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Opium reduction in Myanmar: An analysis of
UNODC's Alternative Development for rural
communities in Shan State

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Abstract

Myanmar is the second biggest producer of opium in the world after Afghanistan and opium, and its derivative heroin, puts a heavy toll on the people of Myanmar. The focus of this thesis shall not be on the consumers or traffickers of opium/heroin but rather on the rural communities who cultivate the illicit crops in order to cover their basic needs. Decades of civil war have left the farmers of Shan State in an environment where food insecurity and poverty are pervasive and income sources besides opium cultivation are scarce. Conflict and insecurity in remote areas of Myanmar is not only the cause of opium cultivation, it is also an effect of it. Combining the fragility of Shan State with its remoteness and lack of governmental influence, opium poppy cultivation is the only viable livelihood rural communities have there. Yet eradication efforts, that not only put farmers into absolute poverty but also do not contribute to a reduction of opium cultivation are widespread. Alternatives to opium cultivation are much needed in Myanmar but almost impossible to find. This thesis explores sustainable livelihood alternatives for farmers engaging in opium poppy cultivation by applying the theory of Alternative Development. As a response to mainstream development, Alternative Development has been used to provide rural development for drug-producing communities with the goal of establishing sustainable livelihoods and reducing drug production at the same time.

One project that seeks to achieve that is the UNODC's Alternative Development project in South Shan State with the implementation of a coffee-based agro-forestry system.

The analysis of this project suggests that the global market potential of coffee and the combination of long- and short-term cash and food crops are indeed able to provide sustainable livelihood alternatives for opium poppy cultivating farmers if certain obstacles, such as infrastructure and security issues, can be overcome.

Ultimately the findings of this thesis indicate that the provision of livelihoods for rural communities does not entail a reduction of opium production since the socio-economic and political environment of drug producing areas allows illicit drug crop cultivation to shift to areas that are not affected by Alternative Development measures.

Keywords: Alternative Development, Opium reduction, Myanmar, UNODC

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Abbreviations and Acronyms

| | |
|--------------|--|
| AD | Alternative Development |
| ART | Antiretroviral Therapy |
| ATS | Amphetamine-type Stimulants |
| BGF | Border Guard Forces |
| BMZ | Federal Ministry for Economic Cooperation and Development |
| BSPP | Burma Socialist Programme Party |
| CCDAC | Central Committee for Drug Abuse Control |
| CPB | Communist Party of Burma |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit |
| ICMP | Illicit Crop Monitoring Programme |
| ICO | International Coffee Organization |
| JICA | Japan International Cooperation Agency |
| KIA | Kachin Independence Army |
| KKY | Ka Kwe Ye |
| KMT | Kuomintang |
| LED | Local Economic Development |
| MMT | Methadone Maintenance Therapy |
| MNDAA | Myanmar National Democratic Alliance Army |
| NEC | North East Command |
| NLD | National League for Democracy |
| PRC | People's Republic of China |

| | |
|--------------|---|
| PWID | People who inject drugs |
| SLORC | State Law and Order Restoration Council |
| SPDC | State Peace and Development Council |
| TNI | Transnational Institute |
| UNODC | United Nations Office on Drugs and Crime |
| UWSA | United Wa State Army |
| UWSP | United Wa State Party |

Introduction

Once you leave the paved road and go further into the hills of Shan State, it won't take too long and you will discover the first poppy fields. Amidst the purple and red flowers one can easily spot the incised seed pods where the latex exudes and dries to a brownish paste known as raw opium. On some fields the opium residue is already scrapped off by the nearby villagers who have once again secured enough money from opium sales to survive for the next couple of months. The rural communities in Shan State, but also in Kachin State and Kayah State, have practiced the cultivation of opium poppy for generations in order to survive in Myanmar¹ - a country characterized by civil war, military dictatorship and economic failure.

Myanmar is the world's second biggest producer of opium after Afghanistan. In 2014 670 tons of dry opium were cultivated on 57,600 ha of land and heroin produced from Myanmar opium is flooding Southeast Asia.² Despite increasing eradication efforts from the Government of Myanmar, opium production grew almost 300% since 2006. Opium cultivation is mostly prevalent in Shan State, a mountainous state in the east of Myanmar characterized by vast ethnic diversity and countless armed militias. Shan State is the biggest state in Myanmar and large parts of the state remain outside of the Government's control and armed groups built their own empires based on drugs and guns.

Since Myanmar is slowly losing the shackles of a decade-long military dictatorship, the pressure from other countries to finally get the drug problem under control intensifies. The Central Committee for Drug Abuse Control (CCDAC) mostly responds to this pressure by eradicating the opium fields in order to overcome this problem - without realizing that eradication creates more problems on its own. Authorities in Myanmar face the dilemma that eradication efforts do not hurt the drug traffickers and heroin producers as much as they hurt the rural communities in Myanmar who rely on opium cultivation to overcome poverty and food insecurity. By eradicating opium they eradicate the livelihoods of thousands of people and send them into absolute poverty.

¹ In this text the current internationally recognized legal term 'Myanmar' will be used for the country, and 'Burmese' for the national group and language. The old term 'Burma' will be used when context dictates it, such as historical references. This shall not be a political statement but rather for sake of convenience.

² UNODC, Southeast Asia Opium Survey 2014, 2014, p. 11

This thesis explores a different way to put an end to the production of opium in Myanmar. Since the cultivation of opium poppy plants results in imprisonment from five to ten years³, many farmers would abandon poppy cultivation if they had a licit alternative. It is therefore not only an issue of drug reduction but furthermore an issue of development.

Organizations like the United Nations Office on Drugs and Crime (UNODC) are especially looking into a way to overcome drug production with rural development. This concept is called Alternative Development (AD), or development-oriented drug control, and shall be the main theory in this thesis. Alternative Development in the context of drug reduction is defined as

*“giving farmers an economically viable, legal alternative to growing coca or opium.”*⁴

Originally AD was a response to mainstream development; an approach which focuses on marginalized people instead of economic growth-maximization. Out of this thinking arose drug-reducing Alternative Development which will be the focal point of this thesis. While shifting the focus from a war on drugs to the rural communities, who cultivate opium in order to secure their livelihoods, the main goal is now to find viable and sustainable alternatives for those communities so they can abandon opium poppy cultivation. This thesis seeks to research the feasibility of drug-reducing Alternative Development actions in Myanmar by examine the following problem:

Can Alternative Development provide sustainable livelihood alternatives for opium poppy cultivating farmers in rural Myanmar and successfully reduce opium poppy cultivation?

In order to apply the theory of Alternative Development on a real case, the UNODC’s AD efforts in Shan State will be analyzed. This paper draws heavily on the reports released by the UNODC but also on personal experience obtained while working on an Alternative Development project in Myanmar.

Since this thesis deals with a development project in a specific country, the intricacies of Myanmar and opium production will be covered at first. Myanmar has a long

³ Government of the Union of Myanmar, Narcotic Drugs and Psychotropic Substances Law, 1993, p. 11

⁴ Renard, R.D., Mainstreaming Alternative Development in Thailand, Lao PDR and Myanmar: A Process of Learning, 2010, p. 1

history of opium production and its link to conflict and insurgency will be examined to start with. The tumultuous history with military dictatorships, decade-long civil war and rampant drug production will be explored as it sets the basis for the AD project in Shan State. After gaining a closer look at the political history of Myanmar and how opium cultivation helped shaping the conflict there, the reasons why rural communities are cultivating opium will be analyzed. The problems of opium cultivation and potential solutions will also be discussed. The chapter ends with a small excursion to amphetamines since there is a potential that the reduction of opium cultivation encourages ATS⁵ production in Myanmar.

The theoretical background follows in the next chapter. Here, Alternative Development will be discussed with its origins, content and implication. The main focus will be on the question if Alternative Development is a theory in itself or just an ever moving response to mainstream development.

Building on that, drug-reducing Alternative Development with its similarities and differences to the more theoretical AD will be examined next.

The UNODC's Alternative Development project in Shan State will be discussed afterwards. The agro-forestry system with coffee as the identified substitute for opium poppy will be the focal point. Since this project is in the same line as a similar project in Peru, the overall pattern of thought will be examined. The reasons for coffee cultivation, the location and target communities and how it comes together in an agro-forestry system in Southern Shan State shall be explored. The chapter concludes with a small overview of the stakeholders and their agendas.

After covering the UNODC's Alternative Development project in Myanmar, the feasibility of the project will be examined next. In this critical analysis of the AD efforts, the main question if Alternative Development can provide sustainable livelihood alternatives and successfully reduce opium production shall be answered.. This paper concludes with a summary of the obtained insights and a future outlook for opium reduction in Myanmar shall be provided.

⁵ Amphetamine-type stimulants

Methodology

In this chapter the aim of the study, the research approach, type of data, and project structure will be outlined.

Method, according to Perri 6 and Christine Bellamy, is

“[...] the set of techniques recognized by most social scientists as being appropriate for the creation, collection, coding, organization and analysis of data.”⁶

The following pages will detail the applied technique in collecting, organizing and analyzing the data in this thesis. Before that, the aim of the study will be described.

Aim of the study

This thesis aims to contribute to the body of research about drug reduction through development. It pursues to give a critical analysis of Alternative Development as a method of providing sustainable livelihoods to drug producing communities while at the same time reduces the amount of drugs in a country.

Drug reduction in this thesis refers to the reduction of drug supply. It is an effort to put a halt to the production and distribution of drugs. It is mostly executed with eradication efforts, but development-oriented drug reduction, that substitutes drug crops with licit alternative crops gets more and more applied. While eradication is also explored in this thesis, the main focus will be on Alternative Development and its potential to reduce drugs and provide sustainable livelihoods.

According to Chambers and Conway,

“A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shock, maintain its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which can contributes net benefits to other livelihoods at the local and global levels and the short and long term.”⁷

⁶ 6, P. and Bellamy, C., Principles of Methodology. Research Design in Social Science, 2012, p. 9

⁷ Chambers, R. and Conway, G. R., Sustainable rural livelihoods: practical concepts for the 21st century, 1991, p. 6

Building on this definition, sustainable livelihood in this thesis means, that opium farmers have a means of living which is viable and continuous. The most important thing is, that the livelihood is licit and not illicit like opium poppy cultivation. This thesis aims to explore the potential of Alternative Development to provide farmers in Myanmar with such a livelihood.

Since this thesis addresses an issue in a specific country, there are a number of reasons why Myanmar was chosen as a case country. Extensive drug crop cultivation is only found in a handful of countries: Coca cultivation in the Andes (Colombia, Bolivia, Peru) and opium cultivation in Afghanistan, Myanmar, India and Laos. By focusing on opium cultivation, the choice was between Afghanistan and Myanmar, since those two countries are the biggest producers of opium. Even though both countries can be considered fragile and experience an on-going conflict, Myanmar doesn't suffer from a war like Afghanistan does. Hence, Alternative Development measures are almost unfeasible in Afghanistan while they are practical in Myanmar. The main reason however, why Myanmar was chosen instead of another country stems from personal experience. I was living and working in Myanmar for half a year, amongst other things on UNODC's Alternative Development project in South Shan State. This is also the reason why the UNODC's Alternative Development project is examined in this thesis, since the personal knowledge obtained while working on an actual AD project exceeds the knowledge obtained from secondary sources.

Research approach

As with most projects done in social science and development studies, the research design is observational instead of experimental. Since experiments take place in an controlled environment, they are often not able to tell us much about the uncontrolled world, where different factors interact with each other. Social life, for example in opium poppy cultivating communities in Myanmar, is often too complicated for experimentation.⁸ Therefore an observational approach is chosen in this thesis.

Observational research can be classified by inductive and deductive research. In this thesis a deductive research approach was applied.

Deductive research implies that a hypothesis is set at the beginning that will be

⁸ 6, P. and Bellamy, C., Principles of Methodology. Research Design in Social Science, 2012, p. 70-73

confirmed or disproved in the course of this thesis by the collected data. The hypothesis may be derived from a theory, or it may not, but it always consists in a precise statement of what is expected to find in the observations.⁹ In the case of this thesis, the hypothesis was derived from the theory of Alternative Development. By examining the intricacies of Alternative Development, a hypothesis that deals with Alternative Development's potential to provide sustainable livelihoods to opium poppy cultivating farmers in Shan State and to reduce the amount of opium in Myanmar was derived.

Deductive research has the advantage that it builds on existing work: it is designed to be cumulative in relation of seeking to build on previous work.¹⁰ Indeed, existing knowledge is used extensively to determine if the hypothesis proves to be correct or false.

It must also be acknowledged that the deductive approach has its limitations as well. By beginning with a hypothesis, the scope of the enquiry is limited by it and many other relevant factors might be excluded.¹¹ For example, rural development measures by the Government of Myanmar and Alternative Development project by actors other than the UNODC are neglected in this thesis, since they are not represented by the hypothesis.

Type of data

This thesis will largely rely on qualitative data collection. Qualitative research is a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data.¹² It involves the studied use and collection of a variety of empirical materials – case studies, personal experience, interviews and observational texts.¹³ In this thesis, the qualitative data mainly consists of secondary data – existing research literature, reports in academic journals and reports by organizations well versed in the subject matter.

After formulating the hypothesis and the problem formulation, collection of relevant data began. Here, the reports released by the UNODC were used extensively. The

⁹ 6, P. and Bellamy, C., Principles of Methodology. Research Design in Social Science, 2012, p. 76

¹⁰ Ibid., p. 77

¹¹ Ibid., p. 77

¹² Bryman, A., Social Research Methods, 2008, p. 366

¹³ Denzin, N. K. And Ryan, K. E., Qualitative Methodology (Including Focus Groups), 2007, p. 580

UNODC is one of the few organizations to publish up-to-date information on opium cultivation in Myanmar. Even though the data is not all-encompassing, it is the one with the biggest scope, containing satellite imagery as well as interviews with opium poppy farmers. Therefore the data provided by the UNODC constitutes the statistical basis for this thesis. Secondary literature by the UNODC has not only been used for data on opium cultivation, it also played a key role in analyzing drug-reducing Alternative Development. Besides reports published by the UNODC, reports on opium and AD from the Transnational Institute, a think tank focusing on Alternative Development and drugs, were used in this thesis. In order to obtain historical insights into opium cultivation and conflict in Myanmar, the books by Bertil Lintner were fundamental.

It has to be noted, that no secondary literature by Burmese nationals is used in this thesis, for the simple reason that there is just none available. Due to the rather recent start of the democratization process in Myanmar, books written by Burmese authors have not yet found their way to the public. Most literature used in this thesis was published before major changes occurred in the political landscape in Myanmar, therefore the newest developments have not yet been covered by the majority of literature available. In this case, I obtained the knowledge about current political issues by talking to Burmese colleagues and friends while living and working in Yangon, Myanmar.

Data about the coffee-based Alternative Development project in South Shan State has also been collected personally as this approach is fairly new and no reports about this project have yet been published. Data has been collected by talking to colleagues in Yangon and Shan State. A field trip to the AD project with the opportunity to talk to the beneficiaries was immensely valuable in assessing the potential of the Alternative Development project.

Project structure

This thesis starts with an introduction in order to acquaint the reader to the topic of opium reduction and Alternative Development. By giving a general overview of the scope of opium cultivation and how Alternative Development is a potential solution to it, the research question is set out. The answer to the research question is found in the analysis and conclusion.

The background of the problem is detailed in the next chapter. As opium cultivation is the problem that needs to be solved, general information about its history in Myanmar is given. Since opium cultivation is mostly motivated by food insecurity and poverty, the reasons for these set circumstances have to be explored. Therefore the history of Myanmar with a main focus on drugs and conflict is examined. By giving a cause for the prevalent poverty and food insecurity in Myanmar, the reasons for opium cultivation, the problems it brings with it, and potential, yet unsuccessful remedies are discussed next. The purpose of this section is to provide all relevant information for understanding the underlying problem in this thesis.

The next section analyzes the theoretical framework of this thesis. By first discussing the theory (or lack thereof) of Alternative Development and deriving drug-reducing Alternative Development from there, the theoretical tool to answer the problem formulation is introduced.

Since this thesis deals with a case study, the UNODC's Alternative Development project in South Shan State is explained in the next chapter. This should give the reader an overview of the aim, strategy and implementation of the assessed development project.

After introducing the background of the problem, the theory, and the case that is studied, it all comes together in the analysis. Here the research question is answered by using the findings of this thesis. The results of the analysis will be presented in the conclusion and used to answer the stated problem.

Opium in Myanmar – background of the problem

Myanmar is the second biggest producer of opium worldwide just behind Afghanistan. In the last couple of decades, Myanmar became the symbol for Southeast Asian drug production and the center of the infamous Golden Triangle.

In this chapter the history of opium cultivation, the relation between Myanmar's turbulent history and opium cultivation, the reasons for growing opium and the problems it brings with it will be discussed. Furthermore countermeasures like opium bans and eradication will be examined. As a small digression the role of ATS as a successor of opium cultivation will be analyzed.

Myanmar, a country mostly stigmatized by a history of violence under a military regime, is still one of the most unknown countries in the world. With 676,578km², Myanmar is the second biggest country in Southeast Asia and the biggest country in Indochina.¹⁴ The country is among the biggest and most populous countries in Southeast Asia (approximately 50 million people live in Myanmar), yet it has a very low GDP per capita (\$1221 in 2014)¹⁵ and ranks last in the Human Development Index of all southeast Asian countries. Myanmar, besides Nepal and Afghanistan is the only Asian country with low human development according to the United Nations Development Program.¹⁶ The reasons why Myanmar ranks among the most underdeveloped countries in the world can mostly be attributed to the since 1948 ongoing civil war which left the country depleted and disregarded.

Myanmar not only ranks among the least developed countries in Asia, it is also one of the most ethnically diverse. The Government of Myanmar officially counts 135 ethnic groups in Myanmar, but there is no indication that this number is correct. Other estimations suggest that there are up to 300 different ethnic groups while more conservatives assessments come up with only 70 different ethnicities.¹⁷ The topic of ethnicity in Myanmar is certainly a big issue though. Many ethnic groups are marginalized, while some, like the Rohingya, are not acknowledged at all. (See Appendix 1 for a map of Myanmar with the main ethnic groups.)

¹⁴ Central Intelligence Agency, The World Factbook: Burma, <https://www.cia.gov/library/publications/the-world-factbook/geos/bm.html>

¹⁵ IMF, World Economic Outlook Database, April 2015

¹⁶ UNDP, Human Development Report 2014, 2014, p. 18

¹⁷ Gamani, 135: Counting Races in Burma, *Shan Herald*, 25 September 2012, http://www.shanland.org/index.php?option=com_content&view=article&id=4965:135-counting-races-in-burma&catid=115:opinions&Itemid=308

Opium cultivation is also closely related to different ethnic groups, since it's mostly the ethnic tribes in mountainous areas who engage in it. For that reason, ethnicity, opium cultivation and conflict in Myanmar goes hand in hand.

The following pages should briefly detail the history of opium in Myanmar while the section afterwards will explore the background of the conflict in Myanmar and how it is connected to the opium trade.

