then subsequently conveying any knowledge obtained from an illegal wiretap is a violation of federal statute. More than that, it is an outrage that one U.S. Government Agency would eavesdrop, without any legal authority, on a member of yet another U.S. Government Agency....

... As a direct consequence of all the events previously described, Mr. Horn's career aspirations have been derailed and his reputation maligned. I am serving as legal counsel to Mr. Horn to address a variety of these issues and with multiple objectives in mind. First of all, Mr. Horn and I intend to challenge the State Department's authority to PNG Mr. Horn from Burma. In that regard, the State Department has already rendered its written opinion that Mr. Horn is not entitled to due process and has no appeal or grievance rights, unlike Department of State employees. In addition, Mr. Horn and I also intend to bring to a legal forum the fact that illegal eavesdropping was conducted on his home telephone.

Yet another matter concerns the deception perpetrated against the United States Congress and virtually any reader of the International Narcotics Strategy Report. I am sure it is of serious concern to you and other members of Congress as well. Mr. Horn tried to promote honestly in the preparation of this document, but paid a large (and unfair) price for his efforts.

... Mr. Horn has given me the permission to discuss these matters with you in detail at any time at your convenience.

Sincerely,

BRIAN C. LEIGHTON

BURMA DEBATE 13 FEB/MAR1995
THE BONDAGE OF OPIUM:

The Agony of the Wa People

A Proposal and a Plea

THE PROPOSAL:

We, the leadership of the United Wa State Party (UWSP) and the United Wa State Army (UWSA) propose to anyone who might be interested that we eradicate opium growing and stop the production of heroin in all the territory controlled by the Wa. This we are willing to do. This we are able to do. It can be done very quickly. I have full authority to speak for the United Wa State Party and the United Wa State Army that has ample power to carry out this proposal.

THE PLEA:

The plea is a necessary part of the proposal. We need food for our people while we develop substitute crops. Our people are already so poor that to take away opium production without giving them food would mean starvation. Beyond that, we need help of every appropriate kind to make the transition from an opium-based economy to a new agricultural economy.
THE BONDAGE TO OPIUM

For thirty years the Wa have been trying to eradicate opium growing, but instead we have become continually more dependent on it. Like the heroin addicts that result from the opium, we too are in bondage. We are searching for help to break that bondage.

Currently, Wa area is one of the heaviest producers of opium in Southeast Asia. The official policy of the Burmese government is to suppress opium growing. This is a "window dressing" policy only to impress the West. In the past, the United States has even given the Burmese aid to carry out that policy. While, in fact, the Burmese officials encourage opium growing and enable its marketing for their own benefit. They take their "cut" — the major "cut."

The Wa people have been pawns in the violent, destructive games of others. We have been used as fighters for both the Ne Win government and in the Burma Communist Party’s (BCP) military arm. Neither army was under Wa officers. The Wa fought other people’s wars in return for food and clothes. Finally, we have come to realize that we were being used to kill each other off.

Ne Win, through the Burma Socialist Programme Party, indirectly encouraged the growing of opium while Ba Thein Tin of the Burma Communist Party urged the Wa people to do so.

When we Wa came to understand that we were being used to kill each other, we decided to revolt. In April, 1989 we rejected the BCP leadership, prompting them to flee China. We made a peace agreement with SLORC in October, 1989, not because of any sympathy with the SLORC but to

The Wa inhabit a mountainous area bordering China, Laos and Thailand with a population of nearly one million people. This territory is economically deprived and virtually undeveloped. More than 90% of the families live without electricity and only one percent of the Wa children attend school. The primary source of income comes from the opium trade.

Benjamin Min is the vice-chairman of the United Wa State Anti-Narcotics and Development Organization (UWADO) which is based in Pang Wai, Wa State. He is currently in the United States presenting this proposal on behalf of the UWADO.
preserve what we had left of our people and homes. We were left war weary — twenty-two years war weary — destitute, and opium dependent. We were also left with an army large enough to control our own area and to insure peace.

Since 1989, we have become a unified Wa people with Wa leaders. For the first time ever we can hope to escape opium dependence. It is now possible to stop opium growing in our area.

**DEVELOPMENT**

Now we want to free ourselves from the slavery of an opium economy. It is in our interest, and we think, in the interest of the rest of the world to stop opium growing. This we cannot do by ourselves. Like the heroin addict who wants to "kick" his addiction, we need outside help to be successful. We have the determination; we need the support.

First, and most immediately important, we will need food for our people. If we ask them to relinquish their present means of livelihood, we will have to provide subsistence. Our people are so poor that they cannot risk any kind of change in agriculture unless there is assurance that they will not starve. Also, where they are pressured by outsiders to grow opium, they cannot risk stopping without the protection which assures their safety.

During the twenty-two years of warfare more than 12,000 Wa were killed, leaving thousands of orphans, widows and countless disabled. We struggle to care for these dependent people without any outside agencies to help and with no internal care structure or agencies.

For a transition period we will have to feed our people. We have neither the food to give nor the money to buy it. Food is necessary to start the process of opium eradication and rehabilitation of the Wa country. Relief food is sent all over the world from generous donor countries to starving peoples, some of whom currently are turning back relief convoys for political reasons. We would not be like Bosnia. We would welcome and expedite the distribution of food, but we will not ask our people to starve first in order to get it. Food must come along with the cessation of opium growing not sometime afterwards.

In contrast to the usual famine relief, temporary food support for the Wa people would do more than just feed hungry people. Beyond that, it would enable the destruction of the opium economy and be the critical starting place for the recovery of the Wa people and the development of a whole new economy.

Second, beyond subsistence, we not only want to rehabilitate our area, we want to develop it. The cultivation of opium substitute crops is crucial.

Crop substitution has worked in Thailand. It can work in the Wa area. We want the help necessary to make it happen.

We need to diversify our agriculture. We need improvement in seed stock and in breeding livestock. We need to learn more productive agricultural practices. None of the international aid programs that have helped other peoples develop their agriculture have reached us, first, due to war and then due to isolation enforced by the Burmese.

Third, we sorely need to construct roads and to develop infrastructure that will support a new economy. At present, there are no paved roads in the Wa area, not even any graveled roads. The roads that exist are hand hewn and follow pre-existing foot paths or are strategic roads designed only to get artillery to the top of the hill. These are passable only during the dry season. There are no engineered roads designed for vehicular traffic. Roads and other improvements reported in the Burmese press were constructed only in the news media.

Fourth, modern medical care is non-existent. There are no hospitals, not even any clinics. We need medicines. We need medical treatment facilities. We need medical training facilities. We need rehabilitation for our disabled and care centers for
our orphans. We are doing what we can on our own. We will establish sixteen care centers for the blind and the disabled. We have started to level the ground for the first center.

Fifth, we need schools. The vast majority of the Wa have no formal education. There are only a few informal primary schools taught by teachers who themselves have been only to primary school. These have to be self-supporting. There is no education- al system. Few children can attend a school even where there is one. They are needed to work to get food. We want schools to train teachers. We want to make our people literate. We also want to preserve, develop and spread our culture, our traditions and our customs. We want to focus and highlight our Wa identity. We want to give our people what is rightfully theirs but had been shattered by constant war.

Sixth, we need help to re-forest our denuded hillsides and to find what natural resources are in our area. We desperately need all kinds of developmental help — grants, loans, technical advice, agricultural aid. We welcome it from any source.

Democracy

Our political goal is to restore real democracy for all of Burma, a democracy in which the majority rules, but equally important, where minority rights are protected even if the minority is a minority of one person. We will strive for the equality of all citizens.

The democracy we seek is not the sham "democracy" of SLORC. Their bogus election was a charade for the purpose of pleasing the West. It did not result in the transfer of power to those overwhelmingly elected. It did, however, identify the leaders of the political opposition who were then systematically threatened, jailed, put under house arrest, or hunted down. Aung San Suu Kyi, U Nu, and U Tin Oo are only the most noted examples. Others less well known did not fare so well.

We want the restoration of Wa State within Burma. We are not separatists, but we want some autonomy for our people. Under the British and until 1962 there was a Wa State in the northeastern corner of Burma. After Ne Win's 1962 coup, his government redrew the map. Wa State just disapp-
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ighting between the central government and a myriad of political and ethnic insurgencies entered its 47th year in 1994, with no political solution in sight. The magnitude of the problem is emphasized by the fact that the civil war and Burma's ethnic strife have resulted in the most dramatic explosion of narcotics trafficking anywhere in Asia. At independence in 1948, Burma produced an estimated 30-40 tons of raw opium: today, the figure is at least 2,500 tons.

The military's seizure of power in 1962 is also linked to the insurgency: independent Burma has only a few thousand troops in 1948; by 1962 the figure had risen to over 100,000 well-armed soldiers. The army became a state within the state which eventually gobbled up the state itself.

