Law and Money Laundering in Burma

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Money laundering is the most significant economic phenomenon of organized crime. Containing the influence of organized crime requires the elimination of its livelihood, which in Burma is mainly the illicit drug trade. Under the rule of the military junta, Burma has become the world’s biggest producer of heroin and methamphetamine. Burma’s drug lords are now major investors in the country’s economy and have considerable cash reserves at their disposal. In many countries nowadays, tighter banking controls make it difficult for criminals to launder money for use in the legitimate economy. However, banking control in Burma is not very tight, legislation is ineffective, and the military junta is clearly benefitting from the drug trade. The Organization for Economic Cooperation and Development has added Burma to its blacklist of countries deemed uncooperative in fighting money laundering. As a result of this, the Burmese junta is currently in the process of drafting an “Illicit Proceeds and Property Control Law”.

Burma: Narco-State?

Money laundering in Burma is closely linked to the drug trade. Organized crime in Burma generates huge sums of money by drug transactions and corruption. By its very nature, money laundering occurs outside the normal range of economic statistics, making the scale of the problem hard to estimate. Nevertheless, all estimates mention billions of illegal dollars in Burma’s money laundering system. Of course the Burmese junta has never released any official figures and seems to deliberately ignore the problem. Burma lacks a basic set of anti-money laundering provisions. It has not yet criminalized money laundering for crimes other than drug trafficking. There are no anti-
money laundering provisions in the Central Bank Regulations for financial institutions. Other serious deficiencies concern the absence of a legal requirement to maintain records and to report suspicious or unusual transactions. There are also significant obstacles to international cooperation by judicial authorities.

Burma has sharply increased its illegal drug exports since the junta’s cease-fire agreements with ethnic insurgents in 1989. Since then, United States drug enforcement agencies have been estimating Burmese opium production at 2,000-2,600 tons per year. In comparison, production ranged between 200 and 400 tons annually in the 1970s. This has sent a flood of narco-dollars into the country. All economic activities in Burma have become instruments of drug money laundering. Burma’s national company Myanmar Oil and Gas Enterprise (MOGE), for example, has been a main channel for laundering the revenues of heroin produced and exported by the Burmese army. Despite the fact that MOGE has no assets besides the limited installments of its foreign partners and makes no profit, and that the Burmese state has never had the capacity to allocate any currency credit to MOGE, the Singapore bank accounts of this company see transfers of hundreds of millions of dollars. According to the United States Embassy in Rangoon, at least 50% of Burma’s economy is unaccounted for and extralegal: the earnings from heroin now exceed those from all of Burma’s legal exports and criminalize Burma’s economy.

The Burmese government has long been involved in the drug trade. According to the Australian Parliament Committee of Foreign Affairs, Defense and Trade, Burma’s narcotics trade is nowadays even protected at the highest level of the government. Investments in infrastructure and hotels come from opiate-producing organizations. Barriers between the opiates sector and the legal economy have weakened. Drug money is welcomed by Burma’s state-controlled banks. Current Burmese banking regulations are notably pliant, permitting any amount of foreign exchange to be deposited upon payment of a 30% tax (or less if certified by the junta as “investment for national development”). The National Bank in Rangoon even provides money-laundering services openly, turning drug proceeds into ‘clean money’ for a 40% charge. Occasionally official arrangements in the state-controlled press promote specials at a reduced rate of 25%, no questions asked.