A brief history of opium in Myanmar

The cultivation of opium is at least several thousand years old and evidence indicates that opium was being used in Myanmar as early as the 16th century, though there are no reports that opium was cultivated in Myanmar at that time, but rather that it got brought in by Arab ships. This goes contrary to belief of many Burmese who claim that opium was entirely unknown in Myanmar before the British arrived in 1824.¹⁸

Opium is extracted from *Papaver somniferum*, commonly known as opium poppy, by slitting the unripe seed pods until the latex seeps out. (See Appendix 2 for picture of opium seed pod)

This residue dries to a sticky brownish/purplish paste, which is raw opium. The raw opium is then scraped from the plant and either smoked or swallowed, or put through other various refining processes which concentrates the active ingredients of the drug. The major constituent of raw opium is morphine, a powerful painkiller, that was first isolated in the early 19th century.¹⁹ It was then commonly used as a painkiller and remedy for several ailments, resulting in morphine addiction to spread all over Europe. In Myanmar most of the older people still take raw opium as medicine, mainly out of tradition and lack of access to modern medicine. This usage of opium is rather nonhazardous and is certainly not the main problem of Myanmar's opium cultivation. The major problem that opium cultivation causes is the production of heroin. Heroin is a chemically bonded synthesis of common industrial acid and morphine which is at least ten times stronger than ordinary medical morphine and also more addictive.²⁰

¹⁸ Wright, A., *Opium in British Burma, 1826-1881*, 2008, p. 617

¹⁹ Foxcroft, L., *Making of Addiction: The Use and Abuse of Opium in Nineteenth-Century Britain*, 2007, p. 9-10

²⁰ McCoy, A. W., *The Politics of Heroin in Southeast Asia*, 1972, p. 8

In Myanmar, opium poppy cultivation started in the 1830s concurrently with the cultivation in the Chinese state of Yunnan in the south-west of China bordering Shan State in Myanmar.²¹ Opium cultivation most likely spread from Yunnan to the Wa Region in Myanmar, as the ruling Ch'ing dynasty was banning opium in China due to the rising number of addicts.²² Even though Burmese attitude towards drugs and alcohol was vastly influenced by Buddhism – Buddhist scripture was commonly interpreted to forbid wine, intoxicating liquors and opium – opium sales were legal in some or all areas of Myanmar from 1826 until 1948.²³ Opium poppy cultivation was widespread in Shan State, Kachin and Wa, and it was thus especially prevalent in the ethnic communities and not in the Bamar communities in central Myanmar. This is still applicable as 90% of opium production in Myanmar is concentrated in Shan State while the rest is spread out in Kachin, Chin and Kayah State.

In the 1930s, the British banned opium poppy cultivation west of the Salween River but allowed it east of the river, namely the Wa and Kokang Region plus parts of East Shan State.²⁴ (See Appendix 3 for a map of Shan State).

By 1948 when Myanmar gained its independence, the nation's raw opium yield was about 30 tons²⁵; in 2014, Myanmar produced 670 tons of dry opium – an increase of 2233%.²⁶ As Alfred McCoy puts it in his book *The Politics of Heroin in Southeast Asia*:

*“Although there was only limited opium production when the British left in 1947, the seeds had been planted from which greater things would grow. [...] They had left a troublesome legacy.”*²⁷

This tremendous increase in opium production over the last decades can be attributed to the eradication of opium in the People's Republic of China and to the worldwide rise in demand for heroin. The main force behind the rapidly growing opium production in Myanmar was, however, the still on-going Burmese Civil War.²⁸ In the

²¹ Maule, R. B., *The Opium Question in the Federated Shan States, 1931-36: British Policy Discussions and Scandal*, 1992, p. 14

²² Tucker, S., *Burma. The Curse of Independence*, 2001, p. 163

²³ Wright, A., *Opium in British Burma, 1826-1881*, 2008, p. 616-617, 611

²⁴ Tucker, S., *Burma. The Curse of Independence*, 2001, p. 163

²⁵ *Ibid.*, p. 164

²⁶ UNODC, *Southeast Asia Opium Survey 2014*, 2014, p. 46

²⁷ McCoy, A. W., *The Politics of Heroin in Southeast Asia*, 1972, p. 70

²⁸ Tucker, S., *Burma. The Curse of Independence*, 2001, p. 164

next section, the roots of the Burmese Civil War and its connection to the drug trade will be examined.

Myanmar - a country struggling with drugs and conflict

The history of Myanmar is a history full of conflict, mayhem and drugs. In the upcoming pages the history of Myanmar will be presented.

The road to independence: cornerstone for civil war

Myanmar gained independence in 1948 after it got annexed by Britain in 1885-86. Before the British colonial rule, Myanmar was divided into several kingdoms which regularly waged war against each other.²⁹ Britain ruled Myanmar as an appendage of India and thus many Indians came to Yangon and dominated the business life there. In his memoir *Trials in Burma*, Maurice Collis, illustrates the bleak colonial status of the Burman³⁰:

“[N]early all the rich the people in the country were foreigners and ... the Burm[ans], from being poor in a poor country, had become the poor in a rich one ... which meant that ... from every psychological and human point of view they were worse off than they were before. All sorts of foreigners lorded it over them, and had little opinion of them because they were poor ... The Burman became steadily less important industrially in his own country. In the capital, Rangoon, he became a nobody. The stigma of poverty beat him down.”³¹

This and the fact, that ‘indigenous races’ (Karens, Kachins and Chin, because they were affected most by the Christian proselytization and thus favored by the British) supplied most of the local recruits to the army and police, outraged the Burmans.³² Tucker argues that by the first decade of the twentieth century most conditions for the still ongoing civil war were already in place as Burmans were the majority community, yet foreigners made most of the important decisions affecting their lives and

²⁹ Fink, C., *Living Silence. Burma under Military Rule*, 2001, p.15-17

³⁰ Here ‘Burman’ refers to the dominant ethnic group of Myanmar, the ‘Bamar’. ‘Burmans’ or ‘Bamars’ make up the majority of Burmese people. The term ‘Burmese’ includes all the citizen of Myanmar regardless of ethnicity, while the term ‘Burman’ is only used for this particular ethnic group.

³¹ Collis, M., *Trials in Burma*, 1938, p. 286-287. Quoted in Tucker, S., *Burma. The Curse of Independence*, 2001, p. 31-32

³² Tucker, S., *Burma. The Curse of Independence*, 2001, p. 32-33

economy.³³ As a consequence of that, rebellions were numerous. In 1937, the Government of Burma Act came into effect which separated Myanmar from India and made it a dyarchy just like India, with a cabinet responsible to the governor and a parliament elected by popular franchise.³⁴

In the upcoming years until independence, General Aung San³⁵, founder of the Communist Party of Burma (CPB), together with 29 others left for the Japanese island of Hainan in 1941 to receive military training. The ‘Thirty Comrades’, as they are famously known in Myanmar, invaded Myanmar with Japanese troops in late 1941 and prompted the British colonial forces to retreat to India. Initially seen as liberators, the Japanese quickly filled the void the British have left and ruled Myanmar as a conquered territory.³⁶ What followed was a war on Burmese grounds between Great Britain and Japan, both backed by Burmese troops (it was mostly the ethnic minorities who fought for the British). In the end it was the British who had the upper hand and defeated the Japanese in 1945.³⁷ In the years after the war the British wanted to reinstate the colonial rule but due to the independence of India in 1947, the British lacked the financial and military resources to enforce submission.³⁸ Taylor argues, that

*“It was the inability of the British to use the Indian army on the eve of Indian independence to put down a potential nationalist uprising in Burma following the Second World War that ensured that the colony received independence as early as January 1948.”*³⁹

As with most former colonies that gained independence, the absence of colonial rule left a power vacuum. The same happened in Myanmar as well but the fact that there was no national unity made filling in this vacuum even harder. General Aung San foresaw this problem and he already reached out to the ethnic communities in 1947. The result was the Panglong Agreement between the Burmese government and ethnic leaders of the Shan, Kachin and Chin people, which allowed them full autonomy in

³³ Tucker, S., *Burma, The Curse of Independence*, p. 33

³⁴ *Ibid.*, p. 37

³⁵ Bogyoke (General) Aung San is considered to be the father of modern-day Myanmar. His daughter is Aung San Suu Kyi, the famous Burmese politician and Nobel Peace Prize recipient

³⁶ Fink, C., *Living Silence. Burma under Military Rule*, 2001, p. 21

³⁷ Tucker, S., *Burma. The Curse of Independence*, 2001, p. 47-60

³⁸ Fink, C., *Living Silence. Burma under Military Rule*, 2001, p. 21

³⁹ Taylor, R. H., *Colonial forces in British Burma. A national army postponed*, 2006, p. 195

the administration of a united Myanmar. This agreement, however, didn't include Karens, Kayahs, Mons, Buddhist and Muslim Arakanese^{40 41}. This lack of inclusion of all ethnic minorities paved the way for ongoing civil conflict in the future which was fueled by increasing drug production in Myanmar. In addition to that, the assassination of Aung San, in July 1947, arguably the only Burman political leader the minorities had ever trusted, pushed a country into disintegration before it even became independent.

Almost immediately after the country secured independence it erupted into a civil war that is going on for nearly 70 years now. The first three groups who decided to fight the Government were the Karen National Union, the CPB, and the People's Volunteer Organization^{42 43}. Many more groups would follow the fight. But not only Burmese insurgent groups would destabilize the region.

Since its independence in 1948 the country is ravaged by decade-long conflict and most of the opium poppy growing regions are unsurprisingly in combat areas in Shan State, Kachin State and Kayah State. The connection between conflict and drug production is undeniable, yet very complex and arguably closely connected to the end of China's civil war.

When Mao Zedong established the People's Republic of China (PRC), most of Chiang Kai-Shek's Kuomintang (KMT) troops were already in Taiwan but some KMT armies located in Yunnan fled to northern Myanmar. The KMT, backed by the US, whose only focus was on stopping the global spread of communism, established themselves in the Wa, Kokang and Kengtung hills and in order to finance their operations, the KMT turned to opium. Many opium farmers from Yunnan fled to Myanmar when Mao banned opium cultivation in the PRC and no finer opium grew anywhere than in the hills of East Shan State, an area the KMT now controlled. The KMT imposed a tax on opium, regardless if the farmers actually grew opium and in order to pay the tax, more opium was grown. Opium cultivation even spread to the hills west of the Salween river and the first morphine factories were found shortly

⁴⁰ These are people from Rakhine State which was and is still known as Arakan.

⁴¹ Fink, C., *Living Silence. Burma under Military Rule*, 2001, p. 22-23

⁴² The armed People's Volunteer Organization was an outfit of World War II veterans, who turned into an insurgent group (Fink, C., *Living Silence. Burma under Military Rule*, 2001, p. 24)

⁴³ Aung-Thwin, M. and Aung-Thwin, M., *A History of Myanmar since Ancient Times. Traditions and Transformations*, 2012, p. 238

after, bringing a whole different dimension into Myanmar's drug trade.⁴⁴ These laboratories were first used to refine opium into morphine and later into heroin. The first heroin refineries were established in the mid 1960s in Laos and shortly after, refineries also popped up along the Thai-Myanmar border.⁴⁵

It was also in the 1960s, when Prime Minister U Nu invited General Ne Win, leader of the Tatmadaw⁴⁶, to form a 'Caretaker Government' which left Ne Win in charge, in order to put an end to the fighting. Initially viewed as only a short period, Ne Win was in charge for 18 months, where the army's influence spread, permeating non-military sectors of society as well.⁴⁷ Even though many international analysts described Ne Win's 'Caretaker Government' as the most orderly and best-run government in Myanmar since independence, the army returned power to the civilian government after their extension expired, and not only ensured elections but managed and arranged their implementation.⁴⁸ It was U Nu again who won the 1960 elections but as soon as he and his party returned to power, the factionalism and insurgencies, especially in Shan and Kachin State, also returned. Alarmed by the uprising of ethnic minorities and angered by the ineptness of the government, General Ne Win took over power once again (albeit this time uninvited) and this coup d'état would bring Myanmar under military rule for several decades.⁴⁹

Myanmar under military rule

By the time the Burmese Army was in charge, they drove most of the KMT invaders out of Myanmar, but their decade-long presence had created a narcotics industry which they still exploited from bases in Thailand with the help of proxies.⁵⁰

But it was not only the KMT who fought the Government as Smith noted:

⁴⁴ Tucker, S., *Burma. The Curse of Independence*, 2001, p. 164-167

⁴⁵ Lintner, B., *The Golden Triangle Opium Trade: An Overview*, 2000, p. 9

⁴⁶ Tatmadaw is the official name of the Myanmar Armed Forces

⁴⁷ Aung-Thwin, M. and Aung-Thwin, M., *A History of Myanmar since Ancient Times. Traditions and Transformations*, 2012, p. 241

⁴⁸ Smith M., *Burma. Insurgency and the Politics of Ethnicity*, 1991, p. 179; Aung-Thwin, M. and Aung-Thwin, M., *A History of Myanmar since Ancient Times. Traditions and Transformations*, 2012, p. 242

⁴⁹ Aung-Thwin, M. and Aung-Thwin, M., *A History of Myanmar since Ancient Times. Traditions and Transformations*, 2012, p. 242

⁵⁰ Tucker, S., *Burma. The Curse of Independence*, 2001, p. 167-168

“In the Shan State in virtually every valley and on every mountain top a different ethnic army [...] was fighting to gain control.”⁵¹

These insurgent groups emerged because they were squeezed between two forces – the Burmese Government and the KMT, which were both foreign to them. Most of the insurgent groups in Shan State were ideologically motivated but were also dependent on drug money to finance their rebellion. Even though most insurgent groups were rather politically inspired, few were little more than armed drug gangs led by opium barons like Lo Hsin Han and Khun Sa, the most prominent figures in the Myanmar drug trade.

While the mountainous regions were ravaged by fighting, the rural population was initially better off. Ne Win focused his priorities on the rural population and less on the urban areas because he wanted to get the whole nation behind him and the rural population made up the bulk of the country.⁵² It has to be noted though, that Ne Win focused on the Bamar rural population. People from Shan or Kachin State were still as uninvolved and neglected as before. In fact, insurgencies were omnipresent there and all Ne Win did was carrying out relentless counter-insurgency programmes in order to crush armed opposition once and for all. Besides the armed groups in the mountainous regions, Ne Win also had to face political challenges in the urban regions. For most of the time from 1962 until 1988 students, monks and workers regularly went to the streets to protest against the military regime. As Fink puts it aptly in her book *Living Silence*,

“Civil war was the normal state of affairs for large portions of the country.”⁵³

And the Tatmadaw did anything from expelling villagers to fighting them if they don't join the army. At that time many innocent people were killed by the ruling Tatmadaw.

By the late 1960s, another element entered the picture: The Communist Party of Burma, now openly supported by China, invaded Shan State and by 1974 the CPB's North East Command (NEC) controlled most of the Kokang, Wa and Kengtung

⁵¹ Smith, M., *Burma. Insurgency and the Politics of Ethnicity*, 1991, p. 251

⁵² *Ibid.*, p. 246-252

⁵³ Fink, C., *Living Silence. Burma under Military Rule*, 2001, p. 48

highlands east of the Salween, i.e. 8000 square miles of poppy.⁵⁴

In order to counter the threat the insurgent groups and the CPB posed, the Government under Ne Win and the Tatmadaw created a large number of militias under the name 'Ka Kwe Ye'⁵⁵.⁵⁶ The plan was to rally as many non-political warlords as possible behind the Burma Army in exchange for the right to use all government-controlled roads and towns in Shan State for opium smuggling.⁵⁷ As one can see, the Government not only tolerated the drug trade but also encouraged it if the drug lords placed their troops under the command of the Burmese Army. Effectively, this move did almost nothing to reduce the scale of insurgency in Shan State since for most of the Ka Kwe Ye (KKY) groups, the opium trade became the priority and fighting the CPB became rather secondary. The scheme was therefore abandoned in 1973 after much international protest and the KKY units were ordered to disband. However, most KKY commanders, including Lo Hsin Han and Khun Sa refused to give up arms and simply crossed over to the rebel side.⁵⁸

In order to untangle the imbroglio of the drug trade in Myanmar, the following overview should illustrate the most important players in the opium hierarchy in the late 1960s:

The farmers: who grow the poppy only earn a pittance for months of laborious work and despite living at subsistence level they had to pay taxes to rebel groups claiming their areas, and bribes to various government officials.

The rebels: who operated in the poppy growing areas collected taxes from the farmers.

The merchants: who bought the opium from the farmers and paid tax to the rebels were local business men who sent their agents to the hills to purchase opium and then used various armed bands to transport the drugs to the refineries along the Thai border and Laos.

The KKY units: were hired by the merchants to transport the drugs to the border. Many KKY commanders were also merchants themselves who would convoy their own opium as well as drugs belonging to other merchants. The opium was usually carried to the town of Tachilek, near the border junction between Myanmar, Laos and

⁵⁴ Tucker, S., *Burma. The Curse of Independence*, 2001, p. 170

⁵⁵ Ka Kwe Ye literally means 'defense'.

⁵⁶ Transnational Institute, *Bouncing Back – Relapse in the Golden Triangle*, 2014, p. 30

⁵⁷ Lintner, B., *Burma in Revolt. Opium and Insurgency since 1948*, 1999, p. 231

⁵⁸ Smith, M., *Burma. Insurgency and the Politics of Ethnicity*, 1991, p. 95-96

Thailand. There, the opium was exchanged for bars of pure gold, hence the area's nickname 'The Golden Triangle'.

The Burmese Government: was supposed to enforce the law which officially prohibited drug trafficking but lack of power and political will to do so, government officials were content with receiving bribes, mostly in form of fancy furniture and other goods the KKY commanders purchased with their opium at the border.

The KMT: acted as a buffer and unofficial 'border police force' for Thailand, and it collected intelligence for Taiwan, the US and Thailand. In return, Thai authorities largely ignored the KMT's smuggling activities along the border.

International narcotics syndicates: became involved by supplying chemists to the heroin refineries along the Thai-Myanmar border, and by taking care of regional and international distribution of the drugs. The syndicates were dominated by ethnic Chinese connected with the Triads in Taiwan, Hong Kong and Macau.

The couriers: were hired by the syndicates to carry drugs from one place to another. They were the most visible links in the narcotics chain since they were often caught and exposed by the media.

The addicts: the consumers of the drugs were, along with the impoverished farmers, without doubt the most pitiful victims of the drug business. Although most of the drugs were designated for foreign markets, drug abuse was – and still is – widespread in tribal villages in Myanmar and the rest of the Golden Triangle. In the 1960s, in some opium growing villages, the addiction rate was as high as 70 to 80 percent of all male inhabitants.⁵⁹

This is how the drug trade was executed in the 1960s and generally speaking it doesn't differ that much from the drug trade in the year 2015.

In the coming years it was Khun Sa who became the epitome of the Myanmar drug trade by controlling the entire Shan-Thai border region that is so essential for the drug trade, and controlling the transport and distribution of two-thirds of the Shan State opium crop.⁶⁰ At one point Khun Sa offered his entire opium crop to the USA after heroin from Southeast Asia swept over the United States.⁶¹ The US declined and in

⁵⁹ Lintner, B., *Burma in Revolt. Opium and Insurgency since 1948*, 1999, p. 236-239

⁶⁰ Smith, M., *Burma. Insurgency and the Politics of Ethnicity*, 1991, p 343

⁶¹ *The Economist* – Khun Sa, 8 November 2007, <http://www.economist.com/node/10097596>

turn made him into the Pablo Escobar of Southeast Asia, hoping he will share the same fate as his Colombian counterpart.⁶²

With Khun Sa dominating the south-eastern part of Shan State, the north-eastern part, namely the Kokang and Wa areas were still in control of the CPB. The Konkang and Wa hills were the most important opium growing areas in Southeast Asia and the CPB heavily profited from the drug trade.

While the drug trade was booming, Myanmar's economy went downhill. By focusing mostly on peasantry and not managing all sectors equitably, Ne Win's party, the Burmese Socialist Programme Party (BSPP), initiated Myanmar's economic ruin in the 1980s. The government decided to demonetize the currency in 1985 which severely hurt people while simultaneously the price of rice and timber dropped by 51% between 1981 and 1987. This drop in prices hurt especially the people in the rural sector - the people the government wanted to protect the most. But also the urban residents were affected, especially by the second demonetization⁶³ and by the crackdown of the black market that had developed soon after 1962 and which was essential to access certain commercial goods.⁶⁴ These economical problems and lack of democracy climaxed in 1988 when the 8888 Uprising forced Ne Win to resign.

