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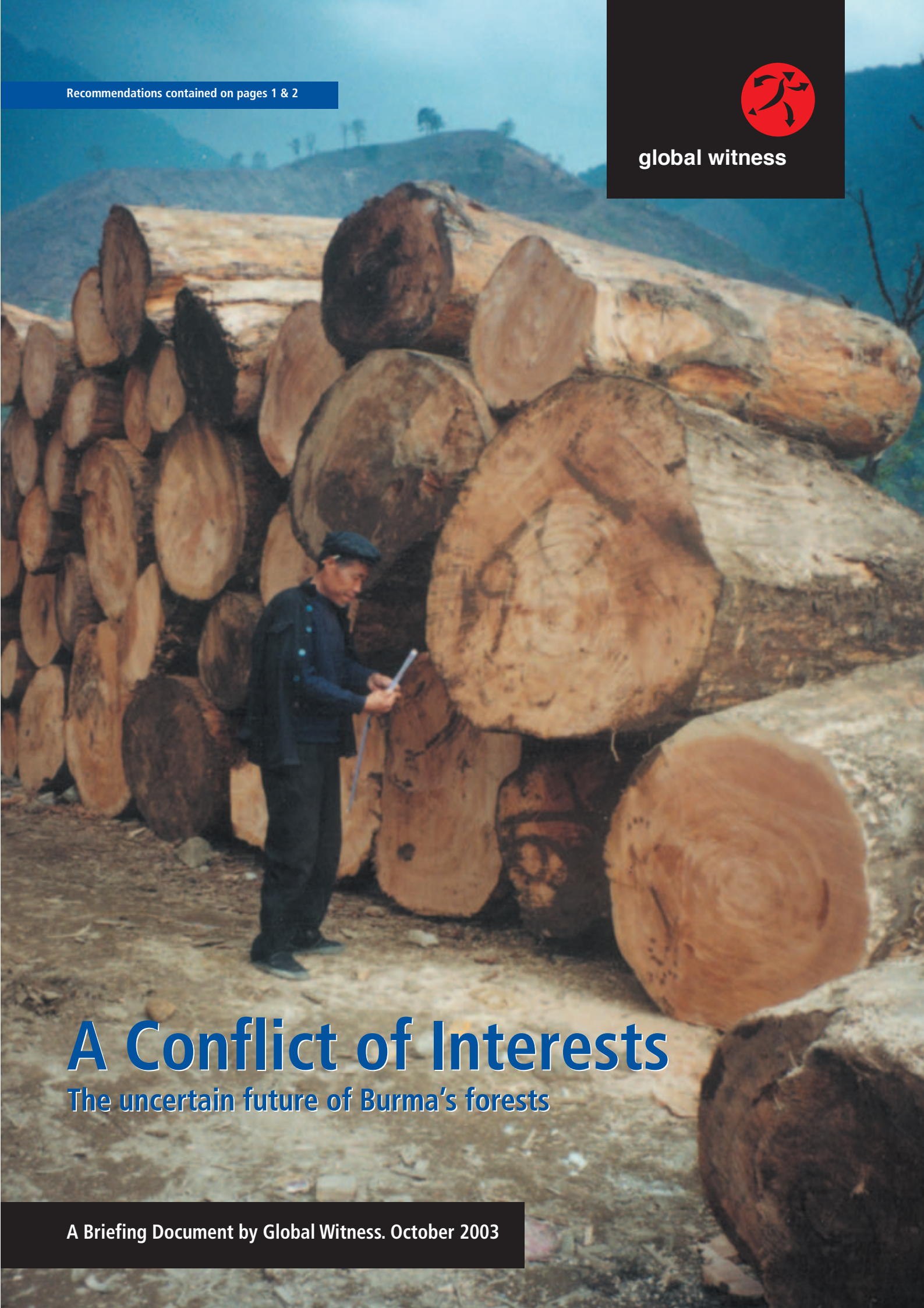

A Conflict of Interests

The uncertain future of Burma's forests

A Briefing Document by Global Witness. October 2003

1 RECOMMENDATIONS

THE INTERNATIONAL COMMUNITY

The international community should bear a responsibility for guaranteeing the fundamental rights of all the people of Burma. It is essential that the international community encourages the State Peace and Development Council (SPDC) and all insurgent groups currently involved in armed conflict to instigate a nationwide ceasefire as a first step towards peace.

The SPDC, the National League for Democracy (NLD) and other political parties, insurgents and ceasefire groups must engage in a dialogue to bring about an equitable, long-term solution to the conflicts and to effect the transition to civilian rule. The international community should encourage the development of civil society through its participation in the decision making process, and promote transparency and freedom of information at all levels.

It is also essential that natural resource exploitation, one of the main causes of conflict and environmental destruction (both of which undermine the prospect of future sustainable development[a]), is adequately addressed.

THE INTERNATIONAL COMMUNITY SHOULD:

- Increase the provision of aid directly to the people of Burma, following stakeholder consultation, in a way that prevents its diversion and that does not perpetuate military rule and human rights abuse.
- Provide support for Burmese independent NGOs, in the form of technical assistance, to raise their capacity to administer their humanitarian programmes and to manage increasing levels of foreign funding.
- Assess objectively the impact of current sanctions, and of proposed sanctions as they arise, so that decisions are made from a fully informed standpoint.
- Consider the provision of assistance for planning a demobilisation programme to reduce the size of the armed forces and other groups of combatants, when appropriate in the context of future peace initiatives.