However, the junta has discovered that drug enforcement issues can be an important tool to gain international approval, and claims that it is “serious about fighting drugs”. The Burmese government’s formal drug-enforcement efforts are led by the Central Committee for Drug Abuse Control (CCDAC), created in 1975, which is comprised of personnel from various security services, including the police, customs, military intelligence, and the army. The CCDAC,
headed by Colonel Kyaw Thein, has 18 drug-enforcement task forces around the country, most located in major cities and along key transit routes near Burma’s borders with China, India and Thailand. The CCDAC is under the control of the Directorate of Defense Services Intelligence (DDSI). The United States Drug Enforcement Administration (DEA) says that the CCDAC “continues to suffer from a lack of adequate resources to support its law-enforcement mission”, but the junta does not hesitate to make boastful statements about it, such as, “It is high time the international community became acquainted with the excellent work that is being carried out in Myanmar against the illicit production and trafficking of heroin”. Burmese officials make a big show of seizing drugs, but according to Kyauk Ye, a Chinese opium grower formerly based in Burma, the junta “seizes heroin and opium, as has been shown on TV and in newspapers. They later re-sell [these drugs] in the domestic market, and then they re-seize the drugs and re-sell them again. That’s how they make such a profit”. While Burmese production under the junta is measured in tons, the unconfirmed seizure figures constantly trumpeted by the junta are measured in grams. According to DEA agents in Rangoon, Burmese officials attempting to look ‘tough on drugs’ even staged the burning of a fake heroin refinery. It would be grossly naïve to assume that the junta is actually really serious about fighting drugs.

Whether Burma is a ‘narco-state’ probably remains a matter of opinion, but fact is, however, that drug lords are now involved in running industries, banks and airlines, in joint ventures with the government. The junta is increasingly dependent on narco-dollars to keep its struggling economy afloat. According to Thai government officials, “Burma is the only government in the world to benefit from narcotics”. This makes the countering of money laundering in Burma ever more difficult.

Before looking at the relevant laws, it is useful to have some idea of the devastating impact of money laundering on Burma’s economy and society.

**Why is Money Laundering Bad for Burma?**

Interpol defines money laundering as “Any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources”. In other words, money laundering is criminal finance.

The possible social and political costs of money laundering, if left unchecked or dealt with ineffectively, are serious. Apart from being an imminent threat to the nation-state, organized crime can infiltrate financial institutions, acquire control of large sectors of the economy through investment, or offer bribes to public officials and the government. Money laundering is bad for the
Rule of Law\textsuperscript{19} and has negative macroeconomic consequences, such as inexplicable changes in money demand, prudential risks to bank soundness, contamination effects on legal financial transactions, and increased volatility of international capital flows and exchange rates due to unanticipated cross-border money transfers. The siphoning away of billions of dollars a year from normal economic growth leads to serious trouble for a developing country like Burma.

In Burma’s unstable economy, the kyat is rapidly losing its value to hard currencies such as the US dollar. Foreign currencies are now the preferred means of transaction, but the enormous dollar holdings of Burmese drug traffickers represent a major problem. For the Central Bank, the basis on which to assess the demand and supply for the kyat (an important factor in setting interest rates) is distorted. The increase in the level of foreign money creates a source of monetary expansion that reduces control of the money supply.\textsuperscript{20} By lending hard currency to domestic borrowers, the repayment in kyats makes it easy for criminal organizations to launder drug money. Cash holdings smuggled into the economy have a high premium because of the rapidly depreciating kyat. Direct-lending options have become attractive in Burma due to the increasing international enforcement of money laundering laws. Informal and illegal credit markets have become very influential. There are many unmet credit needs among companies, so unofficial means of financing proliferate.\textsuperscript{21}

The integrity of banking and financial services depends on high legal, professional and ethical standards. Under the Burmese junta, however, there are no such standards so there is no financial integrity either. Funds from criminal activity can easily be processed through Burmese institutions, either because its employees and directors are corrupt or because the institution itself turns a blind eye to the criminal nature of such funds. Hence, Burma’s financial institutions have become part of the criminal network itself.\textsuperscript{22}