1988 and beyond: A nation under protest

The biggest national uprising in the history of Myanmar happened because two groups couldn't agree on the style of music that was played in a tea shop. After a brawl ensued in which a university student was badly injured, the culprits were arrested. However, one of the arrested was the son of a BSPP official and was subsequently released without any charges. What followed was a student protest where one student was shot and killed by the riot police. This incident was the tip of the iceberg for the Burmese public and massive pro-democracy protests took place in March and the upcoming months.⁶⁵ The military reacted with usual violence and many protesters died in the demonstration of 1988. It is estimated that between 3,000

⁶² Lintner, B., *Opium War*, 1994, p. 22

⁶³ On September 5th, 1987, the State Council proclaimed that the 25, 35 and 75 Kyat notes ceased to be legal tender, i.e. 60 to 80 percent of all money in circulation became worthless. No reason was given for that ordinance. (Lintner, B., *Burma in Revolt*, 1999, p. 338)

⁶⁴ Aung-Thwin, M. and Aung-Thwin, M., *A History of Myanmar since Ancient Times. Traditions and Transformations*, 2012, p. 255

⁶⁵ Lintner, B., *Burma in Revolt. Opium and Insurgency since 1948*, 1999, p. 338-341

and 10,000 people were killed in the protests of 1988.⁶⁶

On July 23, after several months of unrest and violence, the unexpected happened: General Ne Win resigned. His resignation didn't come with any political changes however since General Sein Lwin was named his successor. Sein Lwin, infamously known as the 'Butcher of Rangoon', was the head of the riot police and loyal to Ne Win – he was hardly a moderate choice.⁶⁷ This change left the public unsatisfied and a nationwide demonstration was announced for 8 August 1988 (hence 8888 Uprising). The main demonstrations lasted four days and thousands were killed since Ne Win, in his resignation speech, warned the public, that the army will shoot to kill. The killings came to a halt when Sein Lwin resigned on 13 August and named Myanmar's official historian Dr. Maung Maung as the head of the government. The public was not impressed with the change and nationwide protests continued. It was the 26th of August when Aung San Suu Kyi, the daughter of General Aung San, entered the political area and immediately emerged as the leading voice for the democratic movement.⁶⁸ After the BSPP announced that they will hold multi-party elections, the people finally got a glimmer of hope.

This glimmer however was erased on the 18th of September, when the military took over control of the country again.⁶⁹ The new ruling junta, which called itself State Law and Order Restoration Council (SLORC) was led by General Saw Maung. It was widely believed that General Ne Win was behind this coup as Saw Maung and several other top leaders of the SLORC were loyal to him.⁷⁰ The SLORC went away from the BSPP's single-party system and allowed other political parties next to them. The most well known and best organized was the National League for Democracy (NLD) with Aung San Suu Kyi at its helm. The NLD quickly became the only legitimate

⁶⁶ Egreteau, R., *The repression of the August 8-12 1988 (8-8-88) uprising in Burma/Myanmar*, 2009, p. 5

⁶⁷ Fink, C., *Living Silence. Burma under Military Rule*, 2001, p. 54

⁶⁸ Lintner, B., *Burma in Revolt. Opium and Insurgency since 1948*, 1999, p. 343-346

⁶⁹ While the SLORC claimed not more than 15 people were killed in the coup, diplomatic sources reported that at least thousand people were killed. As a response, foreign aid by the US, Australia, Britain, Germany and Japan was cut off. The aid consisted mostly of anti-narcotics assistance, thus aggravating the drug problem in Myanmar. (Lintner, B., *Burma in Revolt*, 1999, p. 352). The coup also drove thousands of protesters out of the cities and to the mountains where many joined the ethnic insurgents.

⁷⁰ Fink, C., *Living Silence. Burma under Military Rule*, 2001, p. 61-62

opposition party to the SLORC and many Burmese followed Aung San Suu Kyi's way to democracy.⁷¹

After the 8888 Uprising, the SLORC feared that the fleeing pro-democracy protesters would team up with the ethnic armies, or even more troubling with the CPB, an at that time 15,000 troops strong army along the Sino-Burmese border. But the situation with the CPB took a turn of the unexpected when the hill tribes of the CPB mutinied against the party's aging, mostly Burman political leadership.⁷² The reasons for the mutiny were primarily the fact that the ethnic minorities fighting for the CPB felt they were used as cannon fodder for the CPB and that the Burman leadership were insensitive towards the ethnic hill tribes. But the most important reason for the mutiny was probably the CPB's directive that private opium trading would be punishable by death and the clamp down on the drug trade in general. This directive was probably launched under Chinese pressure as the spillover of drugs from the CPB's area into China was becoming a problem. The order to restrict drug trade did not really affect the leadership of the CPB but mostly the ethnic warlords, hence they mutinied against the CPB and initiated the end of the Communist Party of Burma.⁷³

The CPB split along ethnic lines into four more or less still active regional resistance armies: most notably the United Wa State Army (UWSA) and the Myanmar National Democratic Alliance Army (MNDAA).⁷⁴

The CPB mutiny in 1989 changed the military map of Myanmar dramatically and the SLORC was determined to neutralize the armies with ceasefire agreements. This is when drug lord Lo Hsin Han was asked to step in to act as an intermediary between the mutineers and the government.⁷⁵ Lo Hsin Han was sentenced to death in 1973 but released in 1980 and became the prominent figure in the Kokang drug trade, even making deals with his former enemies: the CPB.⁷⁶ The agreement between the government and Lo Hsin Han was similar to the one he made years before as chief of a local KKY: helping Yangon to contain the rebels and gain, in return, access to

⁷¹ Aung-Thwin, M. and Aung-Thwin, M., *A History of Myanmar since Ancient Times. Traditions and Transformations*, 2012, p. 262-264

⁷² Lintner, B., *The Golden Triangle Opium Trade: An Overview*, 2000, p. 16

⁷³ Lintner, B., *Burma in Revolt. Opium and Insurgency since 1948*, 1999, p. 361-363

⁷⁴ Lintner, B., *The Golden Triangle Opium Trade: An Overview*, 2000, p. 16

⁷⁵ Lintner, B., *Burma in Revolt. Opium and Insurgency since 1948*, 1999, p. 365

⁷⁶ Tucker, S., *Burma. The Curse of Independence*, 2001, p. 173

government-controlled roads for smuggling.⁷⁷ As a result, a ceasefire was arranged since the mutineers were simply tired of fighting and anyways more interested in the lucrative drug business. It was a win-win situation for both sides, as the Tatmadaw could focus more on the pro-democracy protests in the heartland of Myanmar, while the rebels could conduct the drug trade in peace.⁷⁸ As a consequence Myanmar's opium production doubled in the coming years from 836 tons of raw opium in 1987 to 2,340 tons in 1995⁷⁹. Heroin production soared from 54 tons to 166 tons in the same time span and heroin refineries popped up all over Kokang and Wa. At the same time amphetamine production started in northern Myanmar.

In 1996 drug kingpin Khun Sa was forced to surrender to the authorities but was able to live a luxurious life in Yangon until he died in 2007. He could retire as a wealthy business man in a mansion in Yangon, which should show the government's involvement and acceptance of the Myanmar drug trade. In fact Lo Hsin Han's Asia World Group is the largest investment company in Myanmar right now, with involvements in construction, import-export, and energy sector.⁸⁰ It is obvious how important drugs are for the Burmese economy.

While a notorious drug lord could live out his days in luxury, Myanmar's symbol for democracy was prohibited to leave her house. When in 1990 elections finally came along, Aung San Suu Kyi was already put under house arrest and people were discouraged to vote for the NLD. Nonetheless the NLD won the election in overwhelming fashion, winning 392 of 485 parliamentary seats. Despite their massive loss, the SLORC refused to hand over power to the NLD and stayed in charge of Myanmar⁸¹ with Aung San Suu Kyi still under arrest. This came to the surprise of no one in Myanmar since the winner of the election was only allowed to write a new constitution and power was only transferred when a constitutionally formed government was established. The pressure on the SLORC to hand over power came almost exclusively from other countries.⁸²

In 1993, General Than Shwe, successor of General Saw Maung as the chairman of the

⁷⁷ Lintner, B., *Burma in Revolt. Opium and Insurgency since 1948*, 1999, p. 365

⁷⁸ Smith, M., *Burma. Insurgency and the Politics of Ethnicity*, 1991, p. 378-379

⁷⁹ For sake of comparison, the total production of raw opium in 2014 was 670 tons according to UNODC.

⁸⁰ Lintner, B., *Drugs and Economic Growth. Ethnicity and Exports*, 1998, p. 179

⁸¹ The country's name was officially changed from Burma to Myanmar in 1989.

⁸² Fink, C., *Living Silence. Burma under Military Rule*, 2001, p. 68-72

SLORC, finally allowed a National Convention to write a new constitution but his insistence on a quota of seats (25%) guaranteed to the military in the new parliament made the NLD walk out of the convention without producing a new constitution.⁸³ The convention was suspended for eight years, while in the meantime the State Peace and Development Council (SPDC)⁸⁴ used to finalize ceasefire agreements with several insurgent groups.

After two major incidents, that put heavy stress on the military regime, the ‘Saffron Revolution’ in 2007 and Cyclone Nargis in 2008, a new constitution was completed in 2008. The constitution effectively transformed the government from a military junta to a multi-party representative system and on 7 November 2010 this provision was implemented with the first national election since 1990.⁸⁵ Even though it was widely reported that the elections were neither free nor open and the fact that opposition groups like the NLD were boycotting them, the elections restored a degree of representative government and ended the military government that had prevailed for more than four decades.⁸⁶ At the elections former General and Prime Minister Thein Sein emerged as the President of Myanmar. On 30 March 2011 the SPDC was dissolved which officially ended the military rule in Myanmar and reinstated the civilian government.⁸⁷ In the following years the government effectively unraveled the former regime by releasing thousands of political prisoners, electing Aung San Suu Kyi to parliament and freeing the media.⁸⁸ It seems that Myanmar is finally on the way to a democratic nation.

Even though Myanmar was on its way to a democracy and most ethnic opposition groups have signed ceasefire agreements with the Government of Myanmar, it does not necessarily mean that fighting in Shan State actually stopped, as many ceasefire agreements are largely ignored by both sides. The ceasefire agreements did, however, have an impact on the drug business as many ceasefire groups had to rely on illegal activities to finance themselves since the government restricts their access to legal

⁸³ Aung-Thwin, M. and Aung-Thwin, M., *A History of Myanmar since Ancient Times. Traditions and Transformations*, 2012, p. 270

⁸⁴ The SLORC was abolished in 1997 and replaced with the SPDC. This, however, was merely a name change and their policies remained the same.

⁸⁵ Aung-Thwin, M. and Aung-Thwin, M., *A History of Myanmar since Ancient Times. Traditions and Transformations*, 2012, p. 276

⁸⁶ Skidmore, M. and Wilson, T., *Interpreting the transition in Myanmar*, 2012, p. 3

⁸⁷ Aung-Thwin, M. and Aung-Thwin, M., *A History of Myanmar since Ancient Times. Traditions and Transformations*, 2012, p. 282

⁸⁸ Pedersen, M. B., *Myanmar’s Democratic Opening. The Process and Prospect of Reform*, 2014, p.20

trade and business.⁸⁹ But not in all areas of Shan State did opium cultivation continue after the ceasefire agreements. In the two most prolific areas of drug production, Kokang and Wa, opium cultivation is banned since 2005 and the bans are strictly enforced and the regions remain opium-free. The reasons for this drastic step after decades of opium production and the ban's implication will be discussed later. The ban of opium cultivation in one place doesn't mean that there is less opium cultivated in Myanmar – it just shifted to another place, namely South Shan State, where nearly 50 percent of all opium is cultivated now. Since most ethnic rebels don't trust the Government and view the ceasefire agreements with suspicion, an end to the armed conflict is nowhere in sight. And with the civil war continuing, drug production will also continue in Shan State.

As indicated earlier, drugs are important for the Burmese economy and the Government is at least accepting the drug trade if not actively supporting it. After the ceasefire agreements many rebel groups were backed by the government and in return for acting as local militias they were permitted to do whatever they want to support themselves and their troops – it was the KKY scheme all over again.⁹⁰ How powerful the connection between the militias and the Tatmadaw is, shows research conducted by the Transnational Institute (TNI). In 2009 the military government demanded, that all ceasefire groups be transformed into Border Guard Forces (BGF) which would put them under the Tatmadaw. Not all groups agreed to the proposal and the Tatmadaw assured them they could continue to exist as they were – the formation of the BGF just created another layer of armed groups with a separate status and acted as a buffer, alongside the militias, between the Tatmadaw and armed ethnic opposition groups. Militias and BGF were both under the control of the Burmese Army and thus enjoyed special treatment, particularly the right to engage in the drug trade. Especially in northern Shan State, opium is cultivated right under the eyes of the militias who allow farmers to grow poppy in return for electoral support and taxes. All this happens with the approval of the Tatmadaw which places security above anything else and in turn let the militias and BGFs produce and conduct trade in opium and heroin. This state of affairs makes it hard to conduct counter-narcotic efforts, since the police and the Central Committee for Drug Abuse Control (CCDAC) have troubles even entering the

⁸⁹ Transnational Institute, *Bouncing Back – Relapse in the Golden Triangle*, 2014, p. 28

⁹⁰ Lintner, B., *The Golden Triangle Opium Trade: An Overview*, 2000, p. 19

areas.⁹¹ The 2012 report by the US State department sheds some more light on the struggles to actually combat the drug problem in Myanmar:

“Officers from the Central Committee for Drug Abuse Control (CCDAC) remained ready to enforce Burma’s narcotics laws, though lack of training, resources and obstacles such as coordination with the Burmese Army (BA) and ethnic Border Guard Forces (BGFs) prevented many significant anti-trafficking actions. The GOB [Government of Burma] underfunds its police force, including the CCDAC. The GOB considers drug enforcement secondary to security and is willing to allow narcotics trafficking in border areas in exchange for cooperation from ethnic armed groups. The GOB policy of folding ethnic armed groups into quasi GOB-controlled BGFs complicates anti-narcotics efforts as BGFs are often complicit, if not active protectors, of illicit drug production and trafficking. Loosely-controlled remote territories and GOB bureaucracy forces CCDAC officers to work with the BA and BGF; in this process actionable intelligence is often leaked by the BA or BGF to the targeted traffickers.”⁹²

As one can see, there are many reasons why the drug trade in Myanmar is still flourishing and not much is done against it. Aside from the Government’s ‘deal with the devil’ that allows narcotics trafficking in exchange for security from ethnic armed groups – even though it’s absurd to view Shan State as a secure state now – the main driving force behind Myanmar’s drug problem is the on-going civil conflict. As one former member of a ceasefire group in northern Shan State puts it,

“It is very difficult to get rid of the drug problem in Shan State. It is probably the area with the most armed groups in the country. The majority need money to support their armed struggle and drugs are probably the source of income for most of these groups to acquire arms , ammunition, uniforms and food.”⁹³

As long as the armed struggle in Myanmar continues, the drug business will flourish as well. It is therefore in the best interest for the Government of Myanmar to finally end the decade-long civil war and include the ethnic groups more in the national

⁹¹ Transnational Institute, *Bouncing Back – Relapse in the Golden Triangle*, 2014, p. 31-33

⁹² U.S. Department of State, *International Narcotics Control Strategy Report. Volume 1 Drug and Chemical Control*, 2012, p. 144

⁹³ Transnational Institute, *Bouncing Back – Relapse in the Golden Triangle*, 2014, p. 29

decision-making process. That is the only way to get a grip on the drug problem – if that is actually something the Government of Myanmar wants to do.

Myanmar's future

The elections of October/November 2015 will be the next step of the democratization process for Myanmar as President Thein Sein will likely step aside when his term ends. The two most likely candidates to succeed Thein Sein are Shwe Mann, a former high-ranking figure in the military junta and Aung San Suu Kyi. Even though Aung San Suu Kyi has the support of the majority of the Burmese people and also the rest of the world, it is highly unlikely that she will emerge as the next President of Myanmar. While drafting the constitution in 2008, the junta included that no President of Myanmar can have a foreign spouse or children. This is clearly aimed at Aung San Suu Kyi since her late husband and her children are British, preventing her from running for presidency.⁹⁴ The government already refused to amend the constitution in time for the election and so far it looks like Shwe Mann will become the next President of Myanmar, thus keeping the power in the hands of former military officials. Even though Myanmar started the democratization process it will take some more time until one can call Myanmar a truly democratic country.

It's obvious that the transition to a democracy will not be immediate but in the case of Myanmar the internal ethnic struggles are prolonging the democratization process. In the last couple of years up until today, fighting never stopped in certain areas in Myanmar. Especially the conflict in Kachin State between the Tatmadaw and the Kachin Independence Army (KIA) intensified in the last couple of months. But fighting not only took place in Kachin but also in Shan State, the main area of opium cultivation. In 2015 fighting broke out in Kokang between the Burmese Armed Forces and the Myanmar National Democratic Alliance Army (MNDAA), formerly part of the CPB. As of May 2015, the MNDAA, with the support from China and the United Wa State Army, turned North Shan State into a powder-keg again. It is especially worrisome for the Government of Myanmar that the MNDAA finances itself mostly with profits from the drug trade. So far it is not conceivable when and if there will be an end to the fighting in Myanmar.

⁹⁴ The Guardian, Burma rules out lifting ban on Aung San Suu Kyi presidency before election, 19. November 2014, <http://www.theguardian.com/world/2014/nov/19/burma-rules-out-changing-constitution-aung-san-suu-kyi>

But not only armed militias are a source of conflict in Myanmar. Buddhist extremism and Muslim prosecution puts a negative spotlight on Myanmar. The Rohingya people of Rakhine State, located at the west coast of Myanmar, are among the most prosecuted minorities in the world and their status as Burmese citizens is still not acknowledged by the Government of Myanmar.⁹⁵ The Muslim Rohingyas have basically zero human rights in Myanmar and thousands of them try to flee to other Southeast Asian countries, creating a refugee crisis similar to the one in Europe.

But not only the Rohingyas are prosecuted, Muslims all over Myanmar face resentment and violence towards them. Burmese monks like Ashin Wirathu and his 969 Movement openly refer to Muslims as the enemy and spread nationalist and anti-Muslim propaganda all over Myanmar with growing support from the Burmese population who is reluctant to criticize anything linked to their Buddhist beliefs.⁹⁶

As one can see, Myanmar hasn't fully left its tumultuous history behind it and the future will hold plenty of obstacles that Myanmar has to overcome before it can be fully recognized as a democratic country. One of the main problems Myanmar has to solve is its drug production. I

After illustrating the history of Myanmar and exploring the correlation between conflict and drugs, it's time now to focus on the reasons for the farmers to cultivate opium.

Reasons to cultivate opium poppy

Since it's the farmers and not the rebels who cultivate opium poppy and most farmers are not actively engaged in armed conflict, there have to be reasons why farmers produce opium in Myanmar.

After opium cultivation reached its apex in 1996 with nearly 160,000 hectares, the cultivating area gradually declined until 2006 where only slightly more than 20,000 ha were used for opium cultivation. In the upcoming years however, opium cultivation

⁹⁵ The term 'Rohingya' is officially banned by the Burmese government and officials flat out deny the existence of Rohingyas. For them, Rohingya people are simply Bengalis and that is also the only way they can register themselves in Myanmar. Denying their own ethnicity and register themselves as Bengalis will make it easier for the Government to deport them.

⁹⁶ International Crisis Group, *The Dark Side of Transition: Violence against Muslims in Myanmar*, 2013, p. 17-18

rose again each year and 2013 represents the new maximum with an opium poppy cultivation area of 57,800 ha.⁹⁷ The year 2014 is the first time the area didn't grow but remained unchanged. As one can see opium cultivation is still very much apparent in Myanmar, though not on the level of 20 years ago. This begs the question, what are the reasons that farmers engage in opium poppy cultivation. This section seeks to answer this question. (See Appendix 4 for an overview of current opium cultivation)

According to UNODC's annual opium survey, more than 70 percent of Myanmar's poppy-growing villages report that they cultivate opium in order to make more (or easy) money, or to cover basic living expenses such as food, education and housing.⁹⁸ Myanmar is considered one of the most underdeveloped countries in the world with an estimated GDP per capita of USD 1,221⁹⁹ and ranks last in the Human Development Index of all Southeast Asian countries. Besides Nepal and Afghanistan, Myanmar is the only Asian country with a low human development.¹⁰⁰ This apparent poverty and underdevelopment is the main reasons why farmers in Myanmar cultivate opium – it is the most valuable cash crop they have and only opium cultivation provides enough income to overcome food insecurity. To cite only poverty and food insecurity as a reason to grow opium poppy does the complex and diverse circumstances behind opium cultivation barely justice as situations differ greatly between geographical areas and socio-economic groups. For example, in North Shan only 60% reported that they cultivate poppy because it's more lucrative, while 12% reported crop failure as the main reason behind opium poppy cultivation. This is contrary to the nation-wide average, where only 5% cited that crop failure is the reason for their opium cultivation.¹⁰¹ Reasons behind opium cultivation vary but in general, poverty can be seen as the driving force behind opium cultivation.