Thus, Burma's ethnic strife is not a peripheral problem confined to the country's border areas. Without a lasting solution to ethnic divisions and the civil war they have fueled, Burma will remain a source of political despair — and the opium it grows will continue to flood the markets of the world.

The most recent opium boom is in many ways linked to the upheavals of 1988 and their aftermath. It began with discontent within the Communist Party of Burma (CPB), until only a few years ago Burma's strongest and best-equipped insurgent army. The party's dilemma was that its leadership consisted of 300-400 Burman Maoists, who had spent the 1950s and early 1960s in exile in China and returned with Chinese backing in the late 1960s and early 1970s — but the area they took over with Chinese assistance was inhabited exclusively by various hill tribes and ethnic minorities: Kokang Chinese, Wa, Shans, Palaungs, Kachins and other non-Burman nationalities.

These minorities shared with the Burman communists little more than a dislike for the central authorities, albeit for different reasons. In any event, they accepted readily the Chinese-supplied weapons the CPB offered them to fight the central government's forces. Nearly every foot soldier in the CPB's 15,000-strong army came from the ethnic minorities in the northeast, and they had no sympathy for the communist ideology which the party's politically motivated leadership was attempting to introduce in the remote and isolated hills along the Yunnan frontier. There was also widespread resentment with the CPB's extensive use of human-wave tactics against government troops which had resulted in tens of thousands of deaths in the hill tribe villages in the northeast.

The situation deteriorated even further when China decided to drastically reduce its aid to the CPB in the early 1980s. In 1979, the CPB's annual budget had totaled 56 million Kyats (US$ 10 million at the official exchange rate). Tax levied on the cross-border trade at the CPB-controlled town of Panghsai (where the Burma Road crosses into China) had amounted to 27 million Kyats, or nearly 50% of the CPB's budget.

Following the loss to government forces of Panghsai in January 1987, the CPB was faced with a severe economic problem. Unlike in the Kachin territory in the north which is rich with jade, rubies and sapphires, there were almost no minerals in Kokang, the Wa Hills and other CPB areas. The only cash crop was tea in Kokang, and plenty of opium there, in the Wa Hills and the area north of Kengtung. The production began to increase in 1987 as a result of the CPB's financial crisis.

The CPB's official policy was to collect 20% of the opium harvested in its area. This was stockpiled at local district offices where the CPB "trade and commerce departments" sold it to traders from Tanyan, Lashio and other opium-trading centers in the north. The CPB also collected a 10% trade tax on opium that was sold in the local markets and a 5% tax on any quantity leaving the CPB area for other destinations. The private merchants would then convey the raw opium down to the refineries along the Thai border, which were controlled by Khun Sa alias Chang Chifu, a notorious Sino-Shan warlord who controlled much of the border areas between Thailand and Burma's Shan State.

Within the CPB, tensions between the old Maoist cadres and the increasingly business-oriented military escalated, and on March 12, 1989, units from Kokang decided to break with the Burman leadership. The mutiny spread rapidly across the CPB's base area and late on April 16, ethnic Wa forces of the
CPB’s army stormed party headquarters at Panghsang. In the early hours of April 17, the entire CPB leadership, about 300 men mostly in their 60s and 70s, fled headlong across the Nam Hka border river into China where they ended up in disgraceful exile.

Initially, it was believed that the other ethnic rebel forces in Burma would exploit the mutiny. The 12-member National Democratic Front (NDF) quickly sent a delegation to Panghsang to negotiate with the mutineers. At the same time, thousands of students and other urban dissidents had fled Rangoon and other cities after the crackdown on the pro-democracy movement in September 1988, and they had together with the NDF formed an even broader border-based front, the Democratic Alliance of Burma (DAB).

The talks between the NDF/DAB representatives and the ex-CPB mutineers were, however, inconclusive. Instead, to the surprise of many, the new SLORC regime in Rangoon managed to win over the rebels in the northeast. Already in late April 1989, intelligence chief Lieut. Gen. Khin Nyunt and Lieut. Gen. Maung Tint, chief of the Burma Army's northeastern command in Lashio, helicoptered to the town of Kunlong on the Salween River bridge opposite Kokang. They met with the ex-CPB mutineers and a temporary cease-fire was agreed upon. After this initial meeting in Kunlong, Khin Nyunt paid several highly publicized visits to Kokang and other border areas.

On November 11, 1989, Wa Chief Chao Ngi Lai, who controlled the bulk of the former CPB army (nearly 80% of the rank and file were hill-tribesmen) and some of his officers were taken by helicopter from the Wa Hills to Lashio to meet Khin Nyunt, Maung Tint and several other SLORC leaders. A "border development programme" had already been launched by the SLORC and, according to official figures, 70 million Kyats were to be spent on building roads, bridges, schools and hospitals in these previously neglected frontier areas. Diesel, petrol, kerosene and rice were distributed in the former CPB areas.

The former CPB army, meanwhile, had split up into four different forces based along ethnic lines. The northernmost CPB territory, the former '101 War Zone' around Kambaiti, Panwa and Hpinmaw passes in Kachin State, became the New Democratic Army (NDA), led by Tin Ying and Zalum, two defectors from the Kachin Independence Army who had joined the communists in 1968. The units in Mong Ko (east of Panghsai and the Burma Road) and Kokang were transformed into the Myanmar [Burma] National Democratic Alliance Army (MNDA).

The Wa units merged with some non-communist Wa forces along the Thai border to become the United Wa States Army (UWSA), headed by Chao Ngi Lai. In the east, north of Kengtung, the CPB's former '815 War Zone' became the National Democratic Alliance Army Military and Local Administration Committee (Eastern Shan State), led by Lin Mingxian (aka Sai Lin or Sai Leun). Both Lin and his deputy, Zhang Zhiming (aka Kyi Myint), were Red Guards from Yunnan who had joined the CPB as volunteers in 1968, and stayed on when most of their comrades had returned to China in the late 1970s. It is widely suspected that both Lin and Zhang were left behind by the Chinese for intelligence purposes.

To placate these groups, and to make sure that they did not turn their guns against the government, the SLORC gave the former rebels unprecedented access to any kind of business, especially in the drug trade. The general political situation in the country was extremely serious from the government's point of view; eager to fight the SLORC, thousands of dissidents were at precisely that time desperately looking for a source of arms and military training. It was of utmost importance to the SLORC to neutralize as many of the border insurgencies as possible, no matter the consequences.

Chemicals, mainly acetic anhydrite, which is needed to convert raw opium into heroin, were brought in by truck from India and within a year of the CPB mutiny, intelligence sources claimed that there were at least 17 new heroin refineries in Kokang and the adjacent former CPB territory west of the Salween: four near the former CPB's Northern Bureau headquarters at Mong Ko; six at Mong Horn, about 20 kilometers to the south; two at Nam Kyau; one at Loi Kang Mong south of the Hsenwi-Kunlong road; and four inside Kokang proper, east of the Salween.

In the Wa Hills, six refineries were located and their processing rate reportedly doubled during the
first half of 1990. In Lin Mingxian’s area in eastern Shan State, new heroin refineries went into operation near the Man Hpai headquarters of the former ‘815 War Zone’, and at Loi Mi mountain near the border town of Mong La inside the former CPB area. The chart [at right] may help describe the severity of the drug explosion in Burma.

With the collapse of the communist insurgency, several smaller armies also gave in. The Shan State Army made peace with Rangoon on September 24, 1989, and was granted timber concessions in the Hsipaw area in northern Shan State. Urban dissidents who had been staying with the SSA either surrendered or moved down to the Thai border.

Other groups which have followed suit include:

- The Kachin Democratic Army (KDA), the former 4th brigade of the Kachin Independence Army, which operated in northeastern Shan State. It broke away from the main KIA to make peace with Rangoon on January 11, 1991. The Pa-O National Army (PNA), which was active in the hills around the Shan State capital of Taunggyi gave in on February 18, 1991.


- The Kayan Home Guards, a small breakaway faction of the Kayan (Padaung) army in southern Shan State, returned to the legal fold — as the SLORC’s terminology calls it — on February 27, 1992.

- The Kachin Independence Army (KIA), once one of Burma’s most powerful ethnic rebel armies entered into an agreement with the SLORC on October 1, 1993, and signed a formal cease-fire agreement with Rangoon in February [last] year. As a result, eight NLD MPs elect and other organizers who had fled to the KIA-controlled area in the north surrendered to the SLORC in early July.

- The Karenni Nationalities People’s Liberation Front (KNPLF), a CPB-allied Karenni faction, made peace with Rangoon on May 9 last year.

- The Shan State Nationalities People’s Liberation Organization (SSNPL), another Pa-O faction in the hills around Taunggyi, made peace with Rangoon on October 9 last year.