The corrupt junta strongly controls banking activities and dictates prices, wages and exchange rates. There are no free commercial interest rates to reflect the true cost of money. If banking were left free to develop in response to the demand for its services, it would produce better results.\textsuperscript{23} But heavy state intervention is still common in Burma. And because the country’s financial market is inefficient, transaction costs can rise to levels untenable in a competitive market. So, criminal money lenders in Burma enjoy four distinct advantages over the ‘legal’ banking system. First, because their transaction costs are much lower, criminal lenders do not carry backlogs of non-performing loans which burden the banks.\textsuperscript{24} Second, criminal lenders can freely discriminate among borrowers, i.e. they may impose different lending rates in order to extract the maximum amount of interest from each borrower. Third, criminal lenders can play borrowers off against each other in order to extract personal information on borrowers’ creditworthiness. Fourth, criminal lenders can use violence to ensure repayment.\textsuperscript{25}

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Whereas the junta can regulate the use of hard currency borrowings (to finance essential imports), criminal financing flows along hidden channels beyond government control. Spending behaviour becomes influenced not only by the official money supply but also by adding informal credit. In turn, the demand for money in the official banking system reflects only part of Burma’s domestic economic activity. Interest rates become much less useful for estimating money demand and the government ends up with less accurate information on which to base fiscal and monetary policies.

In situations of reduced money growth, hard currency can strengthen reserves, ease the hardship associated with expenditure-reducing policies, and moderate foreign debt. In this light, the junta welcomes drug money as a potentially stabilizing force. It is a source of capital without being conditionally attached. However, now that it is known that Burma has opened its doors to drug traffickers’ cash and organized crime, the country cannot attract the kind of solid long-term foreign investment that seeks stable conditions, good governance and which helps sustain development. There is a pressing need to counter money laundering in Burma.

The Financial Institutions of Myanmar Law

The Financial Institutions of Myanmar Law of 1990 was promulgated “to streamline Myanmar’s monetary policy and extend banking services”. It provides for the establishment of financial institutions, whether state-owned or private, “to perform financial activities with the permission of the Central Bank”. The law defines a ‘financial institution’ as an “enterprise [established in Burma] whose corporate purpose is intermediation on the money or capital markets through the collection of financial resources from third parties for investment on their own account in credit operations, credit and public debt instruments, securities, or other authorized financial activities”.

Actually under this law, financial institutions can do anything as long as they have permission from the Central Bank, i.e. from the military. The law is vague enough to allow criminal organizations to perform financial operations. Although Articles 6 to 8 clearly define the activities of financial institutions, Article 9 says that the Central Bank may permit a financial institution to engage in more activities. Article 29 says that financial institutions shall acquire and keep the legal documents for credit operations, but under Article 30(b) financial institutions may get permission from the Central Bank for an exemption to documentation. Article 38 prohibits financial institutions from “(a) entering into contracts or agreements or adopting practices of any kind which would secure them a position of dominance on the money, financial or exchange markets; (b) engaging in manipulative practices in order to obtain an unfair advantage for themselves or for third parties”. But the law does not say
who is going to determine what ‘dominance’ or ‘unfair advantage’ is, or how it is measured.

Chapter 7 is supposed to regulate the auditing, reporting and supervision by the Central Bank, but it does not describe these activities in detail. Chapter 10, Article 74 says, “The financial institutions (...) and [their] personnel who violate (...) this Law shall be subject to [either of?] the following administrative penalties: (a) warnings; (b) orders including those restricting the operations of financial institutions; (c) fines; (d) temporary or permanent termination from duties in the financial institution; (e) cancellation of the licence to operate”. Under Article 81, if personnel or auditors of financial institutions disclose information obtained in the performance of financial activities, they shall on conviction be punished with a fine which may extend to 10,000 kyats or with imprisonment which may extend to two years, or with both. Under Article 82, if anyone carries out the activities of the financial institution without a licence granted by the Central Bank, the penalty can be a fine which may extend to 50,000 kyats or imprisonment of up to five years, or both. But Article 88 says that “in taking legal action under Articles 81 and 82, the prior permission of the Central Bank shall be obtained”. This places (the officials of) the Central Bank above the law.