Other reasons for opium cultivation include: Easier to sell than other crops (7% of all poppy-growing villages reported that); ease of transportation (6%); multiple reasons noted (3%); lack of other employment options (3%); neighbors grow it (2%); long-standing tradition (2%).¹⁰²

Ease of transportation is another reason that correlates with the geographical location

⁹⁷ UNODC, Southeast Asia Opium Survey 2014, 2014, p. 46, 52

⁹⁸ Ibid., p. 60

⁹⁹ IMF, World Economic Outlook Database, April 2015, [downloaded: 25 May 2015]

¹⁰⁰ UNDP, Human Development Report 2014, 2014, p. 18

¹⁰¹ UNODC, Southeast Asia Opium Survey 2014, 2014, p. 61

¹⁰² Ibid., p. 63

of the farmers. In East Shan State, for example, 10 percent of respondents stated that transportation is the main reason for cultivating poppy. In general, transportation and distance to markets are significant incentives to grow opium poppy. The UNODC concludes, that in 2014, poppy-growing villages were an average of 41km from the nearest market, whereas non-poppy-growing villages were an average of 21km from the nearest market (See Appendix 5). Each 10-km increase in the distance to markets increases the risk of poppy cultivation by 18%.¹⁰³ The lack of infrastructure and access to markets is another issue the Government of Myanmar has to address in order to cope with the drug problem, especially since opium traders are willing to collect opium directly from the farmers.

Another reason why farmers grow opium is lack of access to land. As one Australian academic states it:

“Opium is an ideal crop in situations of land shortage as it can be grown on the same plot of land for up to 10 years without significant decline in yields.”¹⁰⁴

Land grabbing represents a huge problem in Myanmar in the last couple of years. By 2013, 5.3 million acres (2.1 million hectares) of land had been leased out to investors for commercial agriculture – mainly rubber plantations – without the consent of its owners in most cases. The confiscation takes largely place in northeastern Shan State and the victims were mostly ethnic minorities. The seizure of land, land that has been used by farmers for generations, was largely conducted by the Tatmadaw, who confiscate the land and hand it over to private companies to use as rubber plantations. The villagers’ lands are now under commercial rubber plantations which have destroyed their livelihoods and pushed them deeper into poverty.¹⁰⁵ These are farmers who might turn to opium cultivation since they don’t need that much land for opium poppy in order to cover their basic living expenses.

As illustrated earlier, drugs and conflict are closely connected in Myanmar and on-going armed conflict also forces farmers into opium cultivation. The conflicts destabilize and marginalize ethnic upland communities who are living on the playing field of insurgencies. The conflicts and unstable political situation drive many farmers

¹⁰³ UNODC, Southeast Asia Opium Survey 2014, 2014, p. 61

¹⁰⁴ Transnational Institute, Bouncing Back – Relapse in the Golden Triangle, 2014, p. 14

¹⁰⁵ Global Witness, Guns, Cronies and Crops. How Military, Political and Business Cronies have conspired to grab land in Myanmar, 2015, p. 4

further into poverty and many communities revert to opium cultivation as a means to survive.¹⁰⁶ One representative of a local NGO puts it as followed:

*“There is a lot of opium cultivation in southern Shan State and Kayah State because of the unstable political situation. It is a very difficult area because of the ongoing conflict, and the only thing people can grow there is opium, which is easy because it is a mountainous and isolated area. The lower prices of other crops they could produce as alternatives and the connections with opium buyers who offer a good price also stimulate cultivation.”*¹⁰⁷

The livelihood of the people in conflict situation is just not stable and food insecurity results in a food gap of four to six months in some areas. The easiest way to overcome this is by growing opium poppy. People in conflict situations also have to pay a lot of taxes to the government, the armed groups and the militias which means they have even less money to spend on their basic need.¹⁰⁸

Paying taxes was actually one of the main reasons farmers in Wa started to grow opium. Before opium cultivation was banned in Wa in 2005, each farmer – and that even included farmers who did not grow opium – has to pay opium tax. The tax was never monetary but in fact a certain percentage of their opium harvest. Most of the time the demanded opium tax was arbitrary and did not reflect the actual harvest of the farmers. Many farmers were forced to buy opium for higher prices in order to pay the opium tax.¹⁰⁹ Taxing opium farmers is still a widespread practice in Shan State nowadays. Many ethnic rebels and militias tax opium farmers even though most of them claim, that they are not involved in the drug business. Taxation is limited on farmers who actually are growing opium and is purely monetary – it’s not a reason any more to start growing opium.¹¹⁰

Other justifications why farmers cultivate opium poppy are connected to agricultural reasons. Many farmers claim that the soil of their land is so poor that not much besides opium poppy grows. Poor soils make opium cultivation even more likely

¹⁰⁶ Transnational Institute, *Bouncing Back – Relapse in the Golden Triangle*, 2014, p. 25

¹⁰⁷ *Ibid.*, p. 29

¹⁰⁸ *Ibid.*, p. 29

¹⁰⁹ Chin, K., *The Golden Triangle. Inside Southeast Asia’s Drug Trade*, 2009, p. 58-60

¹¹⁰ This information refers only to South Shan State where the Shan Army is taxing opium farmers even though they heavily deny it. On the scope and execution of taxing farmers in the rest of Shan State is no information at hand.

since they cannot successfully grow other crops that would have as much monetary value as opium. Also, the farmers are mostly located in the mountainous regions of Myanmar and opium poppy is perfectly suited to be planted on mountain slopes. However, according to Wa farmers, growing opium is a laborious task and even more challenging than growing rice (See Appendix 6 for details on how to grow opium).¹¹¹ They only refer to opium cultivation since almost 50% of all households in poppy-growing villages have a rice deficit and food insecurity – a number that is higher in poppy-growing villages than in non-poppy-growing villages.¹¹² Again, food insecurity and poverty are the driving forces behind opium cultivation for rural communities. Related to agricultural reasons is the fact, that many opium poppy cultivating farmers simply do not know how to grow anything else besides opium and rice. Planting poppies is the only skill farmers learned from their parents and the only thing they know how to do. Since there are virtually no jobs in rural Shan State and they do not possess any education or training in business, they have to rely on the one survival skill that was taught to them by their family.¹¹³

Tradition plays a role when it comes to opium cultivation in Myanmar, as for some it's the only skill they have, while others grow it because they traditionally use opium. Opium is mostly used by older people as a traditional medicine for pain relief, dysentery, malaria and fever. But lack of access to medical facilities makes opium the all-purpose drug for all kinds of illnesses and aches. Besides that, opium is also used for recreation and pleasure, cooking, and to tame animals, such as elephants and livestock, and also has veterinary uses for the treatment of animal diseases.¹¹⁴ This kind of use can very well lead to opium addiction, as it will be explored in the next chapter, and some families grow opium poppy to support their addiction.

Another reason why farmers cultivate opium has nothing to do with marginalization or food insecurity: some farmers just grow it because it's lucrative and they want to improve their living conditions. People have responded to high opium prices and cultivate opium commercially to maximize profits. In Kachin State, Chinese nationals are even migrating seasonally to cultivate poppy on leased land from locals. These opium poppy growers usually have more money to invest, use pesticides and

¹¹¹ Chin, K., *The Golden Triangle. Inside Southeast Asia's Drug Trade*, 2009, p. 39, 50

¹¹² UNODC, *Southeast Asia Opium Survey 2014*, 2014, p. 72-73

¹¹³ Chin, K., *The Golden Triangle. Inside Southeast Asia's Drug Trade*, 2009, p. 48-49

¹¹⁴ Transnational Institute, *Bouncing Back – Relapse in the Golden Triangle*, 2014, p. 40-41

fertilizers, and their fields tend to be irrigated and systematically planted.¹¹⁵ This only accounts for a very small percentage of Myanmar's opium production - the majority of opium poppy is cultivated out of necessity.

The last reason why rural communities in Myanmar turn towards opium cultivation shall be addressed in the section about eradication and opium bans. At this place it shall merely be pointed out that eradication may also lead to an increase in opium poppy cultivation.

In short, there are myriad reasons why farmers turn to opium cultivation, but the main reason is that the farmers are poor and lack food, and they do not have another alternative to overcome these deficits. Only opium cultivation provides them with enough income to cover their basic needs in order to survive. Yet opium cultivation also brings plenty of problems with it.

Problems of opium cultivation

It should be obvious the rampant opium cultivation and drug production is accompanied by several problems. In this section, the problems of opium cultivation on a state-level, for the general public and for the environment shall be discussed.

After detailing the connection between drugs and conflict in Myanmar over the last couple of decades, the following paragraph will examine the negative impact drugs have on the state of Myanmar.

It is nearly impossible to say if drug production is a product of conflict or if conflict is a product of drug production. What one can say though, is that drug economies thrive in a state of lawlessness but also further develop this state by itself. As mentioned earlier, Myanmar has a history and present of conflict, lawlessness and underdevelopment. And these conditions made the drug business possible in the first place. But now the drug trade prohibits Myanmar to overcome these circumstances. State-building and execution of the rule of law are still major issues the Government of Myanmar has to address. Opium cultivation is one of the main factors why Myanmar is still a very weak state. But the Government is as responsible for this state as are the people who produce the drugs and traffic them. As briefly mentioned earlier

¹¹⁵ Transnational Institute, *Bouncing Back – Relapse in the Golden Triangle*, 2014, p. 14

the government was/is heavily involved in the drug trade too, by either turning a blind eye to the rebels after the ceasefire agreements or by offering money-laundering services. One could argue, that the Government's involvement in the drug business actually strengthened the state, since the ceasefire agreements incorporated insurgency groups into the state and more drug money is invested in Myanmar which strengthens the connection between the state and the insurgents.¹¹⁶ The result of this involvement is that drugs are the single most important export of Myanmar and the economy is dependent on drug money. Laundered drug money is invested all over Myanmar, especially in construction projects and many luxury hotels in Yangon are financed by drug money. Among the companies in Myanmar that are linked with the government are:

- Asia World Group: Myanmar's single biggest investor in real estate and winner of many lucrative government contracts. The chairman of the company is Steven Law, son of former drug kingpin Lo Hsin Han, who is wanted by the US on drug trafficking charges.
- Hong Pang Group: Founded by Wei Hseuh-Kang is one of Myanmar's largest conglomerates with subsidiaries in construction, mines, lumber trade, electronics, etc. Wei is a notorious drug lord and currently in charge of the UWSA's Southern Command.
- Union of Myanmar Economic Holdings: Myanmar's largest Holding Company is involved in coal mining, gems and logging. 40 percent of it is owned by the Defense Ministry with the remainder controlled by senior military figures. It claims its revenues are generated from the Burmese Army's pension funds when in reality numerous drug lords have invested heavily.¹¹⁷

There are many more companies which are linked to the Government and are heavily involved in the drug business. The fact that Myanmar's economy is so dependent on drug money, creates an economic landscape full of corruption and absence of rule of law, since the Government is profiting from the drug business. This brings serious problems for the people in conflict areas about as security ceases to be public good and becomes a private commodity. Informal local security arrangements, like the

¹¹⁶ Meehan, P., *Drugs, insurgency and state-building in Burma. Why the drug trade is central to Burma's changing political order*, 2011, p. 400

¹¹⁷ *Ibid.*, p. 392-394

Tatmadaw-backed militias, are controlling certain territories and act there as a de facto ‘parallel power system’. This traps the local population in a situation where they might be forced to migrate into illegality, i.e. opium cultivation, in order to survive in a difficult and dangerous environment.

But for the general public, opium cultivation entails many other problems too. Especially drug abuse and its consequences are the main problems. Research conducted by the UNODC indicates, that drug use was far more common in poppy-growing villages than in villages which do not engage in opium poppy cultivation. But it is not only opium consumption in the villages – even though opium use more than doubled from 2012 to 2014 – ATS and heroin are also widely consumed in poppy-growing and non-poppy-growing villages. The prevalence of ATS use and heroin use both tripled from 2012 to 2014 for people aged 15 and above.¹¹⁸ As stated before, many villagers in rural Shan State refer to opium to cure all kinds of illnesses and pains. But many people get addicted to opium and become a burden to their family as they cannot do the laborious work of opium cultivation any longer. This puts the responsibility of supplying the family on the backs of the other members who in turn might also start taking opium as a stress relief. Opium has destroyed many families in Shan State this way.

According to the Government of Myanmar there are roughly 40,000 ‘drug dependent’ opium users in the country.¹¹⁹ In reality, the number is most likely a lot higher and NGOs and community leader suggest that there are up to 300,000 drug addicts in Myanmar.¹²⁰ The real problem with opium cultivation is however the on-going heroin epidemic. Even though most of the heroin is designated for foreign markets – almost 90 percent of the heroin from the Golden Triangle is exported to China¹²¹ - there is still a sufficient amount consumed within Myanmar, especially in Kachin State and North Shan State. While some take heroin because of unemployment and lack of prospects, others take heroin because it’s the only way they can bear the trauma they suffered from fighting in a civil war. And yet others turn to opiates to handle the

¹¹⁸ UNODC, Southeast Asia Opium Survey 2014, 2014, p. 75

¹¹⁹ Transnational Institute, Bouncing Back – Relapse in the Golden Triangle, 2014, p. 45

¹²⁰ U.S. Department of State, International Narcotics Control Strategy Report. Volume 1 Drug and Chemical Control, 2012, p. 147

¹²¹ Eimer, D., It’s happy hour for the heroin traffickers of the Golden Triangle, *South China Morning Post*, 26 September 2013, <http://www.scmp.com/news/asia/article/1317745/its-happy-hour-heroin-traffickers-golden-triangle>

strenuous work in amber and jade mines. The reasons why people in Myanmar take opium and heroin are diverse, the negative effects the drug has on the health of the addicts are the same though.

There are an estimated 190,000 people in Myanmar living with HIV and heroin injection is the key driver behind it.¹²² Myanmar has one of the highest prevalence of HIV in Asia and people who inject drugs (PWID) are the most concerned. The fact, that the possession of needles and hypodermic syringes is still punishable under the Burma Excise Act of 1934¹²³ adds to the health risks of injecting drug users, since paraphernalia is rare and needle-sharing a very common problem in Myanmar. Through needle-sharing, the risk of contracting Hepatitis C is also very high. Besides the obvious health problems connected to HIV/AIDS and Hepatitis C, the stigmatization of addicts and ill people is omnipresent in Myanmar. In regions, where jobs are already rare and the only available work is strenuous field work, many drug users finance their addiction with drug dealing and/or prostituting themselves. Many drug addicts are driving their families into financial ruin by supporting their addiction, spending up to 15 USD per day for drugs – which is more money than the family has for food.¹²⁴ Due to the shortage of money and medicine, Anti-Retroviral Treatment (ART) is also rare in most parts of Myanmar, since the majority of concerned people can simply not afford it. The Government of Myanmar tries to tackle this problem by providing ART and methadone maintenance therapy (MMT) but they only reach a limited amount of people due to the strict requirements demanded by the Government. In Myanmar, drug users have to register at a place prescribed by the Ministry of Health and if they fail to do so they can be imprisoned from 3 to 5 years.¹²⁵ The reason why many drug users are reluctant to register is because drugs are obviously illegal and many users are just afraid that outing themselves as drug users gets them in trouble with the law. Drug users have to be decriminalized in order to overcome the drug and HIV problem.

The biggest health risk for drug users is that of overdose however. According to the Asian Harm Reduction Network,

¹²² UNAIDS, Global Report. UNAIDS report on the global AIDS epidemic 2013, 2013, p. A12

¹²³ Government of the Union of Myanmar, The Burma Excise Act, Chapter IV, Section 13; Chapter VII, Section 33, 1934

¹²⁴ Transnational Institute, Bouncing Back – Relapse in the Golden Triangle, 2014, p.49

¹²⁵ Government of the Union of Myanmar, The Narcotic Drugs and Psychotropic Substances Law, Chapter V, Section 9; Chapter VIII, Section 15, 1993

“Although there is no overdose related data in Myanmar, field observations and programmatic interventions confirm that it is also a major health issue among opiate injectors [...] Accidental overdose is the biggest cause of death among people who inject drugs.”¹²⁶

The reason why there are so many overdoses in Myanmar can be attributed to poly drug use. Many addicts tend to drink very large amounts of alcohol during the day to deal with their withdrawal symptoms, and in the evening, when the police is not around anymore, they inject heroin. This kind of poly drug use, sometimes also combined with ATS, is very dangerous and leads to many overdoses.¹²⁷

Many people also overdose when they get pure, number 4 heroin¹²⁸ for the first time after getting used to less pure heroin. When people are then injecting their normal amount, they might overdose, since the pure heroin is so potent and their bodies are not used to it.

Opium cultivation also causes serious problems for the environment. Deforestation is becoming more and more apparent in Shan State, as opium poppy is cultivated in altitudes of 1000 – 2000m and large areas are being cleared for poppy fields. Even at the top of the mountains where the forest cover would be crucial to protect water sources, areas are cleared for poppy fields. The cleared areas are prone to erosion and soil degradation, and desertification processes have already started. The loss of water supply has a negative impact on agricultural output and if crop yields decrease, food security and poverty arise. As mentioned earlier, food security problems lead to opium production, and opium cultivation leads to further deforestation which in turn puts a heavy toll on agricultural output. It’s a vicious cycle that can be only overcome with a sustainable alternative to opium poppy cultivation.

Opium bans and eradication

After discussing the reasons and problems of opium poppy cultivation, it is now time to examine different approaches on how to address this issue. In this chapter the popular approaches of opium bans and eradication will be reviewed.

¹²⁶ Transnational Institute, *Bouncing Back – Relapse in the Golden Triangle*, 2014, p.49

¹²⁷ *Ibid.*, p. 49

¹²⁸ Number 4 heroin, also known as ‘China White’ is the purest form of heroin. It is the type of heroin that is largely produced in Myanmar and sold all over Southeast Asia.

Eradication of opium fields was always the panacea for the Government of Myanmar – and it failed remarkably. From 2007 until 2014, 79,000 hectares of poppy cultivation – 90% of it in Shan State – was eradicated, according to the Government of Myanmar and the CCDAC.¹²⁹ Yet the area of opium poppy cultivation didn't get smaller, it actually increased each year until 2014. This is called the balloon effect – by putting pressure on one area of the balloon, the air does not disappear, it just gets pushed into another area with less resistance. The same thing can be observed in Myanmar, eradicating fields in one place just pushes them into another area. This strategy of eradication and the consequent balloon effect is largely driven by the United States, and the US also supported eradication in Myanmar as well – largely with horrific consequences.¹³⁰ In 1986, the United States began supplying Myanmar with helicopters, aircrafts, pilot training and agent 2,4-D¹³¹ to assist the Burmese Army in their eradication efforts.¹³² The Government of Myanmar started eradication programs mostly to appease the international community and the United States gladly helped Myanmar to curb the supply of narcotics. The results, however, were not successful at all. The herbicide entered rivers and streams and people became violently ill; its toxicity persisted in the soil. Since the Tatmadaw was in charge of the eradication, they assisted their partners in the opium trade by only spraying their competitors' opium.¹³³ The US stopped supplying Myanmar after the 8888-uprising and no good was done in the two years. It only helped the Tatmadaw's efforts of fighting ethnic insurgents as they used the provided helicopters for military campaigns and specifically targeted ethnic minorities, who were against the government, with the herbicide.¹³⁴

Nowadays eradication is mostly executed by burning or destroying the fields, thus it doesn't threaten the health of the people living there. It has however other negative effects on the population. By burning the only livelihood of farmers, eradication basically pushes opium poppy cultivators into absolute poverty. But the only way for them to get out of poverty is by cultivating opium. Only opium cultivation provides

¹²⁹ UNODC, Southeast Asia Opium Survey 2014, 2014, p. 80

¹³⁰ Debusmann, B., Drug wars and the balloon effect, *Reuters*, 26 March 2009, <http://blogs.reuters.com/great-debate/2009/03/26/drug-wars-and-the-balloon-effect/>

¹³¹ Agent 2,4-D was one of the two herbicides of Agent Orange, used in the Vietnam War as part of the United States' herbicidal warfare program.