This leaves only a handful of groups still in armed opposition to Rangoon, notably the Karen National Union, the New Mon State Army, the Karenni Army and the All Burma Students Democratic Front along the Thai border, and the Mong Tai Army of opium warlord Khun Sa, which fields an estimated 16,000-18,000 men and has become the strongest rebel force in the country.

While these cease-fires have reduced the scale of the fighting in Burma, the ethnic issue as such has not been solved or even addressed. The problem has been frozen rather than solved, and if experiences from countries such as Indonesia (East Timor, Aceh) and China (Tibet, Sinkiang) are anything to go by, economic development alone will not solve Burma’s decades-long ethnic crisis.

Any future government in Burma — whether military-dominated or led by Aung San Suu Kyi — would have to address the underlying historical, social and economic factors behind the ethnic conflict, and closely related drug explosion, before any real progress can be expected regarding national reconciliation in Burma.
The widespread perception of Shan politics is that it is the politics of opium. For example, when the first Shan rebels of Bo Moung — a paramilitary police officer who won fame fighting Kuomintang (KMT) irregulars — captured a battalion headquarters at Tangyan in 1959, the week-long battle was dubbed the "Shan Opium War" by the local press. Moreover, in the past 15 years, a Shan "warlord"— Khun Sa — has been anointed by the world media and the U.S. as "king" of a global opium-heroin "empire." Regardless of what the outside world thinks, the involvement of the Shan in the opium-heroin phenomenon has been marginal, i.e., as cultivators of poppy from which opium is extracted. For the Dai or Tai, who make up the majority ethnic population, their role as poppy cultivators is comparatively recent. As devout Buddhists, they believe it is sinful to deal with opium in any way. Opium has been peripheral to the Dai-Buddhist life and work cycle. This was especially so prior to the collapse of the economy in the mid-1960s, brought about by Ne Win's military socialism.
POLITICS

BY CHAO-TZANG YAWNGHWE

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THE CHANGING DAI-BUDDHIST WORLD

In 1948, Shan State, the homeland of the Dai-Buddhists, became a part of the Burma Union by virtue of the 1947 Panglong Agreement which was signed by their princes (the chaofas) and Aung San. What happened in the rest of Burma and in neighboring regions since then has affected them as well. Some years after independence, Burman soldiers sent to protect the Union embarked on a campaign of terror to intimidate the Shan from availing themselves of the constitutional right of secession. The result was Bo Moung’s rebellion. Responsible leaders such as Chao Shwe Thaike, First Union President and — along with Aung San — one of its principle architects, attempted to defuse the rebellion via constitutional amendments that would address the question of control over ill-disciplined Burman soldiers in the non-Burman states. The military’s response was a coup in 1962. Various political-economic factors, foreign interests, the Cold War, and the subsequent three decades of mini-wars between various armies and warlords (Burman, Shan, Wa, Chinese, etc.) have made Shan State a lawless war zone.

SOCIALISM, ECONOMIC INSURGENTS, AND THE OPIUM DEPENDENT ECONOMY

Most traumatic, in economic terms, for the Shan were the post-1962 socialist decrees which outlawed and drove underground private economic activities. This led to the collapse of the marketing infrastructure of the Shan peasant economy. The 1964 demonetizing measure, decreed at the same time economic infrastructures were collapsing, exacerbated the situation. It delivered the Shan economy into the hands of what the military termed as economic insurgents, who, after 1962, necessarily operated outside the official economy. Most were ethnic Chinese, linked to the Chinese circuit of capital and markets spanning continents.

Shan State — which adjoins China, Laos, and Thailand — was an ideal country for these “entrepreneurs.” It was mainly through Shan State that the bulk of contraband goods and opium flowed in and out of Burma. This illegal trade, which kept the socialist economy afloat, rested on an opium barter-economy and the export of such resources as gems, teakwood, mineral ores, rubber, artifacts, prawn, and cattle. Opium and other export items were exchanged in foreign markets (China, Laos, or Thailand) for items such as salt, medicine, garments, utensils, tools and other manufactured goods that are scarce in Shan State and Burma. This contraband was brought into Shan and Burmese towns such as Kengtung, Taunggyi, Lashio, Mandalay, Meiktila and Rangoon. In the urban areas, they were exchanged for kyats. Due to lack of confidence in the currency and the regime, kyat were quickly gotten rid of through the purchase of export items or reinvested in opium. Opium and “exports” were then taken out, and sold for baht, kip, or yuan. Contraband goods were purchased, imported and, again, bartered for opium or sold for kyats — thus perpetuating the contraband-opium-contraband trade cycle.

For Dai-Buddhist and other Shan peasants who lacked currency and did not trust paper money anyway, opium thus became a most secure, dependable medium of exchange — in effect, local hard cash. It was a form of money that the peasants themselves could literally grow. There were other advantages as well. Opium was a cash-crop that did not rot. In fact, “old” opium fetched a better price than the new. Peasants did not have to transport it to towns. Buyers came right to their doorsteps to barter opium for wares. And the local price of opium was steady. Thus a very Buddhistic people, who bred cows but did not kill them for food, were compelled to grow opium.

Yet the peasants who grow “money” have not become rich. Most profits are made by middlemen, loan sharks, investors, traders, value-adding processors, and distributors. And since the heroin market is global, those plugged into the transnational circuit of capital and markets benefit most from the business. They are the winners of the global opium-heroin game.

The losers are obviously Shan primary producers at one end, and, at the other, the millions of addicts in the cities of the affluent West. There is, however, another class of losers: taxpayers of affluent societies who finance multi-million dollar, paramilitary anti-narcotics fiefdoms and Third World governments aboard the war-on-drugs train. Billions of tax dollars have been spent on anti-drug operations, which have not produced appreciable results.
THE DUAL ECONOMY AND THE BIFURCATED POLITICAL KINGDOM IN BURMA

The 1962 coup and the Burman military's agenda for asserting total economic control resulted in the bifurcation of the economy. There emerged, on the one hand, an official socialist economy and, on the other, a vigorous, underground, free-enterprise economy. Since the official economy was stagnant, military officers were soon drawn by greed into the larger, dynamic, more rewarding informal economy as regulators, enforcers, protectors, and beneficiaries.

The military-socialists also split the country politically. Burma has a formal realm consisting of the visible edifices of power, controlled by military officials — plus a vast hinterland and border areas inhabited by non-Burman segments, more or less controlled by a set of informal political-military actors. Like the former, the latter were facilitators, regulators and enforcers in the underground economy.

Since the two economies were intertwined and mutually dependent, political-military actors in the different political realms were also forced into economic relationships. Thus there emerged in Shan State some very strange, unlikely alliances that defy logic. For example, there was an alliance between the Burman military-socialists and a raft of anti-communist Homeguard the Ka Kwe Ye (KKY) commanders such as Lo Hsin-han, Khun Sa, and others. Likewise, there was also an alliance between the Communist Party of Burma (White Flag) and local armies led by Phung Ja-sin and others. Like their counterparts in the opposing camp, they organized, taxed, regulated, enforced contracts, and variously participated in the free-enterprise, opium-contraband economy. After the 1988 massacres of peaceful protesters, the State Law and Order Restoration Council (SLORC) entered into an alliance with armies formerly allied to the White Flag communists.

Clearly, the opium-heroin problem is not a simple one. A host of diverse, even opposing, political-military actors and economic rivals have been brought together to form a complex web of investment, trade, and profit that transcends politics and straddles borders and oceans. Consequently, politics in a country with a bifurcated economy and a divided political kingdom, is certainly not a simple affair with recognizable "good guys" and "bad guys." It is a politics of armies, shifting alliances, and precarious survival.

In the murky politics of shifting alliances and multi-front wars, it is hard to believe that a Shan "warlord," Khun Sa is the "bad guy" at the root of the problem, or that the opium-heroin business will disappear without him in control.

KHUN SA AND THE POLITICS OF ARMIES, PRECARIOUS ALLIANCES, AND SURVIVAL IN SHAN STATE

In the murky politics of shifting alliances and multi-front wars, it is hard to believe that a Shan "warlord," Khun Sa (aka Chang See-foo) is the "bad guy" at the root of the problem, or that the opium-heroin business will disappear without him in control.

Khun Sa began his present career in some capacity with Kuomintang (KMT) units who fled into Shan State after Mao's victory in China and were pivotal in the 50s and 60s to U.S. strategy to contain Chinese communist aggression in Asia. He hails from the Loimaw area, famed for its opium, where his father was myosa or administrator under the Muang-yai prince. Khun Sa was one of the many leaders of small, local homeguard units nominally loyal to the Burmese government, but also on good terms with Shan rebel groups. Following the 1964 demonetization measure, Khun
Sa joined the Shan resistance as head of the Loimaw Anti-Socialist Army, but then defected to the Burmese Army. He prospered under the military-socialists and by 1967 was strong enough to challenge the KMT opium-heroin fiefdom of Li Wen-huan (of Tum-ngop, in Thailand). Khun Sa gained a measure of international fame fighting a spectacular battle on the Thai/Lao/Shan border with Li's KMT, in which the Laotian Air Force took part.