The Central Bank of Myanmar Law

Under the Central Bank of Myanmar Law of 1990, the Central Bank can “operate with relative independence and exercise supervisory and regulatory authority over a wide range of financial institutions, both State and private-owned”. In particular, the law empowers the Central Bank to set reserve requirements, maximum discount rates, maximum and minimum interest rates on loans and deposits, asset and liability ratios and minimum cash margins, “applicable uniformly to all financial institutions without discrimination”. The law includes provisions governing the control of foreign exchange transactions and inspection of financial institutions, but leaves it completely up to the Bank how to do this. Article 91 authorizes the junta to permit the Central Bank to engage in any operation relating to the financial sector. Article 93 is particularly vulnerable to abuse, stipulating that in taking legal actions against the Central Bank, prior sanction of the Central Bank must be obtained—never mind the Rule of Law.

The Foreign Exchange Regulation Act

Under the Foreign Exchange Regulation Act of 1947, ‘foreign exchange’ in-
includes “all documents evidencing or creating any right to deposits, credits or balances in any foreign country or to payment in foreign currency, whether such documents are in the form of currency notes, bank notes, postal orders, money orders, cheques, drafts, traveler’s cheques, letters of credit, bills of exchange, promissory notes or otherwise”. The Act does not say anything regarding the possible sources of foreign exchange, or about reporting suspicious or unusual transactions. Although the Act contains some articles that could be useful against money laundering, it confers such wide powers on the (military) Controller of Foreign Exchange that it becomes vulnerable to abuse. For example, the Act does not say anything about the accountability of the Controller.

**The Money Lenders Act**

The Money Lenders Act of 1945\(^{30}\) regulates the registration of “persons who carry on the business of advancing loans (…) including their legal representatives and successors-in-interest whether by inheritance, assignment or otherwise”. Article 16 stipulates that money lenders are not allowed to use violence or intimidation to ensure repayment, but otherwise the Act is not really useful in the fight against criminal finance. The Act does not provide for adequate screening measures, so criminal lenders can participate like anyone else. Nothing is said about an inspection mechanism or about the sources of money. Another deficiency is the absence of a legal requirement to report suspicious or unusual transactions.

**The Bankers’ Books Acts**

Although the Bankers’ Books Evidence Act of 1891\(^{31}\) and the Bankers’ Books (Inspection) Act of 1947\(^{32}\) empower law enforcement agencies to inspect any “ledgers, day books, cash books, account books and all other books used in the ordinary business of a bank”, the actual aim of the Acts was not so much the countering of money laundering as allowing banks to provide the Court with certified copies of transactions—courts found it impractical to be presented with piles of bankers’ books. The Acts could be useful tools against money laundering if only Burmese banks and police were not so corrupt. The 1891 Act says that the Court “may order that law enforcement officials may inspect and take copies of any entries in a banker’s book for any of the purposes of legal proceedings”. The 1947 Act added to this that such inspection may not be carried out by officers below the rank of District Superintendent of Police. However, the junta abolished this Act in 1992. The grounds for repeal
were given as “incompatibility with market economy”, “long disuse” and “no anticipated need in the future”.

The Narcotic Drugs and Psychotropic Substances Law

In 1993, the Burmese junta enacted the Narcotic Drugs and Psychotropic Substances Law. Although more or less in technical conformity with the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, to date this law remains unused as Burmese police and judicial officials have not enforced it. The law contains some useful legal tools for addressing money laundering, the seizure of drug-related assets, and the prosecution of drug conspiracy cases. However, Burmese drug officials claim they lack sufficient expertise to deal with money laundering and financial crimes.