¹³² Tucker, S., *Burma. The Curse of Independence*, 2001, p. 175

¹³³ *Ibid.*, p. 175

¹³⁴ Transnational Institute, *Bouncing Back – Relapse in the Golden Triangle*, 2014, p.24-25

enough money in a single growing season to cover for basic needs. As alluded earlier, eradication is one of the reasons why people grow opium in the first place. Eradication basically forces people to grow opium since they do not have any alternative that fetches as much money as opium.

Another reason how eradication positively influences opium poppy cultivation is based in simple economics. When opium is eradicated, the global supply of opium is temporarily reduced, and that translates into a price rise. Since the supply function is fairly elastic, higher prices stimulate people to plant crops in other places.¹³⁵ As one can see, eradication does not only *not* contribute to a reduction of opium cultivation, it actually contributes to an increase of opium poppy cultivation. Eradication is a superficial way that is simply not very effective. Opium eradication without viable economic alternatives already in place is only a recipe for replanting.¹³⁶ It is time for a paradigm shift and Alternative Development might be the way to deal with the opium problem in Myanmar.

Another way local ‘governments’ have explored to curb opium cultivation is by banning it altogether. Naturally, opium cultivation is of course banned in whole Myanmar – cultivation of poppy plants entails imprisonment from a minimum of five years to a maximum of ten years¹³⁷ - but since the Government does not possess influence in every region and that it also profits from the drug trade, makes enforcement of the laws unrealistic. Only two regions have successfully banned opium cultivation: the Kokang and the Wa region. Both areas were the biggest producers of opium and heroin in Myanmar, as stated earlier, and since 2005 both areas are arguably opium-free. The MNDA and the United Was State Party (UWSP) have implemented these bans largely because of international pressure, especially from China, which is the main source of arms supplied to the MNDA and the UWSA. In general, the Kokang and the Wa regions were always closer to China than to the government in Naypyidaw¹³⁸: they are speaking Chinese and adopted the Chinese currency Renminbi. The authorities in Kokang and Wa hoped that by

¹³⁵ UNDP, Taking Narcotics out of the conflict: the war on drugs, 2003, p. 8

¹³⁶ Youngers, C. A. and Walsh, J. M., Development First. A More Humane and Promising Approach to Reducing Cultivation of Crops for Illicit Markets, 2010, p. 1

¹³⁷ Government of the Union of Myanmar, The Narcotic Drugs and Psychotropic Substances Law, Chapter VIII, Section 16 (a), 1993

¹³⁸ Naypyidaw became the capital of Myanmar in 2005.

implementing these bans they would get international political recognition¹³⁹ and aid to develop their impoverished and war-torn regions.¹⁴⁰ As promising as those opium bans sound, for the communities there they were devastating. Initially most Wa people were following the order to stop cultivating opium than resisting it. This has largely to do with their respect for the political party, their awareness that opium is bad for the people and the reputation of Wa, and the fear of repercussions if they violate the order.¹⁴¹ Or as one opium grower in Wa puts it,

“If the government prohibits us from growing opium and I continue to grow it, that’s equivalent to getting oneself killed.”¹⁴²

Even though many people in Wa were supporting the decision, the international community were concerned that banning the only livelihood for the farmers without any economic aid or support in place was a humanitarian disaster in the making.¹⁴³ And they have been proven correct after all.

For many former opium farmers, the opium bans adversely affected their food security and access to health care and education. They have been driven in to chronic poverty since they were not able to find alternative income sources. Opium farmers in Wa lost about 45 percent of their income, resulting in food shortages of five months annually and a severe reduction of access to medical assistance and education.¹⁴⁴ The lack of medical assistance also led to more than 270 deaths in Kokang in 2003 when the area saw a large-scale malaria outbreak. The people died due to malnutrition and absence of health care after two-thirds of the privately run Chinese clinics and pharmacies in that area have stopped operating.¹⁴⁵ Banning opium also lead to serious indebtedness among the farmers. Many farmers had already become indebted before the ban but then they were able to use opium as a currency and an exchange commodity. Farmers were indebted because they would take credit on their opium

¹³⁹ Kokang is a self-administered zone in Myanmar while Wa is a so-called Special Region. Wa strives to become an independent state but is so far unrecognized by anyone.

¹⁴⁰ Kramer, T., *From Golden Triangle to Rubber Belt? The Future of Opium Bans in the Kokang and Wa Regions*, 2009, p. 1

¹⁴¹ Chin, K., *The Golden Triangle. Inside Southeast Asia’s Drug Trade*, 2009, p. 61-62

¹⁴² *Ibid.*, p. 61

¹⁴³ *Ibid.*, p. 62

¹⁴⁴ Kramer, T., *From Golden Triangle to Rubber Belt? The Future of Opium Bans in the Kokang and Wa Regions*, 2009, p. 3

¹⁴⁵ Jelsma, M., and Kramer, T., *Downward Spiral. Banning Opium in Afghanistan and Burma*, 2005, p.

crop before harvest, but sometimes the yield was lower than expected. After the opium ban it was almost impossible for farmers to get any credit.¹⁴⁶ As a result of the opium bans many former opium growers left the areas. In Kokang, an area with a total population of 200,000 in 2000, approximately 60,000 people left the area in search for alternative livelihoods, according to the Japan International Cooperation Agency (JICA).¹⁴⁷ In Wa the number of migration was significantly smaller according to Wa leaders, but the Wa authorities relocated some 80,000 people to the Wa Southern Command along the Thai border where they can grow other crops.¹⁴⁸ The local authorities tried to mitigate the problems related to the opium ban in form of growing alternative cash crops. With the help of Chinese companies, rubber, tea and sugar cane were mostly promoted in form of mono-cropping. Even though alternative cash crops were introduced, the farmers still remained in poverty as Chinese businessmen took 65 percent of the revenue while the villagers only got 35 percent. Many were also forced to relocate to the vicinity of the plantations and forced to work on them for minimum wages.¹⁴⁹ The main problem is however, that the communities are 100 percent dependent on the Chinese. They provide the seedlings, fertilizers and expertise and they also buy all of the crops since the areas do not have access to markets in Myanmar. All in all the opium bans in Kokang and Wa have been failures since banning opium without having sustainable and well-managed alternatives in place only leaves people in poverty.

So far eradication and opium bans haven't produced any positive results in Myanmar and a paradigm-shift is necessary. Since eradicating and banning opium fails on the premise of delivering a sustainable alternative and thus putting people in need of humanitarian aid, a more development-oriented approach is necessary. Alternative Development, or drug-reducing development, might be able to deliver a sustainable way of reducing the amount of drugs while at the same time promoting alternative cash-crops. This will be examined in the next couple of chapters.

¹⁴⁶ Kramer, T., *From Golden Triangle to Rubber Belt? The Future of Opium Bans in the Kokang and Wa Regions*, 2009, p. 4

¹⁴⁷ UNODC, *Myanmar Opium Survey 2004*, 2004, p. 5

¹⁴⁸ Kramer, T., *From Golden Triangle to Rubber Belt? The Future of Opium Bans in the Kokang and Wa Regions*, 2009, p. 5-6

¹⁴⁹ *Ibid.*, p. 7-8

Since eradication only leads to more opium cultivation, one could assume that opium bans would do the same. Yet, according to rapid assessments of the UNODC, both Kokang and Wa are still opium free in December 2013 and February 2014 respectively.¹⁵⁰ Even though some reports about opium cultivation in Kokang appeared when fights broke out in Kokang in 2015, most of the area should be free of opium just like Wa. This, however, does not mean that Kokang and Wa are drug-free now. Quite the contrary is the case actually.

After banning opium the authorities mainly turned to the production of methamphetamine or yaba ('crazy medicine'), as it is called in Southeast Asia, and Myanmar is already the biggest producer of ATS in the world. In the next chapter, the rise of ATS-production and its relation to opium cultivation shall be examined as a small digression.

Amphetamines on the rise?

Southeast Asia has a long history with methamphetamines and yaba¹⁵¹, and in the last decade Myanmar emerged as one of the main producers of ATS in the world.¹⁵² The drug is almost exclusively manufactured in Shan State, after ATS production was banned in Thailand in the early 1990s and subsequently moved north into Myanmar. After banning opium in 2005, Wa authorities needed to offset the losses they made without opium, so they decided to establish a methamphetamine industry.¹⁵³ In comparison to opium cultivation and the resulting heroin production, ATS is a lot easier to hide, cheaper to manufacture, and easier to transport on lower costs. ATS production ranges from small, mobile facilities that are almost impossible to detect, to industrial-scale production of methamphetamine pills and crystalline methamphetamine ('Crystal Meth') in Kokang.¹⁵⁴ Since Myanmar doesn't have a domestic pharmaceutical industry, it relies exclusively upon the acquisition of diverted precursors and licit pharmaceutical preparations from countries such as India,

¹⁵⁰ UNODC, Southeast Asia Opium Survey 2014, 2014, p. 96

¹⁵¹ Yaba is methamphetamine in pill form mixed with caffeine.

¹⁵² UNODC, Transnational Organized Crime in East Asia and the Pacific. A Threat Assessment, 2013, p.

61

¹⁵³ Chin, K., The Golden Triangle. Inside Southeast Asia's Drug Trade, 2009, p. 127, 130

¹⁵⁴ UNODC, Patterns and Trends of Amphetamine-Type Stimulants and Other Drugs: Challenges for Asia and the Pacific, 2013, p. 99

China, Thailand and the Republic of Korea.¹⁵⁵ Even though heroin and opium are still the prevalent drugs in Myanmar, ATS is quickly closing the gap.

What does this have to do with opium cultivation though? Since opium cultivation gets heavily prosecuted and the international community pressures Myanmar to put an end to opium cultivation and heroin production, more and more people involved in the drug business turn to ATS production. Amphetamine production is a lot harder to persecute and the international community, that is the USA, is not that concerned with ATS production since it almost exclusively stays in Southeast Asia, while heroin from Myanmar has found its way into the United States in the past.

But also the opium farmers get involved in the ATS business against their will. There have been reports emerging out of South Shan State, that farmers don't get paid in cash for their opium but in ATS instead, which has obvious negative impacts for the opium farmers. But there is another downside for opium farmers, since ATS production is cheaper, easier and more productive, it might have brought down the price for opium as some local sources in Myanmar suggest. In fact, average farm-gate price for fresh opium in Shan State dropped by 17 percent from US\$ 498 to US\$ 414. However, the majority of the 17% decline can be explained due to changes in the exchange rate between the Myanmar Kyat and US Dollar. The price of fresh opium at the farm gate only decreased by 4 percent in Kyat.¹⁵⁶ It cannot be confirmed that the minor decrease in farm gate prices for fresh opium can be attributed to the growing ATS production. It is more likely, that the quality of raw opium in 2014 was of lesser grade than in the previous years, probably because of bad weather. The numbers provided by UNODC's Illicit Crop Monitoring Programme (ICMP) support this assessment since both total potential production of dry opium and average opium yield (kilograms per hectare) have dropped by 23% and 22% respectively, even though total opium cultivation stayed the same.¹⁵⁷ So far, there is no evidence that suggests ATS production has brought down the opium price but it is something to monitor in the future. One thing that is certain though, is the fact, that many people involved in the opium and heroin trade might focus on ATS soon, if the Government of Myanmar continues to clamp down on opium cultivation. This should in no way advocate to stop prosecuting opium cultivation, it should just show that after opium

¹⁵⁵ UNODC, *Transnational Organized Crime in East Asia and the Pacific: A Threat Assessment*, 2013, p. 63

¹⁵⁶ UNODC, *Southeast Asia Opium Survey 2014*, 2014, p. 46

¹⁵⁷ *Ibid.*, p. 46

cultivation, the Government of Myanmar might have to deal with a drug problem that is even harder to get under control.

Alternative Development

Alternative Development – theory or not?

After the last couple of chapters set the circumstances and scope of the problem, this and the next chapters will analyze a way to solve it. After examining eradication and opium bans as possible, yet flawed ways, another approach shall be the center of this research: Alternative Development.

In this chapter, Alternative Development as a theory, a term, which may or may not be applicable, will be discussed.

Alternative Development (AD) started as a response to mainstream development, concerned with introducing alternative practices and redefining the goals of development. It has its origins in the 1970s with the Cocoyoc Declaration of 1974 and the Dag Hammarskjöld report with the title *What now? Another Development* of 1975. Both documents challenge the mainstream model of development and argue that development should be geared to the satisfaction of needs, especially the basic needs of the poor.¹⁵⁸

The juxtaposition between mainstream development and Alternative Development shall be crucial for the aim of defining the diffuseness of AD. Many scholars detect difficulties when defining the exact notion of Alternative Development, yet many have tried to conceive different ways of what Alternative Development is about and what it entails. Jan Nederveen Pieterse, for example, argues,

*“It can be viewed as a roving critique of mainstream development, shifting in position as the latter shifts; as a loosely interconnected series of alternative proposals and methodologies; or as an alternative development paradigm, implying a definite theoretical break with mainstream development. It can be viewed as concerned with local development, with alternative practices on the ground, or as an overall institutional challenge, and part of a global alternative.”*¹⁵⁹

¹⁵⁸ Friedmann, J., Empowerment. The Politics of Alternative Development, 1992, p. 2-3

¹⁵⁹ Pieterse, J. N., My Paradigm or yours? Alternative Development, Post-Development, Reflexive Development, 1998, p. 345

This is in no way a definite explanation of what AD is and what role it entails as Pieterse also not failed to notice,

*“In many discussions this question of the status and scope of alternative development remains unsettled.”*¹⁶⁰

What is evident is a seeming demarcation between mainstream development and Alternative Development, hence AD is acting as the *alternative* to mainstream development. Mainstream development here, as the counterpoint to AD, is a product of the neo-classical international economic system set up at Bretton Woods, where development was largely seen as economic growth. Alternative Development, on the other hand, is people-oriented and human development is as, if not even more, important than economic growth, or at least a better measure of development. Alternative Development responds to the 60 percent of the world’s population that belongs to a periphery of stagnation, marginalization and poverty.¹⁶¹ In order to reach those 60 per cent, AD looks at development from the bottom-up, instead from top to bottom as the current model of development does, i.e. focusing on economic growth that might possibly trickle-down to the impoverished. On the contrary, Alternative Development is development from below, where below refers both to the community and NGOs. In fact, AD is sometimes referred to development-by-NGOs and the increase of development funds channeled through NGOs suggest that Alternative Development already arrived in the mainstream development discourse.¹⁶²

The bottom-up approach and the ubiquitous involvement of NGOs suggest, that Alternative Development is more practice-oriented than theoretical. The emphasis shifted from large-scale theories to action. That is the reason why some scholars advocate that AD is not a theory and does not present an alternative paradigm – nor is it necessary.¹⁶³ Björn Hettne, on the other hand, tried to derive a theory from the AD context. To him, a theory of Alternative Development should contain at least the following three principles:

- The principle of territorialism as a counterpoint to functionalism.

¹⁶⁰ Pieterse, J. N., *My Paradigm or yours? Alternative Development, Post-Development, Reflexive Development*, 1998, p. 345

¹⁶¹ Hettne, B., *Development Theory And The Three Worlds*, 1995, p. 161

¹⁶² Pieterse, J. N., *My Paradigm or yours? Alternative Development, Post-Development, Reflexive Development*, 1998, p 345-346

¹⁶³ *Ibid.*, p. 343

- The principle of cultural pluralism as a counterpoint to standardized modernization.
- The principle of ecological sustainability as a counterpoint to ‘growth’ and consumerism.¹⁶⁴

In general, these principles shall be seen as correctives to the mainstream pattern, and his whole theory presents AD as a counterpoint to mainstream development.¹⁶⁵

The principle of territorialism is seen as a counterpoint to the mainstream notion of functionalism where development is related to a national or international economy, where the actors are anonymous individuals organized into hierarchical networks. Territorialism, in contrast, consists of specific elements rooted in space: a group of people living in a geographically bounded community, controlling a certain set of natural resources, and united through a certain set of values. The goal of a territorial strategy would be to, first of all, improve that specific situation instead of advocating economic growth.¹⁶⁶ Closely related to territorialism is the principle of cultural pluralism. The principle of cultural pluralism reflects on the previous mentioned nature of AD, that it is people-centered. Instead of focusing on the national characteristics, Alternative Development rather looks at the cultural intricacies of communities, based on the premise that different communities in the same society have distinctive codes of behavior and different value systems. Development, thus has to be compatible with the cultural specificities and needs of the respective communities.¹⁶⁷ The third principle refers to the sustainability of development. Instead of economic growth at all costs, Alternative Development is as concerned with the people living in the present as with the ones who are not yet born. Economic growth losses are accepted if they mean sustainability of local ecosystems.¹⁶⁸

For Hettne, Alternative Development is sharply distinguished from mainstream development and this is the foundation of his theory.

But since many principles of AD, such as participation and sustainability, are already found in modern mainstream development, the distinctions between alternative and mainstream development are vague at best. And since Hettne describes Alternative

¹⁶⁴ Hettne, B., *Development Theory And The Three Worlds*, 1995, p. 199

¹⁶⁵ *Ibid.*, p. 199; Pieterse, J. N., *My Paradigm or yours? Alternative Development, Post-Development, Reflexive Development*, 1998, p 346

¹⁶⁶ Hettne, B., *Development Theory And The Three Worlds*, 1995, p. 200

¹⁶⁷ *Ibid.*, p. 202-203

¹⁶⁸ *Ibid.*, p. 204-206

Development as the counterpoint to mainstream development, it would shift its stance whenever the latter shifts. By incorporating many ideas from AD into mainstream development, Alternative Development would shift into a position where it has not much to do with its original principles. Hence, one can argue that AD does not possess theoretical cohesion and does not present a paradigm break in development.¹⁶⁹ This, however, might even be an advantage of Alternative Development, since being flexible in responding to diverse situations is more viable to AD's more practice-oriented approach than being constrained in a theoretical framework.

As stated before, mainstream development includes many of the principles that originally only AD contained and the line of demarcation between the two get's more and more blurred. On the other hand, Alternative Development in practice departs a bit from its narrow view of participation, self-reliance and 'anti-growth', and adopted a middle way of 'sustainable growth', i.e. economic growth *plus* redistribution, participation and human development.¹⁷⁰ This is Alternative Development how the UNODC pursues it: People-centered bottom-up sustainable development, yet with markets and economic profitability in mind.

There is a great debate if AD is a theory and represents a paradigm or not. In the end it doesn't really matter, since Alternative Development's valuable principles seeped already into mainstream development and proved to be very important for the development discourse. Practice-orientation has always been the priority for Alternative Development and one major area of application is drug-reducing Alternative Development.

Drug-reducing Alternative Development

After discussing the theory, or lack thereof, of Alternative Development it is now time to focus on how it is applied in practice by examining drug-reducing Alternative Development as it is employed by the United Nations Office on Drugs and Crime. Alternative Development¹⁷¹, or as it is sometimes described "conventional rural development applied to a drug-producing area", "development in a drugs environment"

¹⁶⁹ Pieterse, J. N., *My Paradigm or yours? Alternative Development, Post-Development, Reflexive Development*, 1998, p 349

¹⁷⁰ *Ibid.*, p. 359-360

¹⁷¹ If it is not explicitly mentioned or context dictates it, AD is used in the sense of drug-reducing Alternative Development from now on since this thesis is concerned with opium reduction. The previous theoretical overview shall merely function as a derivation.

or “development-oriented drug control”, emerged from the failure of the crop substitution initiatives and from the integrated rural development approach of the 1980s.¹⁷² As stated in the previous chapter, there is no clear consensus of what AD means and that is the same for drug-reducing Alternative Development too, as the rather broad definition by the United Nations General Assembly in 1998 demonstrates:

*“Defining alternative development as a process to prevent and eliminate the illicit cultivation of plants containing narcotic and psychotropic substances through specifically designed rural development measures in the context of sustained economic growth and sustainable development efforts in countries taking action against drugs, recognizing the particular sociocultural characteristics of the target communities and groups, within in the framework of a comprehensive and permanent solution to the problem of illicit drugs.”*¹⁷³

As one can see, this definition reflects the suggested middle way of ‘growth *plus*’ but also doesn’t neglect Hettne’s principles of territorialism and cultural pluralism. It is, however, expanded with the factor of illicit drug cultivation.