Cooperating with the Burmese military-socialist regime, Khun Sa became the de facto head of all Shan Homeguard units in the early-1970s. Although semi-literate, he possessed enough intelligence and shrewdness to navigate successfully through the maze of shifting alliances, ably cultivating the right patrons and useful clients. For example, he maintained secret contacts with the leading resistance force, the Shan State Army (SSA), providing it with information and logistical help. At the same time, he cultivated Burmese military-socialist commanders and a host of Military Intelligence (MIS) officers, including Brigadiers Maung Shwe, now head of the opposition National League for Democracy (NLD); Sein Mya, a leader in the resistance; and Saw Maung, former head of the SLORC.

He also made peace with the KMT (in both Thailand and Taiwan) and expanded his contacts with economic insurgents (mainly Chinese) in Burma and Shan State. Through them, he gained contacts with ethnic Chinese from Thailand and Laos as well as Chinese entrepreneurs from Taiwan, Hongkong, Singapore, Malaysia, and the Philippines. His dealings with Thai-Chinese entrepreneurs, provided him with contacts in the Thai military and police, creating a very useful network.

In the early-1970s, Shan-Burmese politics became extremely complex. China decided to fully support the CPB (White Flag communists), and the Kokang area became strategic in Rangoon's fight for survival. Lo Hsin-han, head of the Kokang Homeguard, thus became more important to the regime, and as well to Li Wen-huan and his fiefdom. At the same time, both Li and the regime were becoming more uneasy with Khun Sa's growing strength and his Shan nationalism. In contrast, Lo was more Chinese, less politically literate, and hence less threatening to powerful patrons (the Burman military, KMT Li, and others). Therefore Khun Sa became expendable. He was arrested in 1970 and spent some years in prison.

Lo Hsin-han became expendable, too, when in 1974 the military-socialists boarded the U.S.-led war-on-drugs train. It became necessary to get rid of the Homeguards and Lo. Lo reacted by accepting the Shan State Army's invitation to join and expose Rangoon's complicity in narcotics. But Lo was arrested by the Thais and extradited to Burma in order to prevent him from incriminating top Burmese and Thai officials. Lo's removal, twenty years ago, was hailed by the Carter Administration as the end of narcotics outflow from the Golden Triangle. Released in 1980, Lo is now a prominent figure, very much in favor with SLORC.

Khun Sa was released from prison in 1977, following negotiations between the Thai Supreme Command and the Burmese military for the return of two Russian doctors kidnapped from Taunggyi by Khun Sa's men in 1971. After his release, Khun Sa rejoined his army on the Thai-Shan border.

Responding to U.S. pressure in 1982, the Thai launched a massive military operation to liquidate Khun Sa, which was reported by the local media as highly successful. However, after two years of bloody border warfare with Wa and Lahu units of the CPB (who were aided by a number of rightist Karen), Khun Sa emerged in the mid-1980s as head of a unified army, the Muang-Tai Army (MTA). From April-June 1994, SLORC tried to wipe out the MTA, playing the opium-heroin card in order to obtain American sympathy and aid. They have been unsuccessful however, leaving Khun Sa in control of a small border realm.

It can be seen that Khun Sa's fate has been shaped by the twists and turns of politics and the expediency of more powerful national, regional, and global actors. He is not a paramount power by any means. He merely commands one of the many armies, and is plugged into one of the many networks in the wider complex of trade. Among the many governments, national armies, security agencies, influential figures directly or indirectly involved in the opium-heroin phenomenon, Khun Sa is a very small fish indeed.
A PARADIGM SHIFT: A KEY TO RESOLVING THE OPIUM-HEROIN PROBLEM

One problem with supposed solutions to the opium-heroin question is that they are based on a paradigm that assumes governments are fundamentally alike: that they are public institutions, accountable to their citizens; and that they exercise power for the public good, and try to solve problems rationally and fairly. This view often obscures the political dynamics underlying national problems. Looking at the opium-heroine problem with the conventional state-society lens, it is easy to see Khun Sa as being at the root of the problem because he is a rebel, or conversely, to see the government that fights him as the solution. Other factors are overlooked, such as the dual military-socialist economy, and the subsequent bifurcation of the political realm; the role of a wide range of external economic-political powers or interests and their contribution to the making of the opium-heroin problem.

This is not to imply that scholars are ignorant of the nature of Third World politics. They certainly are not. Conventional notions about state, government and society are so deeply embedded, however, that it is easy to subconsciously project them onto the Third World. Furthermore, Third World powerholders have long ago learned to speak and manipulate the political jargon of Western democracies to their advantage.

Despite billions of dollars spent all these many decades, a solution to the opium-heroin problem is nowhere in sight. Obviously, the approaches adopted so far have failed, as evident from the expansion of the heroin market and increased profitability of the trade. More worrisome, the opium business seems to have become a cash-cow for those...
powerful enough to exploit or profit from the problem either as narcotics big wheels, or knights of anti-drug brigades. It is tempting to conclude that the war on drugs will drag on inconclusively and indefinitely since a resolution would, in the final analysis, benefit only the powerless victims of this global, high-powered game — the people of Burma.

NOTES


2. The television documentary, "Opium Warlords" (London, ATV, 1976), provides an inside glimpse of the life of opium-growing Shan peasants. It was co-produced by Adrian Cowell and Chris Menges.

3. The Shan State is inhabited by many ethnolinguistic groups. The majority, and major actor in the history and politics of what is not Burma, are the Tai/Dai (or Thaiyi, "Big Thai"). In accepted political usage, and in this paper, the term "Shan" applies to all inhabitants of Shan State regardless of ethnolinguistic affiliation. Actually, the word Shan is derived from "Syan/Siam."


7. In the 1980s when the price for one viss opium (roughly 2 kilogram) in the fields was kyat 500-800 (about the same in Blackmarket Baht, or US$25-40), the border price was around 2,000 baht (US$100). The price of one kg. of heroin (10 kg. of opium) in Chiangmai was then US$2,000 (3,000 baht), and around US$5,000 in Bangkok. In the same period, according to a police source in Vancouver, the street price for heroin (6 percent purity) was Can$35 for a capsule (less than 1/10 gram in weight, or $350,000 a kg. The wholesale price may be around $100,000).

8. Even in the mid-1960s, there was no evidence of poppy near their villages. By the late-1960s, opium was cultivated in garden plots with other vegetables. (Based on personal observation while serving in the Shan State Army/SSA from 1963-1977).


11. For example, in the 1970s, the Burma Army, SSA, 3rd KMT, and KIA (Kachin) were involved in a four-way war against one another. One SSA commander in the Namsan area engaged in over twenty firefights with various comers within the one month he was there.


13. In 1993, Bo Deving, once Khun Sa's arch-enemy, was "elect-ed" (with Khun Sa's approval) Chairman of the MTA's Shan State Restoration Council (SSRC). He "retired" a year later, and is now a monk. This is a good example of shifting alliances and enmity in Shan and Burmese politics.

14. The KMT 3rd (Li Wen-huan) and 5th armies (Tuan Shi-wen) were based on the Thai-Shan border. They had close links with the overseas Chinese network of capital markets. They were also linked to various U.S. intelligence, right-wing and anti-Communist organizations; successive Thai governments, the Thai security "industry," powerful figures and Taiwan intelligence (directly under Chiang Ching-kuo). Taiwan had close ties with all "Burmese" KKY (Homeguard) leaders, and significantly, up to the present with Khun Sa.

15. Lo Hsin-han's name is listed as a top donor of the Rangoon Golf Club, catering almost exclusively to top military brass. He also brokered in 1991 the ceasefires with former communist warlords for Khin Nyunt.

16. In the Thai media, this event is known as the "Hin-tek" battle. It involved an over 1000 strong special strike force, supported by armor and a squadron of fighters.

17. The MTA is made up of Khun Sa's own SUA (Shan United Army), SURA (Shan United Revolutionary Army), and SSA (Shan State Army) — with a strength now of an estimated 7,000-18,000 well-trained, combat-hardened regulars. The rightist Karen's alliance with "communist" Wa and Lahu forces, against anti-communist Khun Sa forces is, again, one of those weird twists and turns of "Burmese" politics.
EXECUTIVE SUMMARY

Asian drug traffickers use a variety of money laundering methods to move drug proceeds. They employ different techniques depending on whether they are transmitting the money from the United States to Asia or within Asia. When sending funds from the United States to Asia, traffickers often will elect to use simple, but effective methods, such as bulk smuggling, converting cash to checks or money orders, or transferring money by wire. When moving money between Asian countries, traffickers may use many of these methods, but frequently they turn to more sophisticated means, such as invoice manipulation, letters of credit, front companies, and gold and gem smuggling.
One of the most frequently used money laundering methods in Asia is the Chinese underground banking system (UBS), which is used to transmit both operating funds and profits. For Asian drug traffickers, there are several advantages to using the UBS over the official banking system. First, the system provides anonymity; there is no official paper trail for law enforcement authorities to follow. Second, the system is faster than the official banks; hundreds of thousands of dollars can be transferred to another country in a matter of hours. The UBS also offers low cost and convenience.