Although money laundering is not explicitly mentioned in the aims for the law, Article 3(d) mentions “more effective penalties (…) in respect of offences relating to narcotic drugs and psychotropic substances”. Article 6(i) provides for the seizure of “immoveable property involved in an offence under this Law, money, property and benefits derived from the transfer and conversion of property involved in the offence”. Unfortunately this law does not criminalize money laundering for crimes other than drug trafficking. Article 6(k) stipulates that “responsible persons of the relevant bank and financial institutions [shall] allow relevant persons authorized to search, seize and inspect financial records relating to an offence under this Law, to make copies thereof and to seize the same as exhibits”. Chapter 7, Article 13 deals with actions taken under this law in respect of “(a) search and seizure of narcotic drug, psychotropic substance, money, property and implements involved in an offense and arrest of the offender; (b) search and seizure of money, property and benefits derived from transfer, conversion and transformation of property involved in an offense; (c) inspection and making copies of financial records kept at the bank and financial institutions”. Under Article 14, “responsible persons from the bank and financial institutions shall (…) in respect of money and property involved in an offense under this Law, (a) permit the inspection of financial records and making copies thereof and seizure of the exhibits; (b) pending the conclusion of a case in which action is being taken, take custody of the financial records, money and property involved in the offense, in accordance with the stipulations, without returning or transferring the same to anyone”.

According to Chapter 8, Article 16(f), “Whoever is guilty of any of the following acts shall on conviction be punished with imprisonment for a term which may extend from a minimum of five years to a maximum of ten years and may also be liable to a fine: (…) misappropriating, causing to disappear, destroying, removing or transferring any property which has been seized or at-
attached under this Law”. Article 17, meting out the same penalties as Article 16, stipulates that “a responsible person from the bank or financial institutions, who is guilty of any of the following acts in respect of money, property and benefits involved in an offense under this Law shall on conviction be punished: (...) (a) transferring of accounts, causing to disappear, altering and amending relevant financial records so that action may be taken against the offender; (b) refusing to allow a person authorized to search and seize (...) to inspect the relevant financial records, make copies thereof and seize the exhibits; (c) returning and transferring without the permission of (...) the relevant Court financial records relating to the offense and money property and benefits seized as exhibits”. Article 18 is meant to ensure the accountability of law enforcement personnel, as it metes out imprisonment for “asking and accepting any money and property as gratification either for himself or for another person”.

Article 19 deals explicitly with money laundering: “Whoever is guilty of any of the following acts shall on conviction be punished with imprisonment for a term which may extend from a minimum of ten years to a maximum of an unlimited (!) period: (c) concealing and causing to disappear money, property and benefits derived from the commission of any offense contained in this Law, so that action may not be taken; (d) transferring and converting money, property and benefits involved in an offense, so that it may appear to have been acquired from a legitimate source”. Chapter 8, Article 24(a), says that “the Court shall (...) pass an order for the confiscation (...) of money involved in the offence”. The law provides some useful legal tools against money laundering. It remains unusual, however, that according to Article 15, “a drug who fails to register at the place described by the Ministry of Heal (...) shall be punished” [sic].

**Recommendations for Burma’s New Money Laundering Law**

In pre-empting the emergence of large-scale financial activities by organized crime, control efforts should focus on both the supply and demand sides of the transactions in which criminal organizations are involved. The Financial Action Task Force on Money Laundering (FATF), an intergovernmental body within the Organization for Economic Cooperation and Development, made useful recommendations that have been established as the international standard for effective anti-money laundering measures. These measures cover the criminal justice system and law enforcement, the financial system, and international cooperation. Of course, countries have diverse legal and financial systems and may not be able to take identical measures. Therefore this paper gives some specific guidelines to be implemented according to the current circumstances in Burma. According to the FATF, the Burmese junta is currently in the process of drafting an “Illicit Proceeds and Property Control Law”. The
following measures should be part of that Law in order to make it effective. These measures are not necessarily difficult, provided there is the political will to act. Moreover, the measures do not compromise the freedom to engage in legal transactions, and do not threaten Burma’s economic development. The following measures are essential for the creation of effective anti-money laundering legislation in Burma:

(1) The new law should give a clear overview of crimes that serve as a basis for money laundering prosecution. It should, at least, include fraud, official bribery, misappropriation of public funds, tax evasion, violation of currency exchange regulations, drug trafficking, gambling ventures, prostitution, human trafficking, arms smuggle, and crimes of violence.