In the context of drug-reducing Alternative Development, the adjective *alternative* does not only address an alternative to mainstream development, but also focuses on an alternative to cultivating illicit drugs. What is important to point out though is, that AD is not just a crop-substitution program but addresses the underlying causes of illicit drug crop cultivation. That means, that there is no universal path to Alternative Development since the underlying causes differ for different communities.

Even though the cultivation of alternative cash crops is of course the principal point of Alternative Development, it does not end here. The development of infrastructure, the provision of viable means of transporting legal products to markets and the provision of assistance in the areas of education and health care are as important.¹⁷⁴ The overall goal is to have improved livelihoods for drug crop cultivating communities and those goals can only be achieved by focusing on the farmers involved in illicit crop cultivation. The earlier mentioned principles of AD by being people-centered and

¹⁷² Mansfield, D., *Development in a Drugs Environment: A Strategic Approach to ‘Alternative Development’*, 2006, p. 10, 15

¹⁷³ United Nations, General Assembly resolution S-20/4 E. Action Plan on International Cooperation on the Eradication of Illicit Drug Crops and on Alternative Development, 1998

¹⁷⁴ International Narcotics Control Board, *Report of the International Narcotics Control Board for 2005*, 2006, p. 2

being a bottom-up approach are the cornerstones of drug-reducing Alternative Development.

Although development is the main response to drug crop cultivation, it is not seen as an end in itself but rather a way of approaching the objectives of reducing the supply of raw material for producing drugs and for re-establishing a legal economy in drug-producing areas.¹⁷⁵ Yet, it was recognized that developing the rural communities and reducing the farmers' reliance on illicit crops was the best way to approach the problem of illicit drug crop cultivation.

Due to the fact that AD deals with marginalized communities in rural, and most of the time conflict-prone areas, there are several conditions that might hinder the implementation of Alternative Development. For one, most of the drug crop cultivating communities live outside of the influence of the government and are very hard to reach. The remoteness of many of the communities also makes improvements in infrastructure, which are required for essential market access, very expensive and hard to undertake. For this reason, the UNODC works closely with the respective governments in order to develop rural communities and no longer exclude them from national markets. The remoteness of farmers is a major problem, since they are unable to sell their licit alternatives easily and they may perceive the marketing conditions for illicit crops more favorable.¹⁷⁶

Since illicit crop cultivation takes place in areas that are characterized by conflict and lack of law and order, a level of peace and security has to be present in order to successfully carry out Alternative Development. It is therefore of utmost importance that the government establishes the rule of law in these areas in order to replace uncertainty with security. Especially since AD measures take some time until the farmers can live of sustainable livelihood alternatives, a setting of conflict and anxiety would be counterproductive. As one can see, addressing the wider socio-economic and political environment, as it is necessary for rural development in a drug-producing area, is the main obstacle for Alternative Development and some of the obstacles can only be tackled with the help of the government. This is the reason why mainstreaming is so important in regards to AD:

¹⁷⁵ UNODC, World Drug Report 2015, 2015, p. 100

¹⁷⁶ INCB, Report of the International Narcotics Control Board for 2005, 2006, p. 4

“Mainstreaming is simply embedding the objective of illicit drug crop elimination in national and regional development programmes.”¹⁷⁷

While Pieterse is skeptical about the role of the state in Alternative Development, in drug-reducing AD, the state is needed as a partner in order to successfully implement sustainable livelihood alternatives in drug environments.

Alternative Development is thus a concoction of theoretical AD principles à la Hettne, crop-substitution programmes, rural development and drug reduction. How this concoction works in practice shall be examined in the next chapter by detailing the UNODC’s Alternative Development project in Shan State.

¹⁷⁷ Renard, R.D., *Mainstreaming Alternative Development in Thailand, Lao PDR and Myanmar: A Process of Learning*, 2010, p. 15

Alternative Development in Myanmar: UNODC's Approach

It shall first be noted that the discussed approach by the UNODC is only applied in Myanmar and shall not be viewed as a general approach. Furthermore, it is limited to only South Shan State and AD in different parts of Myanmar might call for a different approach. Since there is no universal path for AD it only makes sense to adjust Alternative Development measures to the respective communities with all their specificities.

Overall aim and strategy

The overall aim is to support the Government of Myanmar to strengthen its capacity to deal with national drug challenges. The UNODC in combination with the CCDAC aims to reduce the amount of drugs produced in Myanmar and their selected approach is providing sustainable livelihood alternatives for opium poppy growing communities. By addressing the underlying causes of opium production, namely food insecurity and poverty, the UNODC places development before traditional counter-narcotic measures like eradication. Besides reducing the amount of illicit crops, the strategy of the UNODC also aims to alleviate the socio-economic consequences of opium poppy cultivation and eradication.

In order to identify and monitor the socio-economic aspects of opium poppy cultivation, data on illicit crop cultivation has to be available beforehand. The UNODC Myanmar collects statistical information on illicit crop cultivation with its Illicit Crop Monitoring Programme (ICMP). ICMP comprises satellite imagery of opium poppy fields, interview-based surveys, price monitoring instruments and crop yield measures.¹⁷⁸ The findings are yearly published in UNODC's Southeast Asia Opium Survey, a report that also provided the statistical basis for this paper. On the basis of those findings, the UNODC determines the socio-economic situation of farmers in poppy-growing areas and this data will be used in the provision of sustainable livelihood alternatives.

UNODC's Alternative Development is a long-term strategy with the ultimate goal of establishing sustainable and perennial alternative cash crops and small farmer-led enterprises. Since poverty and food insecurity are the main reasons of opium

¹⁷⁸ UNODC, Country Programme for Myanmar 2014-2017. Promoting the rule of law and health to address drugs and crime, 2014, p. 14

cultivation among the rural communities of Shan State, immediate food security is necessary alongside the cultivation of alternative crops. The alternative cash crop identified for opium poppy cultivating farmers in Shan State has been coffee in an agro-forestry system that will be explained in the next chapter.

One of the questions that arises by discussing the UNODC's Alternative Development program is the question of compliancy of the farmers. After all they finance their livelihood with opium poppy cultivation and convincing them to abandon opium production and embrace an alternative might be a difficult undertaking. Surprisingly, the average annual income of poppy-growing households is only US\$300 higher than the average annual income of non-poppy growing households (\$1782,17 vs. \$1470,66).¹⁷⁹ This fact, in combination with the risk of eradication, which would destroy their whole livelihood, makes it rather easy to convince farmers to abandon opium poppy cultivation and turn to alternative cash crops. Only in South Shan State and in Kachin the difference in income between poppy-growing and non poppy-growing is substantial (more than \$1000) while in other areas the difference was largely nonexistent or non-poppy growing households had even higher income than poppy-growing households as observed in East Shan and Chin State.¹⁸⁰ Yet even in areas where poppy growing earns substantially more than cultivating licit crops, convincing farmers to abandon opium poppy is rather easy. The farmers are well aware of the negative implications and uncertainties connected to opium cultivation. They know that opium they produce is hurting the communities as drug addiction and its ramifications is apparent in the villages in rural Myanmar. They are also aware that opium cultivation is against the law and that the international community puts pressure on the Government of Myanmar to get a grip on the problem. Personal discussions with opium farmers revealed that they would happily abandon opium cultivation if there was an alternative in place that would fetch them the same money to cover for their basic living expenses. The UNODC in Myanmar is giving those farmers an alternative. How the current approach of UNODC's AD project is executed will be discussed in detail in the next section.

¹⁷⁹ UNODC, Southeast Asia Opium Survey 2014, 2014, p. 66

¹⁸⁰ *Ibid.*, p. 66

Agro-forestry system in southern Shan State: A new approach

After past Alternative Development projects by the UNODC failed to be successful (see, for example, UNODC's AD projects in Colombia and Afghanistan), the UNODC Myanmar shifted its approach from food security to giving farmers access to local and global markets with cash crops. When the project started in 2010 the main focus was still food security for the target groups which was addressed rather directly by distributing seeds and agricultural inputs, such as fertilizers and pesticides. In addition to that basic infrastructure projects were established to build up trust and guarantee access to goods and services for the population. After this approach delivered rather unsatisfying results, it got revised and shifted to a more focused and economically sustainable way. Since 2013 the project focuses on coffee in an agro-forestry system as the alternative cash crop to opium.

Alternative Development in Peru: A role model for Myanmar

The role model for the UNODC's strategy in Myanmar was the successful Alternative Development project in San Martin, Peru. The 'miracle of San Martin', as it is now referred to, is a crop-substitution program that replaces coca bush cultivation with cacao, coffee, oil palm and palm hearts.¹⁸¹ Similar to Shan State, San Martin experienced poverty, lack of infrastructure and lack of security through guerilla insurgents. The violence and drug trafficking provoked a change in the attitude of the farmers who agreed to eradication in combination with alternative crops. Together with the State's major investments in infrastructure this decision reduced poverty from 68% in 2001 to 33% in 2008; the coca drug-trafficking economy has been reduced from 46% of the gross value of San Martin's production in 1992 to 0,5% in 2008; and alternative crops have been sowed on 48,868 hectares resulting in projected sales of 52 million US-Dollars in 2011.¹⁸² In order to achieve this success, the UNODC in Peru used the Local Economic Development (LED) approach. The definition of LED, according to the World Bank, is as follows:

¹⁸¹ UNODC, *The Alternative Development Model in San Martin. A case study on Local Economic Development*, 2011, p. 2

¹⁸² Cabieses, H., *The 'miracle of San Martin' and symptoms of 'alternative development' in Peru*, 2010, p. 3-4

“The purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation.”¹⁸³

In San Martin this was achieved by value chains. Farmers organized in cooperatives for the primary production phase. In the processing phase there are medium private firms, cooperatives and small farmer associations present. In the commercialization phase, there are supermarkets and detail distributors for national markets present while exports are conducted by the cooperatives themselves and trading companies specialized in coffee and cacao.¹⁸⁴ This value chain approach is envisioned for Myanmar as well.

There are, however, certain characteristics about the case in San Martin, that might make its replication in Shan State rather hard. First of all, there was a historic coincidence between the reduction of coca leaf prices and the expansion of AD programmes. The price for coca leaf and coca base dropped from \$2.5 per kilo to \$0.04 per kilo. This forced coca bush producers to look for alternative income sources. Another reason is the financial support. From 2003 to 2011, some 2.1 billion dollars have been invested in the region, which means an average of 232 million annually. The government accounted for 79 percent, the private sector for 20percent, and international cooperation for 1 percent.¹⁸⁵ It is not realistic to expect the Government of Myanmar to invest this amount of money into an AD project in Shan State, and such a drastic drop in opium price, that will force people to consider alternatives, is also not expected any time soon. Nevertheless, the success of the San Martin Alternative Development project can act as a model for the AD project in Shan State. How the UNODC conducts its Alternative Development project in Shan State shall be examined in the following chapters.

¹⁸³ World Bank, What is Local Economic Development?, <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTURBANDEVELOPMENT/EXTLED/0,,contentMDK:20185186~menuPK:399161~pagePK:148956~piPK:216618~theSitePK:341139,00.html>

¹⁸⁴ UNODC, The Alternative Development Model in San Martin. A case study on Local Economic Development, 2011, p. 5

¹⁸⁵ Ibid., p. 7, 11

Coffee – the identified alternative cash crop in Myanmar

In order to offset the income made through opium production, an alternative cash crop has to be identified. After some months of research, the UNODC decided to work with Arabica coffee for a variety of reasons. Really good coffee is grown in an altitude of 1500m to 2000m. This is corresponding to the majority of opium poppy cultivation which takes place at the same altitude. Also the ideal climate for Arabica coffee, 15-24 °C year round, is found in Shan State as well and soil samples also suggested favorable conditions for coffee cultivation.

Since the conditions in Shan State seem to be in line with the requirements of growing Arabica coffee, the economic potential has to be evaluated. And these are the main reasons why coffee was chosen to replace opium. According to the International Coffee Organization (ICO), demand for coffee will increase by nearly 25 percent in the next five years, especially in India and China. This rise in demand also coincides with a period of tight coffee supplies globally. Worldwide coffee production has been cut by 5.7 million bags¹⁸⁶ because of the Brazilian draught, bad weather and a Central American plant fungus. It is not expected that growers like Vietnam, India and Indonesia can produce enough coffee to ensure a market stabilization.¹⁸⁷

With growing global coffee demand and diminishing supply, the decision to focus on coffee cultivation as a substitute of opium is justifiable. Even though Myanmar's own coffee consumption per capita is only 0.3kg per year, the rise of Myanmar's middle class and recent flood of Western expats and tourists, will probably lead to a rise in demand for coffee within Myanmar itself.¹⁸⁸ Also the geographical proximity to the People's Republic of China, where coffee consumption grows by 15 percent every year, makes exporting the coffee viable.¹⁸⁹ In order to compete with the opium business, the UNODC foresaw to produce expensive, high-grade coffee, unlike the majority of the coffee that is produced in Southeast Asia. The special agro-forestry system shall ensure that.

¹⁸⁶ A bag means 60kg according to the International Coffee Agreement (Source: ICO)

¹⁸⁷ Toppa, S., Global Coffee Consumption Projected to Soar Over Next Five Years, *Time*, 16 February 2015, <http://time.com/3711436/global-coffee-increase/>

¹⁸⁸ Weston, M. J., Can Coffee Replace Opium in Southern Shan State?, *The Diplomat*, 24 November 2014, <http://thediplomat.com/2014/11/can-coffee-replace-opium-in-southern-shan-state/>

¹⁸⁹ Brown, G., China's Coffee consumption growing 15% a year, *CCTV*, 29 October 2014, <http://english.cntv.cn/2014/10/29/VIDE1414560121262609.shtml>

Location and target communities

The Alternative Development project is implemented in the heartland of Myanmar's opium production, South Shan State, especially in the townships of Loilem and Hopong (See Appendix 7 for an overview of coffee villages in South Shan State). To focus on one specific region is in line with Hettne's principle of territorialism. In its initial phase only 500 households qualified as beneficiaries but recently 500 more households were added since the project resonated well with the farmers. Currently the focus is largely on opium poppy cultivating villages in the higher zones (up from 1500m) since these villages are more vulnerable due their geographical location. They are farther away from markets, have deeper slopes and lower soil quality. So far only farmers with a plot size of at least 2 hectares are considered since an agro-forestry system with coffee on smaller plots is not efficient. This excludes many opium farmers and currently alternative income sources for those farmers are explored. Among those alternative income sources are high-valuable vegetables and fruits that fetch high prices on the markets of Yangon but at the time of writing no concrete steps were executed except for a very initial planning phase.

It is also important to note, that both, Loilem and Hopong townships are in ceasefire areas, so the risk of conflict in those areas are relatively small. Hopong township is in the Pa-O Self-Administered Zone, one of multiple zones in Shan State that are governed by ethnic minorities. The Pa-O reached a ceasefire agreement with the government in 1994 and afterwards opium cultivation took off as it was the case after most ceasefire agreements.¹⁹⁰

Since some of the beneficiaries live in very remote areas with slopes that are unusable for coffee cultivation, the UNODC relocated those farmers to unclaimed plots - leftovers from the civil conflict in that area - in order to provide the farmers with enough land to successfully produce enough crops to cover for their basic living expenses without reverting to opium cultivation. The previously mentioned problem of land grabbing is also an issue that is addressed in the AD approach. Since land titles are basically non-existent in Myanmar, the farmers are getting support in the acquirement of land titles. This gives the farmers security of their investments in the

¹⁹⁰ Mizzima, A brief history of the Pa-O road to revolution, 22 July 2011, <http://archive-2.mizzima.com/edop/commentary/5654-a-brief-history-of-the-pa-o-road-to-revolution.html>

coffee-based agro-forestry system and giving the farmers legal affirmation that they own the land, makes land-grabbing impossible.

Coffee-based agro-forestry in Southern Shan State

Since summer 2014, the approach of agro-forestry has been practiced in South Shan State. An agro-forestry system combines both elements from agriculture and silviculture. It integrates trees, shrubs, and crops on the same plot. Agro-forestry produces multiple ecological and socio-economic benefits. Agro-forestry conserves biodiversity, it maintains soil nutrients and reduces water erosion. It also serves to mitigate greenhouse gas emissions by augmenting carbon sequestration on agricultural lands.¹⁹¹ Those ecological benefits also bring socio-economic benefits for the farmers about. Restoring the soil fertility also helps farmers to grow more food crops for their food security and growing trees can alleviate poverty as timber and non-timber forest products can be an additional income source. The diversification of crops is also beneficial for the farmers as it spreads the risk that are usually connected to mono-culture.

These reasons were all important as to why agro-forestry was chosen as an approach for South Shan State. The most important factor, however, were the peculiarities of coffee. Coffee usually takes between three and five years until it is ready to harvest and in the meantime, the farmers need income and food. For that reason, coffee is grown with a combination of different other plants: pigeon peas, bananas, avocados, soya beans for food security and income, while rubber and silver oak trees are planted for additional income and firewood. Pigeon peas contain high levels of protein and can be harvested only five months after planting. Soya beans also contain high levels of protein and can be used as food product among other things. Soya beans also release important nutrients into the ground that get absorbed by the coffee plants. Bananas will yield the first fruits after approximately ten months and can either be used for own consumption or to be sold on local markets as the demand for bananas is usually high. Similar to bananas, avocados also take about ten months until they are ready to harvest. Due to its high fat content it can serve as an important staple in the diet of the farmers since they do not have to a lot of other foods with high fat content. Avocados, and bananas as well, can also be exported once infrastructure is in place to

¹⁹¹ Gao, J., Barbieri, C. and Valdivia, C., A socio-demographic examination of the perceived benefits of agroforestry, 2014, p. 302

access more diverse markets. While banana trees only reach heights between three and seven meters, avocado trees can grow up to 20 meters. The introduction of more trees is very important for the farmers of Shan State, as opium cultivation leads to vast deforestation. Trees are crucial for the protection of water sources and stop the degradation of soil. That's also the reason why rubber trees and silver oak are important in the agro-forestry system in South Shan State. Besides the ecological benefits of trees, they also have economical gains. Even though the global demand for rubber is expected to slow down a bit, there is a shortage of 470,000 tons in 2016 projected. Rubber, as a non-perishable good, can be easily stockpiled in order to tighten supply and raise the prices.¹⁹² This is also beneficial for the farmers as they can stockpile their rubber until prices are favorable. Silver oak is rather fast-growing and will primarily act as a protection of water sources and soil. It can also be used as firewood and for woodwork.

Besides giving the farmers much needed income and food supply until the coffee is ready to harvest, the agro-forestry system also ensures a higher quality of the coffee. While pigeon peas and soya beans give important nutrients to the soil that will be absorbed by the coffee plant, they also give much needed shade in the initial phase of the coffee plant. Once the coffee plant grows higher, the shade from pigeon peas and soy beans will be replaced by shade from banana and rubber trees. Adequate shade reassures the aspired high quality for the coffee. Growing coffee under trees and shrubs offers continual soil nutrition and structure, and require far less use of fertilizers, pesticides and fungicides, while they are also cooling the surrounding area and filtering pollutants from water. It also increases the number of pollinators.¹⁹³ Various studies indicate that Arabica coffee has the highest yields under 35 to 65 percent shade but takes longer to ripen. The long ripening times however contribute to complex flavors and shade-grown coffee is thought to taste better.¹⁹⁴ The higher quality in coffee is aspired in order to distance oneself from coffee grown in monocultures in Southeast Asia where coffee is cultivated at low elevations in full sun, thus resulting in an inferior product.