Although the UBS is misused by drug traffickers, it is used legitimately and routinely by many Asian ethnic groups. The UBS has a long history, which predates conventional banking systems. The system is based on family trust and the fear of community ostracism if that trust is betrayed. Because of this, law enforcement authorities cannot penetrate the system easily.

As the description "underground system" suggests, controlling the UBS through regulatory legislation is not likely. The enactment of money laundering legislation and other supporting laws in Asia will have little impact on the UBS; these laws are established to oversee legitimate banks and institutions. Ultimately, effectively containing UBS abuses depends on changing attitudes towards compartmentalizing criminal activity. The facilitation of moving money to purchase drugs and the integration of drug proceeds into the legitimate economy are criminal activities as serious as drug trafficking itself.

ASIAN MONEY MOVEMENT METHODS

Different money laundering and drug money movement schemes are used throughout Asia. These schemes vary by the organization and the type of drug trafficked. Thus Asian heroin, marijuana, and crystal d-methamphetamine hydrochloride (ice) traffickers rely on a variety of networks to move and launder the proceeds of drug sales.

HEROIN PROFITS

Profits from the sale of Southeast Asian heroin in the United States generally are smuggled to Hong Kong in courier-carried luggage. These proceeds, ranging from $100,000 to $1 million per trip, are in the form of cash, money orders, or cashier's checks under $10,000. Bank transfers, which are structured to be under the $10,000, also are used.

Within Asia, heroin traffickers and suppliers — among whom ethnic Chinese are preeminent — use well-established unofficial Chinese banking systems to move both their operating funds and illicit profits. From residences primarily in Hong Kong and Thailand, these ethnic Chinese traffickers have business and family connections throughout Asia and the Pacific Rim that facilitate access to the underground banking system called Hui Kuan (Mandarin Chinese) or Phoei Kwan (Teo Chew Chinese), and known to Westerners by the acronym "UBS." [Note: The term "UBS" will be used throughout this report.]

Based in a cultural history of trust... the UBS predates current banking systems. A system similar to the Chinese UBS, known as the Hawala or Hundi system, is used throughout the Indian subcontinent. Through the UBS, heroin traffickers can transfer $500,000 from Hong Kong to Bangkok within hours simply by visiting a gold shop in Hong Kong's Western Market. Many UBS syndicates have operated since World War II. Syndicates profit from underground transactions not by charging a commission, but by exploiting exchange rate differentials between countries.

LEGISLATION

Among Asian and the Pacific Rim countries, asset forfeiture legislation currently exists only in Australia, Hong Kong, and, to a degree, Malaysia and Thailand. Although Singapore enacted asset seizure legislation in October 1993, no case yet has been prosecuted under the law. Money laundering legislation is comparably weak throughout the region. Knowingly handling drug money is a crime only in Australia, Hong Kong, Japan, Malaysia, Singapore, and, most recently, Thailand.

Theoretically, asset forfeiture and money laundering laws are powerful weapons in the fight against drug trafficking: when forfeiture laws are implemented, drug traffickers are forced to launder their illicit profits, making themselves vulnerable to money laundering statutes. But circumstances in Asia make the application of this strategy against heroin...
traffickers problematic. The deterrent effect of recent or projected money laundering legislation in the region is likely to be undermined by traffickers' increased use of the UBS.

**THE CHINESE UNDERGROUND BANKING SYSTEM**

**THE BEGINNINGS**

The Chinese UBS predates the Chinese commercial banking and postal systems. Chinese overseas workers supported their families in China by routing their remittances through rice merchants who travelled throughout Asia supplying rice to the Chinese diaspora. Organization of the rice trade vitally involved these merchants in much of the region's shipping and commerce. Taking advantage of established merchant shops and shipping schedules, the fledgling Chinese postal service began sending both letters and remittances through these de facto post offices and carriers. When government-controlled post offices and officially registered banks eventually were instituted, the inefficiency and high fees that came with them insured a continuing role for underground bankers in Asian societies. In Thailand for example, Teo Chew Chinese families already in the remittance business founded the major banks. For the most part, the banks remain in the hands of these powerful families, which explains the current, deep-seated alliances between Thai banks and major money moving organizations.

**WHAT THE SYSTEM CAN DO**

The UBS can transmit large sums of money efficiently and quickly with a minimum of paper work by bypassing legal banking procedures and practices. Clients use it for a variety of reasons, from overseas workers supporting relatives to tax evaders looking to avoid official scrutiny of their financial transactions. The system also is used by criminals who are similarly anxious to avoid official scrutiny of profits derived from trafficking in drugs and other illegal activities. At one end of the continuum, then, the UBS provides a community service; at the other end, it offers drug traffickers a tool for money movement and laundering.

**A SYSTEM BASED ON TRUST**

The UBS works on "trust." This trust is not grounded in virtue or humanitarian principle, but in profit motives strengthened by familial relationships, local social strictures, ethnic ties, or secret society loyalties. Generally, there is no legal recourse if the UBS fails to fulfill a financial obligation. But when a "trust" is breached, communal ostracism or worse follows.

Many times the trust between the branches of a Chinese UBS runs along familial lines. For example, a major Thailand-based Chinese organization is founded entirely on one extended family. Branches have been identified in Hong Kong, Malaysia, Singapore, Thailand, and the United States. In each of these countries, at least one branch director is an offspring, sibling, cousin, or in-law of the organization lead. In this situation, the underground banker who failed to remit money would cause the entire family to "lose face."

Trust among money movers of the Chiu Chow ethnic group originates in a broadly shared ethnic tie. But these money movers also may be bound by deeper trusts stemming from identification with an ethnic subgroup, such as the Chao An, Chao Yang, or Pu Ning, or to an organized crime group, such as the Hsin I An (Sun Yee On) or Yee Kwan Triads. In these systems, a breach of faith would result in ostracization from the group. Nevertheless, whether the UBS is based on familial, ethnic, or societal ties, the broker who breaks a trust effectively commits economic suicide.

**ASIAN ORGANIZED CRIME INVOLVEMENT**

Trust within a Chinese UBS also may be based on a secret brotherhood, such as a triad. With its oaths and accompanying disciplinary code, triad-based systems treat violations severely: bankers judged untrustworthy face more than just "economic suicide."

In the United States, several Chinese money laundering and money movement groups have been associated with triads. While insufficient intelligence exists to draw definitive conclusions about the frequency and strength of the ties between underground money brokers and organized crime groups, several connections have been documented....
Convicted heroin trafficker Kon Yu-leung used Wo On Lok Triad members to move drug money back to Asia. Kon's organization collected drug proceeds in New York City and carried them back to Hong Kong in suitcases containing $300,000 in small bills. They also carried money to Kon's watch company in Paraguay, from where it then was wired to Hong Kong. In Hong Kong, all funds were deposited temporarily in legitimate banks. To finance new heroin purchases in Thailand, the funds eventually were brought by Kon's lieutenant to Hong Kong's Western Market district and sent to Thailand through the Chan Man Cheong Finance Company, a Chinese UBS front. The Bangkok heroin supplier, Suchin Sirwattana, collected the money from the Chin Hua Heng Goldsmith shop in Bangkok's Chinatown and deposited it into Bangkok banks. From there, the funds were wire transferred to Chiang Mai, received by the heroin suppliers organization, and forwarded through another UBS system to Burma to finance opium processing and trafficking operations.

WHERE THE SYSTEM OPERATES

The UBS essentially involves the non-bank institutional transfer of funds. As with formal banks, "value" not funds are transferred. The UBS exists both in countries with laws controlling the exportation of funds, like Thailand, and in countries with no controls, like Hong Kong. It exists both in countries with convertible currency, like Australia, and in countries with nonconvertible currency, like Burma. It exists both in countries with strict currency exchange laws, like Japan, and in countries with lenient currency laws, like Hong Kong. In short, the UBS flourishes in countries where inefficiencies, costs, regulations, or official scrutiny burden the official banking system.