(2) There should be transparency in financial records. This gives a clearer picture of the status of financing for any given company. It would also discourage companies to borrow from illegal or informal sources.

(3) The law should make bulk cash smuggling (smuggling of more than $10,000) into or out of Burma a crime and provide for confiscation of the smuggled money.36

(4) The law should require persons who have or purchase drug dollars to prove that they had no reason to know that the dollars were derived from unlawful activity.37

(5) Corporations and financial institutions themselves (not only their employees) should be subject to criminal liability. However, financial institutions should be protected by law from criminal or civil liability for any disclosure of information if they report ‘suspicious transactions’ in good faith to the authorities, even if they did not know precisely what the underlying criminal activity was, and regardless of whether illegal activity actually took place.

(6) Financial institutions should not be allowed to warn their customers when information relating to them is being reported to the authorities.38

(7) The new legislation should require financial institutions, accountants, lawyers, security dealers and investment counselors to file reports with the government where they encounter a ‘suspicious transaction’ or participate in a cross-border transfer of money. Some signs of a ‘suspicious transaction’ may be (a) an unusual transfer or pattern of trading; (b) a transaction that has no apparent commercial benefit; (c) a transaction completely in cash; (d) a situation where a client asks the accountant, lawyer or dealer to do something, but only gives a vague reason for it. Suppose a client, without an apparent source of funds, asks a lawyer to arrange for a trust to be set up in Thailand to hold a large amount of money, and the client does not tell the lawyer why he wants the trust set up or where he got the money. The lawyer’s suspicions should be aroused and the transaction should be reported under the new money launder-
ing law. Included in the type of transfer that will require reporting would be traveler’s cheques, money orders, securities and personal and certified cheques. Some people might think the new law would not apply to them if they simply avoid handling money on behalf of the client. However, it is not as simple as that. If someone knows that the client is importing or exporting a large sum of money, they may be found to have encountered a ‘suspicious transaction’ and be required to report it. Other people might see this provision as an invasion of privacy and thus against lawyers’ professional ethics. However, criminal finance has become such a serious problem in Burma that it would be much more unethical to protect the privacy of money launderers.

(8) Courts should be allowed to exercise jurisdiction over any (foreign) bank or other financial institution conducting transactions violating the money laundering law in Burma. Courts should be given greater access to foreign business records that may be used to trace criminal finance in the exchange system.

(9) Financial institutions should not keep anonymous accounts or accounts in obviously fictitious names. There should be a ‘Know Your Customer’ policy. Financial institutions should be required by law to identify and record the identity of their clients when establishing business relations or conducting transactions, in particular the opening of accounts, renting of safe deposit boxes, and performing large cash transactions. Inherently, there are two major problems in ‘Know Your Customer’ policies, which should be addressed by the new money laundering law. First, once the initial identification of the customer has been accomplished, it is usually assumed by the financial institution that it is the identified customer who continues to perform transactions on the account. This assumption is probably a valid one for traditional bank accounts, but the increased use of the Internet poses a problem, as there is no human intervention that might help to detect suspicious or unusual activity. Information on access to the account would not necessarily be detectable. Second, account managers may be responsible for too many accounts and therefore less able to monitor activities of individual account holders.

(10) Financial institutions should maintain records on all transactions for at least five years. Such records must be sufficient to permit reconstruction of individual transactions (including the amounts and types of currency involved) in case evidence is required for the prosecution of criminal behaviour. In addition, financial institutions should keep records on customer identification (e.g. photocopies of passports), account files and business correspondence for at least five years after the account is closed.

(11) Financial institutions should develop programmes against money laundering. These programmes should, at least, include (a) the development of internal procedures and policies; (b) adequate screening procedures to ensure high standards when hiring new staff; (c) ongoing employee training programmes; (d) an audit function to test the system.