¹⁹² Suwannakij, S., World Rubber Demand Slowdown to Weigh on Prices Through 2020, *Bloomberg Business*, 23 March 2015, <http://www.bloomberg.com/news/articles/2015-03-23/world-rubber-demand-slowdown-seen-weighing-on-price-through-2020>

¹⁹³ Huizen, J., How Green Is Your Coffee?, *Scientific American*, 1 October 2014, <http://www.scientificamerican.com/article/how-green-is-your-coffee/>

¹⁹⁴ Craves, J., What is shade-grown coffee?, http://www.coffeehabitat.com/2006/02/what_is_shade_g/

Even though there are many different crops cultivated now in Shan State, it should be noted that not all crops are at the same time on the same field. On average three to four different crops are on the same field. (See Appendix 8 for agro-forestry systems in Shan State)

Since coffee takes such a long time to be able to harvest, food security and income for the farmers in the meantime are a priority. The different crops on the field are able to mitigate the losses opium farmers experience when they stop cultivating opium, but only to a certain degree. This is the reason why farmers, who participate in the Alternative Development project, are still growing opium to some extent. In the initial phase, farmers dedicated approximately 50 percent of their plots to alternative crops while the other 50 percent were still used for opium cultivation in order to generate some short term income. Once the farmers can make some income from the alternative crops by selling them on the local market, they might reduce the amount of opium cultivation to 25 percent while the rest will be alternative crops. Eventually the goal will be that the farmers can subsist only on alternative crops and are no longer dependent on opium cultivation, thus reducing the amount of opium in the area. This, at least, is the goal the UNODC strives for. How achievable this goal is will be discussed in the next chapter.

The scope of work of the UNODC comprises among other things: technical expertise, provision of seeds and agricultural input, negotiating with authorities and donors, and building infrastructure.

As it is customary for Alternative Development, the approach is usually participatory and bottom-up. This is the reason why most of the technical experts are from Myanmar, precisely from Shan State, so that they can communicate with the farmers in either Shan or Pa-O. But since coffee is an unknown crop in Shan State, one technical advisor is from Peru, whose provides on-the-job training to farmers in cultivating coffee. In general, however, most of the expertise comes from locals, as they have the knowledge about the area and the people.

Besides supporting the farmers with technical knowledge, the UNODC also provides them with seeds and agricultural input. In order to plant the seeds, the UNODC builds greenhouses in the villages to generate seedlings for the plots. In addition to that they provide basic infrastructure, small irrigation and road enlargements.

Since the Government of Myanmar is a partner in the AD project, the UNODC

negotiates with Myanmar authorities on behalf of the farmers. This includes coordinating eradication with the CCDAC, so that no eradication takes place among the Alternative Development farmers. The assurance of land titles is also one of the main tasks since it will ensure the farmers will actually benefit from the development. Once the coffee is ready for harvesting, the UNODC will support the farmers in processing, marketing and exporting of the coffee. The aim is to establish coffee cooperation, managed by the farmers, similar to the ones in San Martin, Peru. In the upcoming analysis the feasibility of that rather ambitious goal will be examined.

Stakeholder and agenda

Before analyzing the potential of providing sustainable livelihoods and reduction of opium poppy cultivation in Shan State, the stakeholders and their agendas shall be discussed.

The project is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ). The BMZ works together with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) who observes and evaluates the project. The BMZ pursues four major aims: Poverty reduction, building peace, promoting equitable forms of globalization, and protection of the environment.¹⁹⁵

The UNODC's overarching goal is the prevention of illicit drug cultivation. It tries to achieve that through the provision of alternative livelihoods that contribute to poverty alleviation. Initially the focus of the project was on food security and promotion of licit crop production and small farmer enterprises.

The main agendas of GIZ are mostly rural development and South-South cooperation. While the initial project still included South-South cooperation, it was subsequently dropped to narrow the approach more.

As one can see there are several different agendas included in this project and while they might seem compatible, the associated conditionalities might interfere with each other and might be counter-productive, for example the aim of drug reduction and poverty reduction or food security.

In the next chapter the possibility that different goals in Alternative Development are not supportive and may even be exclusionary will be discussed.

¹⁹⁵ BMZ, http://www.bmz.de/de/was_wir_machen/themen/index.html

Can coffee replace opium? A critical analysis of the UNODC's Alternative Development project in Shan State

Even though the Alternative Development project in Myanmar started in 2011, the new agro-forestry approach is rather new. It only started in summer/autumn 2014 and hasn't had time to produce many results yet, especially in regards to coffee production. This analysis will focus on the new approach, without neglecting the old one though. The project started with an initial food security phase where seeds and sometimes livestock were distributed, among agricultural inputs such as fertilizers and pesticides. The seeds were not cash crops but only food crops. In addition to that, basic infrastructure, small irrigation schemes and road enlargement was provided. In retrospect this approach can be seen as unsuccessful since emergency food security is just not sustainable. This approach was also too fragmented and not very efficient as it was addressing not only drug supply reduction but demand reduction as well, and targeted a broad range of beneficiaries from both lowland and highland areas.

Subsequently the UNODC shifted its method midway to a narrower approach, that focuses on alternative cash crops which allows farmers to access national and international markets instead of focusing on food security. The initial phase can also not be viewed as a complete failure, as emergency food security and small infrastructure projects built up trust in the communities. After years of conflict emerging from state and non-state actors, the farmers were initially very afraid of any outsiders. The distribution of food and seeds built up trust in the communities and made the new approach possible.

As stated above, the time to produce real results was too short, but so far it looks more promising than the previous approach, yet it is also not safe from criticism.

For one, the projected market outlook for coffee is very promising and it seems that the choice of coffee cultivation was a good one since the conditions (soil, weather) in South Shan State are favorable. But it has to be taken into account that there is no previous experience with coffee cultivation in Myanmar and it is an alien crop for the farmers. This new approach forces farmers to adapt their farming systems and get acquainted with processing and marketing of a completely unknown crop. Even though the market analysis for aspired high quality coffee is very good, it poses risks as well. By currently focusing only on one cash crop there are market risks as well as agricultural risks. Since coffee is not a native plant to Myanmar there might be risks

like diseases or extreme weather that are able to destroy most of the crops. Besides that and contrary to all expectations, the market for coffee might be not as promising as it is projected. Especially if the agro-forestry system fails to produce high quality coffee, that ideally would also fetch higher prices on the market. If only standard, run-of-the-mill coffee is produced, that fails to distinguish itself from other coffee from Southeast Asia, the economic outlook for the farmers would be less promising as they won't be able to receive high prices for their coffee.

Even though, the agro-forestry system is not based on monoculture, the only available cash crop in the next three years is coffee, since rubber takes even longer until it is able to generate income. This exposes the farmers to risks connected with monoculture. If coffee does not pan out as expected, their only source of income will perish. That might force farmers back into opium cultivation in order to not fall into absolute poverty. Admittedly, this is an absolute worst-case scenario and the likelihood of it happening is probably lower than the best-case scenario, it is still something that can happen and should therefore not be disregarded. Because of this, the UNODC is currently exploring an additional cash crop, which is tea. Tea, on the other hand, does not possess such encouraging economic outlook as coffee does, and export markets for tea from Myanmar will be almost impossible to establish since Myanmar's neighboring countries belong to the biggest tea producers of the world.¹⁹⁶

In order to become as successful as its role model in Peru, many things have to go right for the UNODC's Alternative Development project in Shan State. As described earlier, the AD model in San Martin used Local Economic Development and a value chain approach to bring the farmers into a position where they can be economically successful and sustainable. This approach is envisioned for Myanmar as well but if it can actually be implemented remains doubtful. The AD project in Peru was characterized by a historic coincidence regarding coca price and a willing government that spent vast amounts of money. Both of those components are pretty unrealistic to happen in Myanmar any time soon. The pursued outcome of the AD project in South Shan State are, similar to Peru, small farmer enterprises that have viable economic alternatives to poppy cultivation. These coffee corporations are especially dependent on one thing: infrastructure. Once the coffee is ready for harvesting, the farmers will need equipment to process the beans to be ready for exporting. Besides machines and

¹⁹⁶ Anderson, R., Tea industry's future depends on corporate collaboration, *BBC News*, 14 February 2014, <http://www.bbc.com/news/business-26123944>

equipment, the farmers also need training in processing and marketing coffee. While it is foreseeable that the UNODC can support the farmers in that step, in the corresponding step of developing infrastructure in rural Shan State, it will be the UNODC that will need support. Since one of the reasons why farmers start growing opium poppy is their remoteness and therefore lack of market access, the farmers who switched from opium to coffee will face the same problems. Even more so, since the coffee is planned to be exported to China, regional markets in Shan State will not suffice. Therefore it is of utmost importance that crucial infrastructure finds its way into South Shan State. The UNODC as the implementing body of the project, nor the BMZ as the funding body, will be able to finance and implement such a operation. It will be the responsibility of the Government of Myanmar or private companies to build roads, power supply lines and sewers for the remote areas of the country. So far the UNODC is the sole partner of the farmers and cooperation with other development partners and private companies is necessary. To rely on the Government of Myanmar, a country in a state of flux, can be precarious. Even though the authorities in Naypyidaw are arguably concerned with the transformation of Myanmar into a democratic country, the question if infrastructure projects in South Shan State are a priority remains rather doubtful. In order for the Alternative Development project in Shan State to become as successful as its role model in Peru, the Government has to spend money to develop infrastructure. The fragile security situation in Shan State might discourage the authorities though to invest any money in an area where many insurgents are actively fighting the Government. This might be the biggest obstacle for the Alternative Development project there. One way to mitigate it could be the inclusion of a private investor. It could also be conceivable that a company from China would be interested in investing in coffee from Myanmar and export it directly from the source to Chinese markets. However, animosity towards China and Chinese businesses are apparent in Myanmar and bringing in a foreign investor might just intensify the antipathy.

Hope will rest on the shoulders of the Government of Myanmar to invest in infrastructure in Myanmar, which will enable farmers to market and distribute their products. Since the UNODC in Myanmar is one of the few agencies who actually maintains rather good relations with the Government, the future might as well be promising. Yet the arbitrariness and rigid structures, remnants from decade-long military government, should not be neglected. Nevertheless it is imperative for the

UNODC to find partners on the national as well as international level to cooperate with in order to make this Alternative Development project successful and sustainable.

Besides the possible obstacles connected to the production and distribution of coffee, the immediate future of some farmers is also a cause of concern. Since some farmers are 100 percent dependent on opium poppy cultivation to cover their basic living expenses, substituting opium poppy with coffee, a crop that will take a couple of years until the farmer can profit from it, puts the farmer in a dire situation of food insecurity. Granted, the farmers are still growing some opium and in the agro-forestry system there are short-term food crops grown too, but farmers who were 100 percent dependent on opium have problems to make ends meet with only 50 percent opium cultivation and additional food crops, that obviously fetch lower prices than opium. One way to mitigate this problem is by giving the farmers unclaimed plots for the cultivation of coffee while they still grow opium on their original plots to sustain themselves. This practice is actually employed by the UNODC but securing land titles for unclaimed plots can sometimes be a long-lasting mission. Therefore farmers who are 100 percent dependent on opium cultivation and who do not have additional plots, have to get emergency food supplies, similar to the initial approach of the AD project. The UNODC actually wanted to depart from that approach with its agro-forestry system since the initial approach is not sustainable but in certain cases it seems like the only way. The hope is that the farmers will be able to sustain themselves with coffee in the future, so that the unsustainable way of emergency food security will no longer be necessary.

The premise that farmers should have certain plot sizes in order to partake in the AD project can be viewed critically too but makes sense in order to assure sustainability. Yet, it leaves farmers who might especially be in need of income, since they do not own a lot of land, excluded. The future plan to grow high-valuable vegetables and fruits with those farmers can be a way to mitigate this problem but so far nothing happened. Personal research in Yangon suggested, that demand for high-valuable vegetables and fruits would be very high, but the problem of transportation is even more apparent than for coffee since the goods would be perishable. In order to secure the success of the project, more farmers have to be included. But that would also mean that more funds have to be secured as well, and the problem with infrastructure would still be present.

It should be noted, that farmers who do get additional plots will have twice the work since they are working on their opium fields to secure their immediate future while they also till the coffee plots.

At a personal meeting with the farmers in the village of Ho Hwayt in Hopong Township in November 2014, the farmers all expressed their satisfaction with the project and their willingness to continue and to use more of their land for the Alternative Development project in the future. The aforementioned problems about the immediate future of the farmers until the coffee is ready for harvesting were also the loudest voiced doubts of the farmers. Nevertheless, the enthusiasm the farmers expressed towards the project and their willingness to do extra work and use more of their land for the AD project, shows their eagerness to abandon opium poppy cultivation and the relevance of the project. In the end, the farmers' support and satisfaction with the project is crucial, since Alternative Development is a people-centered approach. The fact, that the project works in line with the beneficiaries is at least a promising one and giving the farmers a realistic future outlook is valuable as well.

Despite the obstacles the AD project has to overcome, the project seems auspicious on the whole. The decision to focus on coffee with its promising market outlook can be considered a good one, and integrating it in a agro-forestry system with different food and cash crops is sustainable and ecologically sound. The future will show if the project can fulfill its ambitious goals but it has a good chance to provide sustainable livelihood alternatives for opium poppy cultivating farmers in Shan State.

This however is not the question in its entirety.

The question this paper seeks to answer is, if Alternative Development can provide sustainable livelihood alternatives for opium poppy cultivating farmers in Myanmar *and* successfully reduce opium poppy cultivation. It can be argued, that the goal of providing sustainable livelihood alternatives and the goal of opium reduction are not compatible since they both go in different directions. Yet the whole paradigm of drug-reducing Alternative Development, as it is employed by the UNODC in Myanmar, is based on the premise that drug-reduction and rural development goes hand in hand. This line of thinking might be deeply flawed however.

As outlined above, the whole Alternative Development project in South Shan State, can be, despite the obstacles it has to overcome, a successful rural development

project. But it is hard to see how, at the same time, it will contribute to the reduction of opium cultivation. Granted, the farmers who might successfully profit from coffee and rubber cultivation will cease to engage in opium poppy cultivation if their alternative crops provide them with the same income. This, however, can only be seen as a drop in the ocean.

Opium cultivation in South Shan State and Shan State as a whole is so prevalent, that if one thousand households abandon poppy cultivation, it will be easily absorbed by the thousands of other households still relying on opium poppy cultivation. The aforementioned balloon effect, that can be observed with eradication measures, will also take place with Alternative Development. Abandoning poppy cultivation in one place will not result in an overall decline in opium, because cultivation will just shift to another place. As long as the Alternative Development project is still so small in scale, there won't be a reduction of opium in Myanmar be observable. Only an AD project that reaches most of the opium poppy cultivating farmers can contribute to an actual decline in opium. But such a project would cost billions of dollars and is dependent on the government's will to actually abandon opium poppy cultivation.

The question that arises is the overall aim of Alternative Development projects. Is it drug-reduction? Or rural development? Or environmental sustainability? There has to be a clearly defined goal present before the project starts. If the agendas of all stakeholders are included, the project becomes too fragmented and overly ambitious.

Does this mean now that Alternative Development in Myanmar is a failure? Not at all. The project itself can be seen as a potentially very successful rural development project, yet with a conflict of objectives. This however is inherent in the paradigm of drug-reducing Alternative Development. The overall goal of providing sustainable livelihood alternatives while at the same time reduce illicit drug crop cultivation is too ambitious. The decision to tackle the problem of opium poppy cultivation by providing sustainable livelihood alternatives is a good one even though it fails in delivering at its main task. Yet developing rural areas which are dependent on drug crop cultivation is at least beneficiary for the farmers in contrast to eradication. While both measures fail to reduce illicit drug crop cultivation, one destroys the only livelihood the farmers have and put them into absolute poverty, the other gives them a sustainable and economic viable alternative and a chance to make a living from licit income. And that alone is a worthwhile cause.

In summary, coffee will not be able to replace opium in Shan State. The UNODC's Alternative Development project, however, will bring much needed rural development about if it can overcome its obstacles. But reducing the amount of drugs that Myanmar produces is too ambitious and calls for a different strategy – if there even is a viable one.

Conclusion

The purpose of this thesis was to find out if Alternative Development can provide sustainable livelihood alternatives for opium cultivating farmers in rural Myanmar and reduce opium poppy cultivation. After analyzing the Alternative Development project in South Shan State it can be said that it does indeed have the potential to provide sustainable livelihood alternatives for the farmers who are dependent on opium cultivation in that area. One of the most important findings of this thesis is, however, that Alternative Development does not reduce opium cultivation.

The promising market outlook for coffee and its sustainable and ecological way of cultivation all indicate that coffee is indeed a viable alternative to opium cultivation. Due to the growing demand in coffee in neighboring countries such as China and India, farmers in Shan State have an opportunity to participate in the global market for the first time. By cultivating coffee in an agro-forestry system, it does not only secure the coffee's higher quality and therefore separating itself from more generic coffee cultivated in Southeast Asia, it also gives the farmers additional long-term (rubber) and short-term income as well as immediate food security (pigeon peas, bananas, avocados, soya beans). Yet, there are plenty of obstacles to overcome. Without infrastructure in the remote areas of Myanmar, Alternative Development in Shan State is deemed to be a failure. The UNODC therefore has to work closely with the Government of Myanmar to provide much needed infrastructure in South Shan State. Only with infrastructure and institutions in place, Alternative Development is able to provide sustainable livelihood alternatives for opium poppy cultivating communities. But even with established infrastructure, Alternative Development is not enough to reduce the amount of opium cultivation in Myanmar.

Alternative Development in itself is not able to reduce illicit drug crop cultivation on a substantial level, it only reduces the amount of opium in one specific area, i.e. the area where the Alternative Development project takes place. But this does not contribute to an overall reduction of opium cultivation, as it will just shift to a different area with no Alternative Development project in place. In order to reduce opium cultivation through AD, the project would have to include most of the opium poppy cultivating farmers. An approach that is rather inconceivable.

In order for Alternative Development to have a higher drug-reduction potential, it has to develop a broader based approach to the development of alternative livelihoods for illicit drug crop producing households. Since opium cultivation is largely in conflict areas, where the socio-economic and political environment constrains the potential of development projects, AD has to go beyond agricultural alternatives.¹⁹⁷ For instance, non-farm income opportunities like employment in urban areas have to be explored for poppy-cultivating farmers as well. The question however still remains if the whole paradigm of drug-reducing Alternative Development is flawed. The findings of this thesis suggest that development does not lead to a reduction of opium cultivation in general. It seems that Alternative Development is only a way to bring development to drug producing communities but it does not affect drug production itself.

The most important problem, however, that has to be solved in order to curb opium cultivation is to put an end to the civil war in Myanmar. Since 60 years now, Myanmar hasn't had peace on its own soil leaving people poor and with not enough food. This put farmers in a situation where the illicit cultivation of opium poppy was the only way to make enough income to cover their basic needs. To stop opium production in Myanmar, the decade-long civil war has to end first so the breeding ground for opium production ceases to exist. This is nothing Alternative Development can ever achieve in Myanmar.

Opium production flourishes in a very specific environment with distinct framework conditions – poverty, violence, weak political and judicial systems, absence of public institutions and control mechanisms, lack of infrastructure and access to legal markets.¹⁹⁸ The responsibility to tackle these problems lies primarily in the hands of the Government of Myanmar. So far it remains doubtful if the Government is able and willing to overcome these conditions and put an end to Myanmar's drug production. It is the Government's duty to provide peace and security for the people of Myanmar because if Myanmar continues to be a fragile state, opium poppy cultivation will continue to thrive.