For example, China's banking and postal systems currently are in such disarray that the UBS system in China is growing rapidly. In October 1993, Chinese authorities seized $1.38 million from a grocery shop in Fujien Province that was being used to remit the proceeds from drug and alien smuggling ventures to the United States. Informal money movement channels also are proliferating between Taiwan and both Thailand and China. In one case, a Taiwanese underground banker remitted money to China through a UBS on more than 3,200 occasions from 1990 to 1991. Using jewelry and industrial front companies as cover, the dealer advertised in a local newspaper to solicit business. As new Taiwan dollars were brought to the money mover, he would telefax from Taiwan the listed dollar amounts and the recipients' names to an associate in Hong Kong. The Hong Kong associate then converted the money and left the underground system by sending the money into China through the official postal remittance system.
How THE SYSTEM WORKS

The UBS consists of a variety of businesses, most typically gold shops, travel agencies, money exchangers, finance companies, and import/export companies. At certain stages of money transfer, the system relies on legitimate banks. For instance, a UBS trading company in Hong Kong requires that clients open accounts in the same bank where the company's accounts are held. The user makes an intra-bank transfer of funds to the UBS Company's account. Upon notification from the bank of the transfer, the trading company contacts a sister company in Thailand to release an equivalent sum in Thai currency (the baht) to the designated receiver.

THE TRANSFER OF FUNDS

Most Chinese systems can make money available in a different country in a matter of hours regardless of amount. There is no physical transfer of funds; the transfer is merely a bookkeeping entry. The sending company takes a credit in its bank account and the receiving company records a debit. The money movement is often bi-directional; in some cases, similar amounts of money are remitted in both directions. For example, a system's money flow may be roughly equivalent between two points, such as the Philippines and Hong Kong. Moreover, capital flight from the Philippines may approximate overseas workers' remittances back to the Philippines. Conversely, between Hong Kong and Thailand money movement has been one-sided. One UBS company's books showed that the money being remitted through the system from Thailand to Hong Kong is three times the amount being remitted the other way. Where the transfers are one-sided, the need for regular compensation is greater. Nevertheless, between any two companies in different countries, books must be balanced.

THE BALANCING OF THE BOOKS

Evidence suggests that the Chinese UBS uses bulk money shipments and established banks to balance the company's books. To correct situations where, as previously described, three times as much money flowed from Thailand to Hong Kong than vice versa, Thai money movers used one of the three or four major money movers in Bangkok to balance their accounts with companies in Hong Kong. One of the smaller money movers, who had a moderate business in the Golden Triangle, explained that he deposited the surplus money with the major mover, paid a commission, and had an associate in Hong Kong pick up the money. To balance their books, major Thai money movers used larger banks to transfer their money first to an intermediate country, such as Switzerland, and then to Hong Kong. Deep family and clan ties between major money movers and the heads of Thai banks facilitate accommodation of money moving syndicates by banks.
THE ADVANTAGES OF THE SYSTEM

Use of the UBS has several advantages over the official banking system, the first being anonymity. Although ledgers are kept and receipts are given to the remitters, UBS systems create no official paper trails, a priority for those moving illegal funds or avoiding taxes. However, should a transaction go awry, users have no official avenue of redress.

The system also is faster than the official banks. Hundreds of thousands of U.S. dollars can be transferred in a matter of a few hours, if necessary. Banks, on the other hand, are notorious for holding money transfers or "taking their time" in clearing checks, which enables them to earn interest on the money they are holding.

The low cost is a third advantage. Chinese underground bankers charge only a small fee because their profit is made in exploiting "unofficial" currency exchange rates, which are more favorable than banks' official exchange rates.

A fourth advantage of the UBS is convenience. Hometowns and villages of Asian overseas workers most likely do not have a national bank branch, but will have remittance businesses or stores. Therefore, UBS recipients do not have to travel to cities to receive their money. And because the official banking and postal systems are inefficient, alternate financial instruments are sought.

Despite its traditional acceptance within Asian communities, the UBS system is fragile. Minimal law enforcement effort, such as a raid, can disrupt the system. Furthermore, by allowing authorities access to a wealth of intelligence about trafficker operations, such efforts ultimately can destroy some trafficking organizations.

OTHER MONEY MOVING METHODS USED BY ASIAN TRAFFICKERS

BULK SMUGGLING

Bulk smuggling of currency is believed to be the most common method of moving drug money to Asia. Laws regulating the amount of currency carried into most Asian countries are not a significant deterrent to bulk smugglers. For example, U.S. dollars (the proceeds from drug sales in the United States), are being brought into China in large amounts. In 1993, a courier took $2,000,000 into China's Shenzhen Province in four $500,000 increments. On each trip, he simply presented his home pass and declared the money in his possession. As with other travelers bringing hard currency into China's economy, Chinese customs inspectors permitted him to enter with no questions asked.

INVOICE MANIPULATION

Invoice manipulation involves the falsification of shipping documents and invoices through the overvaluing and undervaluing of imports and exports. Manipulation also may involve the creation of invoices for nonexistent shipments. Underground bankers in the Chinese UBS use this method to move money and launder drug proceeds, either through front companies and/or letters of credit schemes.

Drug traffickers operating front companies can make drug money resemble the proceeds of legitimate business transactions through invoice manipulation. Currency can be exchanged and moved between accounts in different countries throughout the world limited only by the number of front companies the trafficker or underground banker operates.
LETTERS OF CREDIT

Money movers operating import/export companies often launder money by issuing or forging letters of credit. Issued by banks at the request of an importer/buyer, letters of credit are bank promises to pay an exporter/seller in another country when that exporter/seller presents appropriate documentation. Documentation normally presented includes the commercial invoice, customs invoice, packing list, and a bill of lading.

Over-invoicing and false letters of credit are used to bring U.S. currency into Asian countries. In 1989, for instance, associates of heroin trafficker Chen Jui-chang manipulated these instruments to move dollars from Taiwan to Thailand. A company in Taiwan placed an order for merchandise with its associate company in Thailand. A $100,000 letter of credit was sent from Taiwan for goods worth only $4,000. The associate in Thailand cashed the letter of credit, creating a surplus of $96,000 that he deposited into a Thai Farmers Bank account. In this manner, over $3 million were brought into Thailand within a 1-year period.

FRONT COMPANIES

In other cases, money was laundered through associate front companies located in Hong Kong and Taiwan. In 1990 and 1991, the underground banker sent over $3 million from Thailand to Taiwan via Hong Kong, picking up money from drug traffickers, the underground banker deposited the currency into his Thai Farmers Bank account, notifying an associate front company in Hong Kong of the transaction. This company transferred the funds by writing a check to yet another front company (also in Hong Kong). Once the check had been sent, the first company sent the underground banker a facsimile of the bank documents confirming that the transaction had been taken place. Finally, the second Hong Kong front company sent a credit document to another associate front company in Taiwan allowing the trafficker to pick up his now-laundered money.

GOLD AND GEM SMUGGLING

Burmese money movers get U.S. dollars by smuggling offshore drug profits over the Thailand-Burma border. These profits may be in mediums other than currency. Gold and gems, such as diamonds, rubies, and sapphires, are smuggled into Burma and converted into kyat. The kyat is used to pay for opium production costs.

Gold, representing the profits from illegal drug sales in Tachilek, a Burmese border town, is smuggled to Rangoon on Burmese commercial flights. Typically, bribed security agents carry several kilograms of gold per trip. The gold is exchanged for U.S. dollars at the Indian border. Indian currency smugglers then resell the gold in India at a significant profit. Drug traffickers use newly acquired U.S. dollars in Burma to purchase items that can be bought only with hard currency. Unspent dollars are converted back to kyat at black market rates to pay for opium cultivation and production costs.

THE USE OF CURRENCY DECLARATION FORMS IN BURMA

By law, hard currency entering Burma must be reported on a currency declaration form. This provides proof that the hard currency is legal tender and may be used to purchase goods. Subsequent expenditures are recorded and deducted from the declared amount. Foreigners entering Burma with hard currency must deposit it in the Foreign Trade Bank prior to spending it. Burmese citizens returning from abroad also are required to deposit hard currency into the Foreign Trade Bank, where 25 percent is converted immediately at the official rate of 6 kyat for $1. (Money exchangers offer black market rates of anywhere from 100 to 140 kyat per dollar.)

Although Burmese law regulates hard currency in this manner, these requirements are evaded. The currency declaration forms filled out by travelers who bring hard currency into Burma sometimes are used to make profits. In one method, Burmese money exchangers work with expatriate Taiwanese businessmen and money movers. In addition to Burma and Taiwan, this particular syndicate has outlets in Hong Kong, Thailand, and the United States.

OUTLOOK

As this report illustrates, Asian traffickers use a variety of methods to move their drug profits internationally. Nevertheless, the UBS is not just
ANOTHER UNOFFICIAL MONEY MOVEMENT METHOD — in some areas of the world, it is the primary method. Because it is an "underground" organization, the UBS stands largely beyond the control of government legislation. Money laundering and supporting legislation... will have little impact on an underground system independent of laws that are designed to regulate legitimate banks and financial institutions. In fact, these regulatory initiatives actually encourage the movement of illicit funds moving through underground systems.