Until the junta stops its involvement in the drug trade, the revenues accruing to crime will continue to grow, making the threat of criminal finance a greater hindrance to necessary economic reform.
(12) To make barriers against criminal financing means that it is necessary to provide companies and individuals with other viable options to restructure financially. Without an adequate state financing programme, applying tight financial policies will lead to resistance to restructuring. But it also means that the current bankruptcy legislation must be improved. Burma’s outdated and incomplete legislation may lead debt-ridden companies to ignore the need for financial restructuring. Companies might instead be encouraged to run up large deficits in the expectation that corrupt financial institutions or criminal organizations will provide the necessary funds. A clear bankruptcy law will make the risk of failure explicit.

Apart from these recommendations for Burma’s new money laundering law, its enforcement would be enhanced if information exchange were improved. The international community lags far behind criminal organizations in the establishment of ties for trade and finance. The exchange of information on criminal trends and in particular cross-border financing should become a major anti-crime effort. International authorities, such as Interpol and the World Customs Organization, should be given responsibility for gathering and disseminating information to the Central Bank of Burma about the latest developments in money laundering. The Central Bank could do the same on its network, because the greater the contradiction between global operation and national regulation of financial markets, the more difficult will be the detection of money laundering. Also, drug control should become more internationalized.50

International crime earns substantially from the drug trade, in which the Burmese junta is actively involved. International drug control efforts should put more pressure on the junta to stop this involvement. Until it does, the revenues accruing to crime will continue to grow, making the threat of criminal finance a greater hindrance to necessary economic reform. The need for regional (ASEAN) efforts in particular represents a realistic alternative. It is important to bring together the governments in the region, as Southeast Asia is experiencing an expansion in drug-trafficking and related crimes. Burma has signed the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention), and it should take immediate steps to ratify and fully implement this Convention.

Conclusion

Those who look into the issue of money laundering and narcotics production under the current Burmese junta find a very troubling picture. In the interests of its own survival, the junta has created a narco-state where money laundering is accepted—legislation and law enforcement are still insufficient. Money laundering, however, leads to serious problems. It criminalizes Burma’s econ-
omy. It leads to inflation. It is bad for business, investment, development, and Rule of Law. More pressure should be put on the junta in order to tackle the drugs problem, which has become not only a health or legal issue but also an economic and political one. Interestingly, the junta has discovered that anti-narcotics programmes can be a tool for gaining international recognition, and now that the Organization for Economic Cooperation and Development has added Burma to its money laundering blacklist, the junta has finally started drafting a counter-money laundering law. This should be seen with guarded optimism given the junta's poor understanding of economic principles and its notorious contempt for law. However, the law itself might push the process somehow into the right direction. Although it will take time, it might make the junta realize that the costs of indifference to money laundering as a market-exploiting crime can far outweigh the costs of introducing market-friendly safeguards.

Endnotes

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9. In the 1960s and 1970s, for a nominal fee of six dollars per kilo of opium,
merchants were guaranteed safe conduct by the Burmese government and protection from bandits and rebels. See: Alfred W. McCoy, p. 338.


33. The Narcotic Drugs and Psychotropic Substances Law of 1993 (SLORC Law No. 1/93) was enacted on 27 January 1993, and repealed the Narcotics and Dangerous Drugs Law of 1974. In addition, the Narcotic Drugs and Psychotropic Substances Rules were issued under SLORC Notification No. 1/95, dated 17 July 1995.


38. This may also come under, or be referred to, the Burma Official Secrets Act of 1923, “The Burma Code”, Vol. II, pp. 182-189.


October 1997.


47. Burma has been a member state of Interpol since 1 January 1954. Source: International Criminal Police Organization, Interpol General Secretariat, Lyon.


49. “Measures to Deal Firmly and Effectively with the System of Illegal International Financial Transactions”. Resolution No. AGN/60/RES/4 of the ICPO-Interpol General Assembly, 60th Session, Punta del Este, 4-8 November 1991.