¹⁹⁷ Mansfield, D., *Development in a Drugs Environment: A Strategic Approach to 'Alternative Development'*, 2006, p. 14

¹⁹⁸ GIZ, *Rethinking the Approach of Alternative Development. Principles and Standards of Rural Development in Drug Producing Areas*, 2013, p. 6-7

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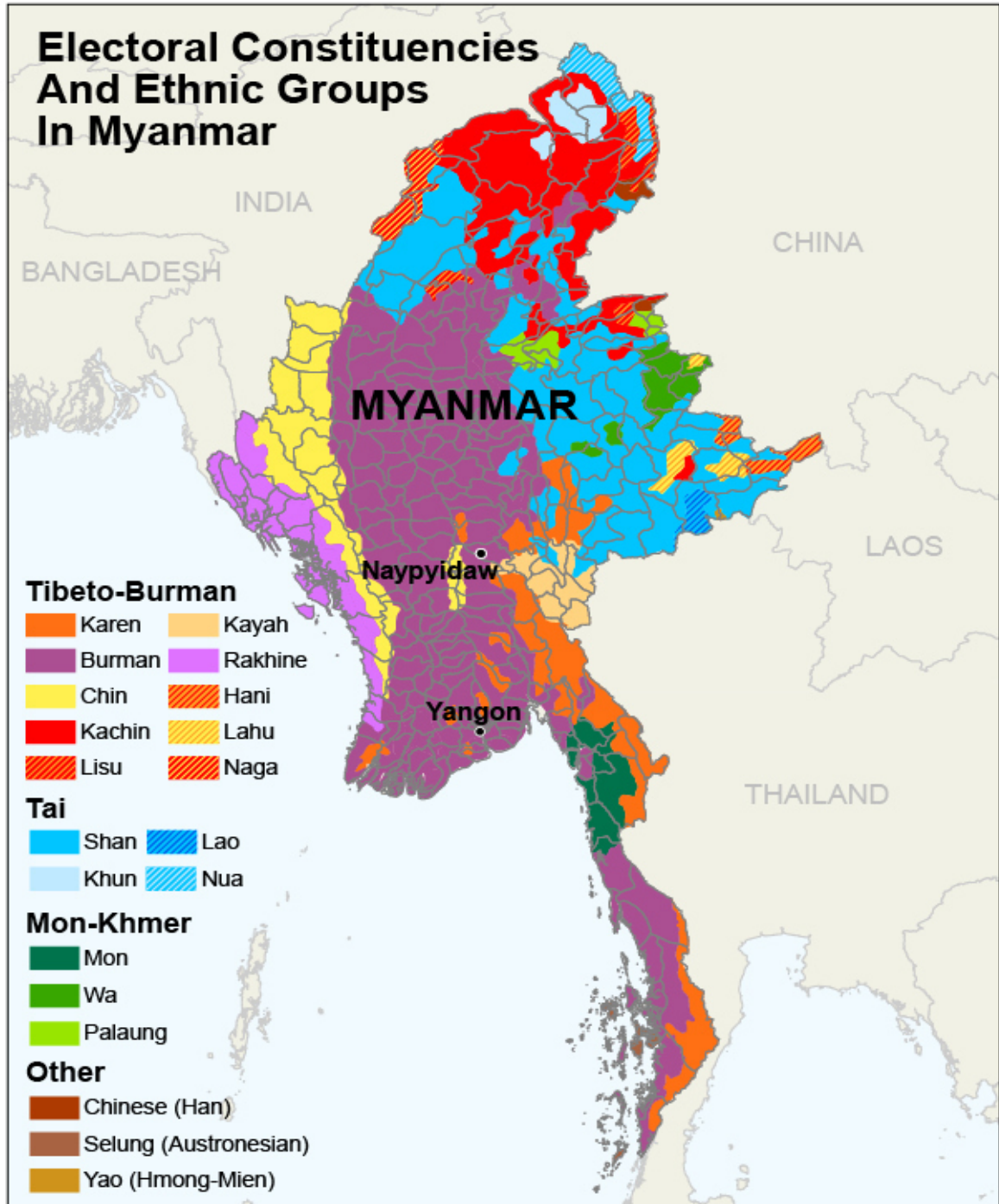
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Appendix

Appendix 1: Map of Myanmar with different ethnic groups



Selway, J. S., *Electoral Constituencies and Ethnic Groups in Myanmar*, New York Times, 30 March 2012,

<http://www.nytimes.com/imagepages/2012/03/30/opinion/30selwayMap.html>

Appendix 2: Opium seed pod



Source: Biersack, W., November 2014

This photo taken in South Shan State shows a slit poppy seed pod where the raw opium was already scraped off.

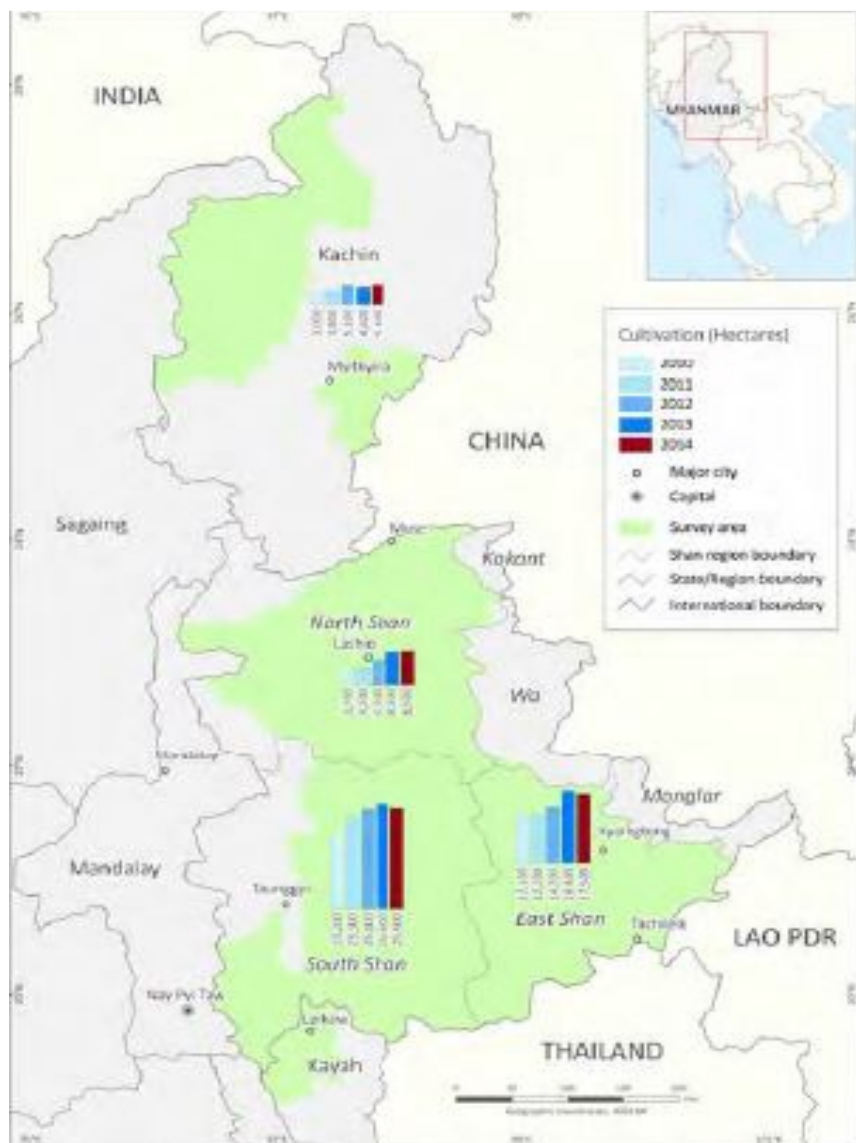
Appendix 3: Map of Shan State



Source: All things Burmese, http://www.allthingsburmese.com/Places_ShanState.htm

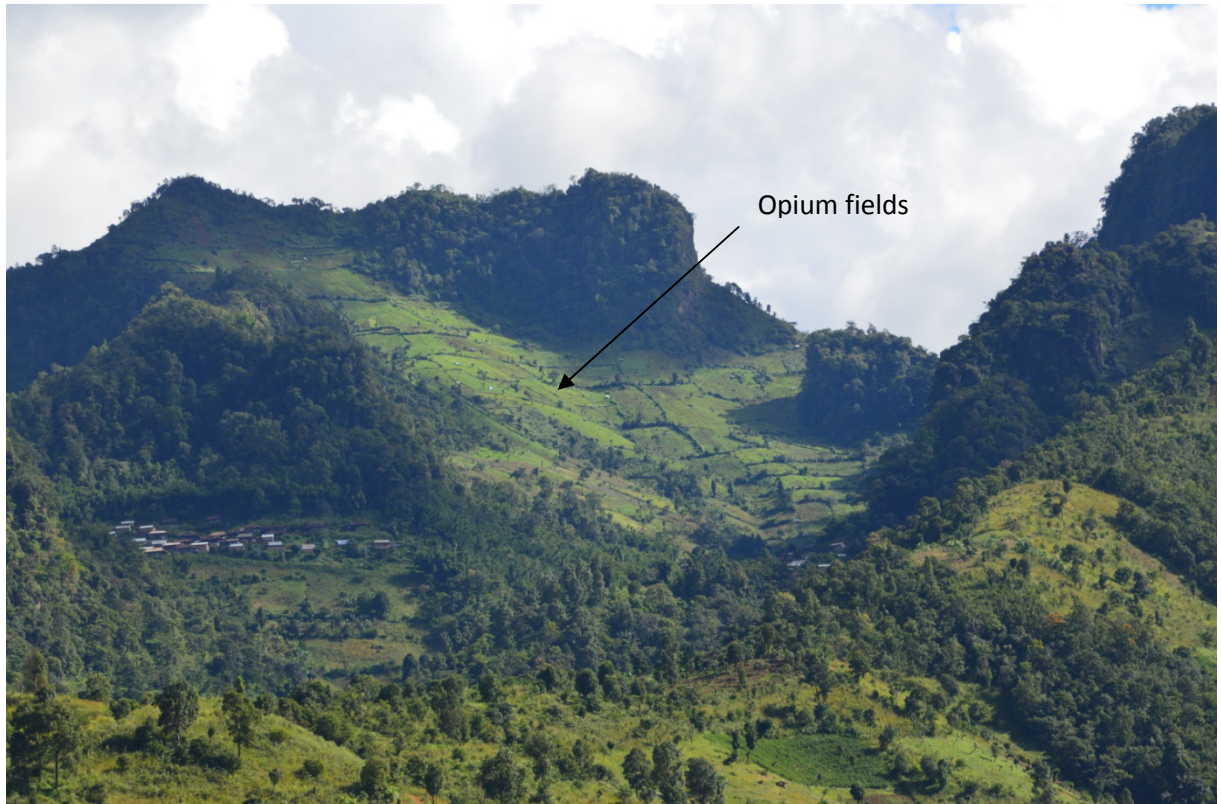
In the past, opium cultivation was mostly concentrated in the area east of the Salween River. Especially the Kokang and Wa areas in the east. In the last couple of years opium cultivation shifted mainly to South Shan State after it got officially banned in Wa and Kokang.

Appendix: 4: Map of Shan State and Kachin State with current opium production



Source: UNODC, Southeast Asia Opium Survey 2014, 2014, p. 50

Appendix 5: Remote opium cultivating village



Source: Biersack, W., November 2014

This photo should illustrate the remoteness of some villages in Shan State. This small village on the hillside is located in South Shan State and is almost 100 percent dependent on poppy cultivation. All the fields around the village are opium poppy fields.

Appendix 6: Opium cultivation process

Description of the opium cultivation process by two Wa farmers, interviewed in Kunma in 2002 for Ko-Lin Chin's book *The Golden Triangle. Inside Southeast Asian's Drug Trade*, 2009:

Twenty-four-year-old married woman:

“Growing poppies can [be] very troublesome. We need to hoe the field three times before we sow the opium seeds. After planting the seeds, we must hoe the soil one more time. Once the crop begins to grow, snakes and rats will come to eat the plants. If there is rain right after the plants first emerge, the rain will wash them away. That's why we must broadcast the seeds two to three times in a given season. We also must weed the field three or four times. We also must know how to collect the opium gum from the poppy pods; if your cuts in the pods are too deep or too shallow, you are not going to get good results. Growing opium is much more troublesome than growing rice or corn, but we bought all our clothes with the money from opium.”

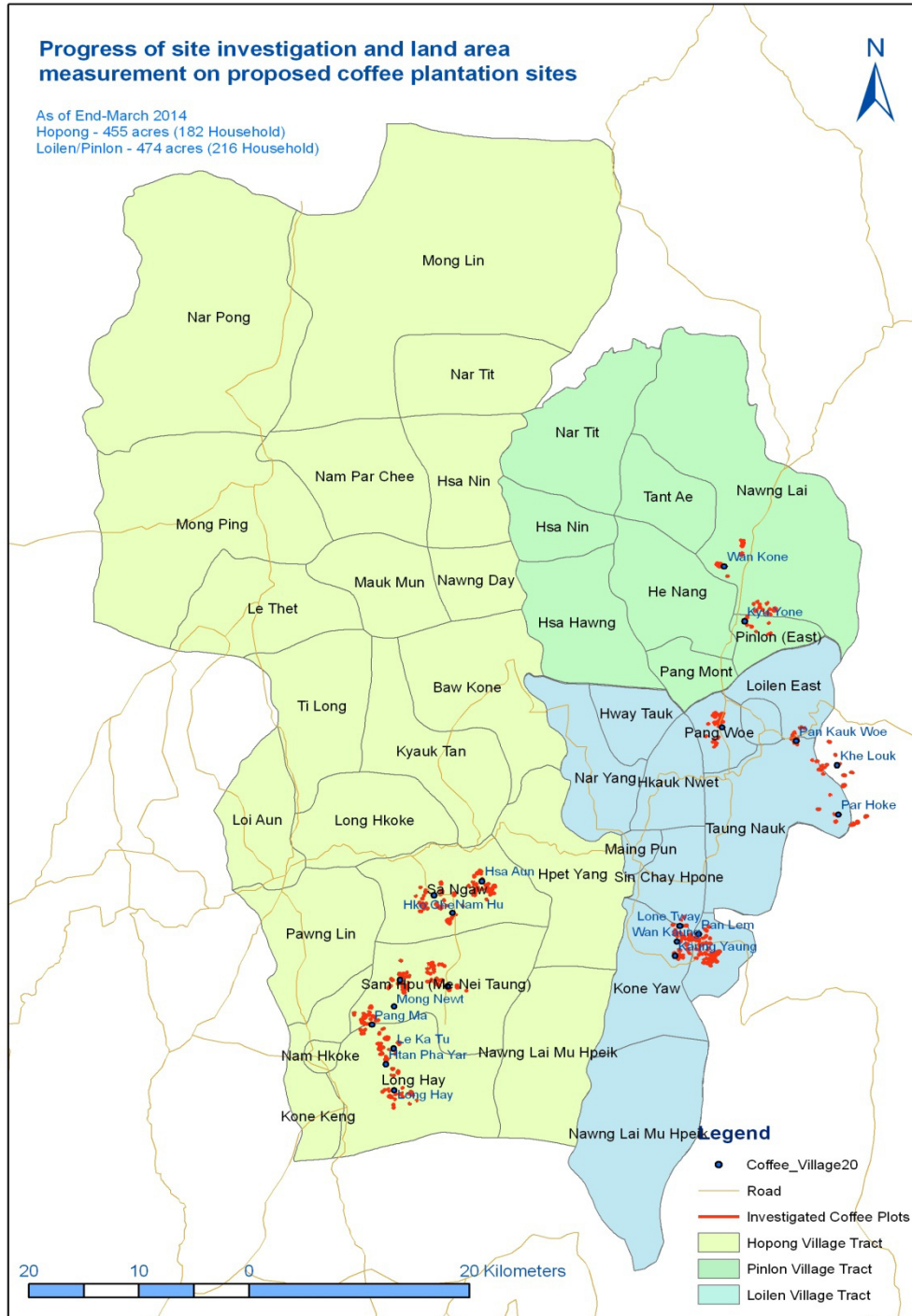
Forty-three-year-old male:

“You need to find a good, fertile piece of land filled with small rocks and sand and an abundance of dew. The poppy field has to be hoed three or four times before the seeds are sown. When planting the seeds, one person will broadcast the seeds at the front and another person will follow behind and lightly till the field with a short-handled hoe. If you use too much strength in the process, the opium plants will not grow well. After seeding, we have to go to the fields often to make sure the birds do not eat the seeds. After the opium seedlings come out, with three or four leaves, we will weed the field for the first time. This is a very delicate process because the opium plants are still very small. The removing of weeds for the first time needs to take place on a warm, sunny day. Weeds normally grow faster than opium plants, and that's why it is important to remove the weeds. If there is not enough rain, there won't be much opium resin. If there is not enough labor for careful weeding, then the opium plants are not going to grow well. We cannot collect the entire field at once; we need to examine each and every bulb to see if it is hard, or ripe enough to be cut. If it is soft, then it's not ripe yet. Finally, the days should be dry when we are harvesting. Normally, we incise the bulbs one day and go back the next day to collect the opium

resin, but if it has rained overnight, then the opium resin will turn black and it is useless. Growing opium is hard work, but if we don't grow it, we don't have money."

Appendix 7: Coffee villages in South Shan State

Overview of coffee villages in Hopong and Loilem, March 2014



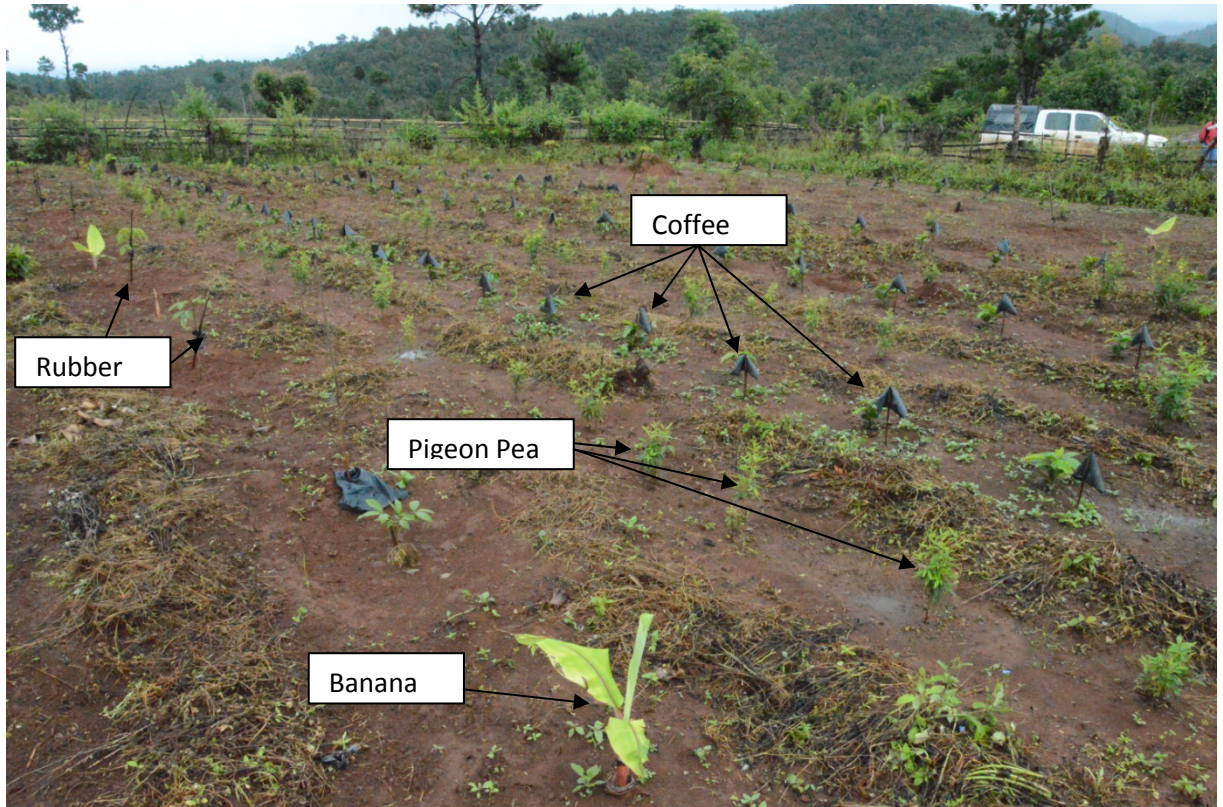
Source: UNODC

Appendix 8: Agro-forestry system in South Shan State



Source: Biersack, W., November 2014

A combination of pigeon peas and coffee on a field in Hopong Township. The peas give shade to the coffee plants.



Source: Biersack, W., November 2014

On this field there is a combination of bananas, rubber trees, pigeon peas and coffee observable.