With the return of Hong Kong to China in 1997, banking is expected to suffer. In all likelihood, the transition will yield temporary confusion and inefficiencies within Hong Kong's financial system, currently the hub of Asian money movement. An increased use of Chinese UBS may follow. Legislation that precludes unlicensed businesses from offering banking services and currency transaction reporting requirements could inhibit UBS growth. However, effective enforcement of the legislation heretofore has been lacking throughout the region.

Publicity is perhaps more effective than legislative initiatives in deterring underground banking. Drug traffickers desire secrecy and anonymity in underground systems. Notoriety spawned by law enforcement investigations often is enough to drive away business from the UBS. Police disclosure of seized UBS records also could put the organization out of business.

Attacking these traditional money movement methods will require a multinational and multiagency approach. Underground banking is not considered illegal or immoral in many nations. However, by connecting transferred funds to their illicit origins, law enforcement authorities can stigmatize underground bankers who knowingly conduct transactions with drug-related proceeds. Eventually these actions may force the international banking community to police itself to a greater degree. But the problem's ultimate solution depends on changing current attitudes towards compartmentalizing criminal activity. The facilitation of moving money to purchase drugs and the integration of drug proceeds into the legitimate economy are criminal activities as serious as drug trafficking itself.

MONEY MOVEMENT OPERATIONS IN BURMA

In one recently discovered scheme, a tour company, established by Taiwanese businessmen to provide tours of Burma for Taiwanese nationals, served as a vehicle for moving money. Burmese money exchangers contacted their Taiwan counterparts and arranged the recruitment of tourists who agreed to participate in the money laundering plan. The tourists were told by tour organizers the amount of U.S. currency to declare when entering Burma, even though they were not carrying the currency. Bribed airport security personnel were provided with tourists' names and the amount of U.S. currency to give each of them. When the tourists arrived, they collected currency from the security personnel and completed the currency declaration form. Because the money had been declared, it can be used to make purchases on the Burmese economy. When the tourists departed, the money exchanger returned the used declaration form. The U.S. currency used in these operations usually was obtained at the Indian border in exchange for gold smuggled across Burma.

The money changer used the declaration form to purchase high-priced items, such as automobiles, which can then be resold at an inflated rate to other Burmese for kyat — thereby generating huge profits. For example, a vehicle purchased for $10,000 could be resold for $50,000 in kyat at the black market rate, giving the money exchanger $40,000 in profit. Money also is made by selling the form to other money exchangers because a single form can be used repeatedly as long as the purchases are not recorded on the declaration form. Additional bribes or commissions must be paid so that the declaration form is not "chopped," or initialed, by each merchant. The final merchant to chop the form shows that all U.S. currency declared on the form was spent in Burma.
IN BRIEF

BRIEFINGS AND DEVELOPMENTS

INTERNATIONAL DEVELOPMENT CONFERENCE FEATURES BURMA PANEL

The 1995 International Development Conference, ACHIEVING GLOBAL HUMAN SECURITY, held January 16-18, hosted a workshop: The Political Tragedy of Burma. Moderated by Michele Bokana of the Institute for Asian Democracy, the panel featured Dr. Sein Win, Prime Minister of the National Coalition Government of Burma; Professor Kevin Clemments, Director of the Institute for Conflict Analysis and Resolution at George Mason University; and Harn Yawnghwe, Editor of Burma Alert and Secretary for the Burma Donors Forum.

SYMPOSIUM COMMEMORATES ANNIVERSARY OF DEATH OF U THANT


TOURISM MAGAZINE SOLICITS PAPERS ON ASIA

The magazine, Tourism Recreation Research, will feature a special issue on Tourism in East and Southeast Asia which will seek to place tourism in the context of the rapidly changing world of the Far East. Papers are being sought on areas such as: International Travel Trends in the Region; Country Reports — recent political, economic and cultural issues related to tourism development; and Infrastructure and Economic Development. Manuscripts may be submitted to Dr. Alan A. Lew, Department of Geography and Public Planning, Northern Arizona University, Box 15016, Flagstaff, Arizona 86011-5016, Fax: (602) 523-1080, e-mail: ALAN.LEW@NAU.EDU.

The deadline for submission is March 1,1995.

ROUND TABLES

WASHINGTON DC — The Washington Burma Roundtable is co-sponsored by Human Rights Watch/Asia, U.S. Committee for Refugees, Jesuit Refugee Service, The International Center and Refugees International. It is a gathering of NGOs, Congressional staff, Administration officials and concerned individuals that meets periodically to discuss human rights, humanitarian assistance and other issues concerning Burma. For further information contact Refugees International at phone: (202) 828-0110 or fax: (202) 828-0819.

NEW YORK — A New York Burma Roundtable was held on January 19, 1995 focusing on the current human rights and political situation in Shan State. Presentations were given by Benjamin Min of the United Wa State Anti-Narcotics and Development Organization; Chao Tzang Yawnghwe, representative of the Shan State Organization; Harn Yawnghwe, Editor of Burma Alert and Program Director of the Associates to Develop Democratic Burma; and Sai Khun Pha, founder and Secretary of the Shan State Association.

Human Rights Watch/Asia hosts periodic Roundtables on Burma in New York City. Information can be obtained through the NY office at phone: (212) 972-8400 or fax: (212) 972-0905.

MASSACHUSETTS — The Massachusetts Burma Roundtables are hosted by Franklin Research & Development Corporation and are now being held the second Monday of every month. For further information contact: Simon Billeness of Franklin Research at phone: (617) 423-6655 or fax:(617) 482-6179.

SAN FRANCISCO — Burma Roundtables are held the third Wednesday of every month. For further information please contact: lane Jerome tel: (415) 967-3457 or e-mail: jjerome@igc.apc.org

SEATTLE — A meeting of the Burma Interest Group was held on January 9 and featured Tim Dirstine who presented observations on his recent visit to Burma. An update on the ongoing boycott of Eddie Bauer Inc. was also provided by the Seattle Campaign for a Free Burma. The next meeting is scheduled for February 27.

The Burma Interest Group is a non-partisan forum attended by representatives of NGOs, academia and other interested parties that meets monthly to discuss Burma related topics. For more information contact Larry Dohrs by phone: (206) 784-6873 or fax: (206) 784-8150

LONDON — The Burma Briefing is a periodic meeting of NGOs working on Burma. For more information on this forum contact Edmond McGovern by phone: (44-392) 876-849 or fax: (44-392) 876-525.

PARIS — The NGO community in France and Belgium hosts periodic roundtables in Paris and Brussels. For information on future meetings contact Lotte Leicht of Human Rights Watch Brussels by phone: (32-2) 732-2009 or fax (32-2) 732-0471.
Thank you.

November 11, 1994

Dear Sir,

I have written you letters and hope you can understand me. Your broadcasts are being carefully listened to even by gem-diggers living in little shabby huts, in distant and desolate valleys.

... SLORC is ignoring or supporting new opium cultivations in Northern Chin Hills and Naga land. It was separately mentioned by VOA and BBC broadcasts. It is also confirmed by local people. A police officer, joining No. 8 police station, Mandalay, on transfer from Northern Chin Hills division in 1991, assured me that the whole of Northern Chin Hills is beautifully covered with opium flowers in season. VOA and BBC insisted [on] the existence of heroin labs situated close to a SLORC army battalion base in border areas close to India.

Later news tells of other new cultivations being started in Southern Chin Hills. There are also possibilities of new cultivations in Putao area and other northernmost parts of Burma. General Khin Nyunt makes assurances publicly again and again that there will be no more opium cultivation in coming few years in and around the Golden Triangle. He is absolutely right — because the opium cultivation will be shifted from the Golden Triangle to Western and Northern highlands of Burma... 

... The world is still ignorant — that only Khun Sa is the single drug lord. There are others equal or superior to Khun Sa in opium business. People do not notice them. They are collaborating with SLORC. They all are, including SLORC, as great as Khun Sa.

Yours Sincerely,

(name signed but withheld)

November 11, 1994

Dear Sir,

I want to report a case of violation of human right[s] here in Burma. Mr. Aye Win*, his wife and brother-in-law of Lashio were arrested by the Burma Army in about the first week of October. The three were charged with an accusation that they had acted as agents to Khun Sa, the drug lord. Like communist insurgents, Burma Army is in the habit of making an accusation to its opponent or to anyone whom it displeases.

The three were tortured and forced to sign a statement admitting the accusation. On refusal, further tortures, apart from beatings and curses... many were ways of tortures — indescribable and unimaginable.

A local gossip ran that a Khun Sa force of about 200 soldiers was operating around Lashio. Unable to get any reports or co-operation from the local folks, Burma Army arrested Ya-Wa-Tas (heads of SLORC village level). Several were arrested and tortured on failure to give location of enemy's positions. Ya-Wa-Tas were released only at a ransom. Certain Ya-Wa-Tas were put on display to make the public scared. On October 18, 1994, [one] body was put in a pit, and earth filled to his neck. It was witnessed by local people. His fate was unknown.

Regarding Mr. Aye Win, his elder sister... was approached by Burma Army for a ransom of 8 Lakhs (800,000 kyats), promising release of three arrested... [She] refused and was looking for ways to approach higher authorities for help. She was unable to report it to Amnesty International.

Even I do not know the address of Amnesty International... Your name on cover [Democratic Voice of Burma], will raise suspicion of censor so I was forced to write a code name instead... I also change my handwriting to escape detection.

Please forward this to Amnesty International.

Thank you.

(name signed but withheld) * name changed

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**MEDIA RESOURCES**

**ETHNIC GROUPS IN BURMA: DEVELOPMENT, DEMOCRACY AND HUMAN RIGHTS**

by Martin Smith

Anti-Slavery International
The Stableyard
Broomgrove Road
London SW9 9TL, England
Tel: (44-71) 924-9555
Fax: (44-71) 738-4110

This book provides a concise background to the current situation of ethnic groups, the decades long conflict with the central Burmese government, the political and economic neglect of the border areas, compulsory relocation and forced labor. Aimed at those organizations outside Burma who are beginning to set up operations in the country, the book offers recommendations regarding "constructive engagement" urging the commitment of all concerned to end human rights violations and ethnic injustices and support efforts towards reconciliation and peace through dialogue.

**THE GEOPolitical DRUG DISPATCH**

Observatoire Geopolitique Des Drogues
B.RN 190
75463 Paris Cedex 10, France
Tel: (33-1) 40-36-61-81
Fax: (33-1) 40-38-11-65

This monthly publication provides original and timely information on the geopolitics of the international drug trade. Supported by a network of over 250 correspondents in more than 80 countries, the Dispatch places narcotics and the drug trade within the context of international economics, politics and national security. Published in French, English and Spanish.

**NOTABLES & QUOTABLES**

"It has always been the firm conviction of those working for democracy in Burma that it is only through meaningful dialogue between diverse political forces that we can achieve national reconciliation, which is the first and most vital requisite for a united and prosperous country."

... It was in full acceptance of this view and with genuine good will that I approached the meetings with members of the State Law and Order Restoration Council (SLORC)... There has not been and there will not be any secret deals with regard either to my release or to any other issue. I adhere to the principle of accountability and consider myself at all times bound by the aspirations of those engaged in the movement to establish a truly democratic political system in Burma. I remain dedicated to an active participation in this movement."

The above excerpts are from a rare public statement issued by Aung San Suu Kyi from house arrest in Rangoon on January 22, 1995
S L O R C  S P E A K S

Excerpt from Statement of Minister for Foreign Affairs, Union of Myanmar, U Ohn Gyaw, to the 49th Session of the United Nations General Assembly in New York on October 11, 1994:

The global spread of drug abuse has become a major international concern in recent years. The evil consequences of illicit drugs transcend borders and the threat of illicit drugs can only be overcome with effective international cooperation. We share the view that concerted action is needed at national, sub-regional, regional and global levels.

Myanmar has always treated anti-narcotics measures as a national responsibility. At the national level, the government has adopted comprehensive plans for the effective implementation of drug suppression measures. A new law against narcotic drugs and psychotropic substances was enacted in 1993 encompassing effective measures against the widening scope of the drug menace. In our national strategies against drugs, a new approach was launched in 1988, the key concept of which was to alleviate the poverty of the peoples in the border areas by providing them with a means of alternative income, while at the same time working to raise their awareness of the magnitude of human misery resulting from drugs. This approach is being carried out as one of the main objectives of the Master Plan for the development of the border areas and national races. It is evident that the most effective approach towards eradication of poppy cultivation would be to implement a comprehensive program for the social and economic development of the national races in the border areas. We have now established a mechanism coordinating action against illicit drugs in all their aspects.

We have also been coordinating our national efforts with those of our neighbors to ensure a maximum impact in drug eradication in the region. The Myanmar Government has signed agreements with People's Republic of China and the UNDCP (United Nations International Drug Control Programme) as well as with Thailand and the UNDCP. Bilateral narcotics suppression agreements have been signed with Laos and India, and we aim to work out a similar agreement with Bangladesh. In October 1993, at New York, Myanmar, the People's Republic of China, Laos, Thailand and the UNDCP signed a Memorandum of Understanding which would further harmonize collective activities aimed at reducing drug trafficking and production, eliminating poppy cultivation, and reducing drug demand consumption. There have been two ministerial conferences at the sub-regional level at which Myanmar has contributed active participation. Myanmar is a State Party to the 1961 Single Convention on Narcotic Drugs, and to the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Moreover, on June 7 this year, Myanmar deposited the Instrument of Accession to the UN Convention on Psychotropic Substances. We are also carrying out a series of measures in the implementation of the recommendations contained in the Global Program of Action adopted by the Seventeenth Special Session of the United Nations General Assembly in February 1990.

Members of the Myanmar security forces are engaged in a relentless war against drug trafficking. They may not be wearing blue helmets like the men and women from different lands serving as guardians of peace under the United Nations banner, but the cause for which hundreds of them have sacrificed their life and limb is no less international and no less worthy. As to those who are expressing doubt about our commitment to eradication of narcotics, let me ask: "Which country in the world has sacrificed the lives of over 190 soldiers with additional 350 wounded in the combat against drug traffickers in a matter of only four weeks?" With this serious dedication and commitment in the fight against illicit drugs, we in Myanmar are ready and willing to cooperate fully with all our neighbors and the international community for sustained efforts against this scourge.

BUSINESS WATCH

REEBOK PROMISES — NO BUSINESS WITH BURMA

Reebok International Ltd., the footwear and apparel manufacturer, recently responded to inquiries that the company might be considering importing clothes from Burma. Reebok chairman and chief executive, Paul Fireman stated: "Reebok is not currently purchasing footwear or apparel in Burma and will not consider doing so until significant improvements in human rights conditions are in place. I have no scheduled meetings with Burmese officials. However, if any such conversations were to take place, we would insist on the need for human rights progress that will enhance the lives of the people of Burma, and increase their basic freedoms, as a prerequisite for Reebok business."

UNIVERSITY OF WASHINGTON UNDER FIRE FOR INVESTMENTS IN BURMA

Students from the University of Washington in Seattle are protesting the fact that the school's investment portfolio contains approximately $2-3 million worth of stocks in firms doing business in Burma. In a meeting with UW's administration the students contended that such investment gives SLORC the legitimacy and financial means to maintain power and suggested that UW use its votes as stockholders to influence the firms to withdraw from Burma. Of the funds invested, $1.7 million is with PEPSICO. In addition to the stockholders action, the students will also be working to promote a boycott of that company's products on campus.

INSIDE WASHINGTON

CLINTON ADMINISTRATION PREPARES DRUG POLICY

The Office of National Drug Control Policy, headed by Dr. Lee P. Brown, will present its drug strategy to the U.S. Congress in February. A major concern being addressed is the increase in heroin usage and production and whether to resume counter-narcotics assistance to the Burmese government as a means of combating the heroin problem. This has prompted debate among various segments of the U.S. government. Counter-narcotics assistance to Burma was curtailed following the repression of the 1988 democratic uprising and has since been suspended due to the egregious human rights record of the SLORC.

104 CONGRESS BRINGS CHANGES IN COMMITTEE CHAIRS

The results of the November elections which brought a Republican majority to Congress have led to changes in the chairs of many of the key committees in both the House and Senate. In the House of Representatives, Congressman Benjamin A. Gilman of New York was named Chairman of the Committee on International Relations. Sub-committee chairs under this committee include Congressman Chris Smith of New Jersey, International Operations and Human Rights; and Congressman Doug Bereuter, Asia and the Pacific.

On the Senate side, Senator Jesse Helms has been named Chairman of the Foreign Relations Committee.
Burma Debate is a publication of The Burma Project of the Open Society Institute.

Mary Pack, Editor

THE OPEN SOCIETY INSTITUTE (OSI) was established in December of 1993 to promote the development of open societies around the world. Toward this goal, the institute engages in a number of regional and country-specific projects relating to education, media, legal reform and human rights. In addition, OSI undertakes advocacy projects aimed at encouraging debate and disseminating information on a range of issues which are insufficiently explored in the public realm. OSI funds projects that promote the exploration of novel approaches to domestic and international problems.

The Burma Project initiates, supports and administers a wide range of programs and activities. Priority is given to programs that promote the well-being and progress of all the people of Burma regardless of race, ethnic background, age or gender.

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