IN RELATION TO THE EQUITABLE AND SUSTAINABLE MANAGEMENT OF BURMA'S FORESTS THE INTERNATIONAL COMMUNITY SHOULD:

- Ensure that timber imported from Burma does not fund conflict, or lead to human rights abuse or increased poverty, and that it is harvested from a legal, sustainably managed source and produced in accordance with Burma's international obligations.
- Make all data relating to the importation of timber from Burma publicly available; including volumes, value, and origin.
- Facilitate a forest sector review and forest value assessment, to determine how to protect and sustainably manage all of Burma's forests in the best interests of the people of Burma. This should include a forest cover survey and meaningful public consultation.
- Assist all ceasefire groups to carry out Environmental and Social Impact Assessments (ESIAs) for all development projects, and any commercial activities involving the exploitation of natural resources. Such a process should include meaningful public consultation.
- Help rebuild society at a local level through the promotion of educational projects including environmental awareness, encourage the continuation of sustainable resource use and protection, and support grassroots environmental initiatives.
- Take unilateral, bilateral or multilateral action to make it illegal to import conflict timber (*see page 49*) and timber that has been logged, transported or traded illegally and to punish those companies and individuals involved.[b] The country where the timber was logged should be clearly labelled; this should include processed wood products.
- Encourage the United Nations Security Council to recognise conflict resources as natural resources that should be banned from international trade.
- Make money earmarked for forest conservation and rehabilitation projects in China and Thailand contingent upon the cessation of destructive logging practices by Chinese and Thai companies in other countries.

THE SPDC

The current situation regarding the exploitation of Burma's forests is inseparable from the wider political process in Burma. Destructive and unsustainable logging, as exemplified by Chinese logging companies operating in Kachin State, is inextricably linked to many things, including conflict, SPDC management of internal and foreign relations through the control of access to natural resources, coercive, non-transparent and poorly planned ceasefire arrangements, and corruption. The large standing army, the dire state of the formal economy, and inadequate and inequitable application of forest legislation exacerbates the situation.

[a] According to the World Commission on Environment and Development, sustainable development is: "*Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*"

[b] A particular consignment should be considered illegal when the timber has been harvested, transported, or traded in violation of relevant laws and regulations.

IN RELATION TO THE EQUITABLE AND SUSTAINABLE MANAGEMENT OF BURMA'S FORESTS, THE SPDC SHOULD:

- Implement the results of the proposed forest sector review and forest value assessment, increase transparency and accountability. This should include the cessation of all unsustainable logging practices and logging that is detrimental to the best interests of the peoples of Burma.
- Ensure the formal participation of local communities in the decision-making process relating to forest conservation and exploitation.
- Abide by international environmental commitments including the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- Ensure forest related legislation is implemented equitably.
- Make public the terms relating to the control of natural resources in all ceasefire agreements.
- Ratify and adhere to the International Labour Organisation (ILO) Convention relating to Indigenous and Tribal Peoples in Independent Countries (ILO No.169), in particular as this relates to the plunder of natural resources.
- Allow free access for community development and environmental initiatives, particularly in the ethnic minority areas.

CEASEFIRE GROUPS

Ceasefire groups bear a responsibility for ending the unsustainable exploitation of forests and other resources in the areas they control. Widespread forest loss, the result of poor management and corruption, is leading to serious environmental and social problems, and will ultimately undermine development in the ceasefire areas.

IN RELATION TO THE EQUITABLE AND SUSTAINABLE MANAGEMENT OF BURMA'S FORESTS THE CEASEFIRE GROUPS SHOULD:

- Consider the suspension of development projects and commercial operations that are unsustainable or are of questionable economic or social value pending the results of the proposed Forest Value Assessment and ESIAs for all projects relating to natural resource exploitation.
- Implement the results of the proposed forest value assessments and ESIAs and ensure meaningful public consultation in the decision-making process related to the future extraction of natural resources under their control. This should include the development of a Forest Policy, which should be made available to the public, and increased transparency and accountability in the forest sector.
- Ensure the equitable distribution of the benefits of any development project, or commercial activity, involving the exploitation of natural resources in ceasefire areas.
- Give full support and access to grassroots initiatives that aim to protect the environment, and to other sustainable development activities at a community level.

NEIGHBOURING COUNTRIES

The demand for natural resources in China and Thailand has fuelled conflict and environmental destruction in Burma. Logging in Burma by Chinese and Thai companies has provided these companies with a cover for cutting timber illegally in their own countries, too.

Peace, stability, sustainable development, and environmental security in Burma are in China and Thailand's best interests. China and Thailand should play a positive future role in national reconciliation in Burma, and ensure that the development of their economies is not detrimental to Burma's people.

CHINA SHOULD:

- Immediately stop logging in Burma pending the results of the proposed Forest Value Assessment and ESIAs for all commercial and development projects relating to natural resource exploitation. Priority should be given to a cessation of activity on the N'Mai Hku Project (*see page 104*).
- Stop the importation of logs and processed timber across the China-Burma border.

THAILAND SHOULD:

- Stop the importation of logs and processed timber across the Thai-Burma border.

CHINA AND THAILAND, IN ACCORDANCE WITH THEIR COMMITMENTS MADE IN THE SEPTEMBER 2001 FOREST LAW ENFORCEMENT AND GOVERNANCE (FLEG) DECLARATION, SHOULD:

- Play a more proactive role in the Regional Task Force on Forest Law Enforcement and Governance established to advance the objectives of the FLEG Declaration.
- Take immediate action to strengthen bilateral collaboration with the Burmese Forestry Department, and the forestry administrations of ceasefire groups, to address violations of forest law and forest crime, in particular illegal logging, associated trade and corruption.
- Develop mechanisms for the effective exchange of experience relating to forest protection and forestry, and information including log and timber import data.
- Encourage the participation of the Burmese Forestry Department, and the forestry administrations of ceasefire groups, in the FLEG initiative (*see Appendix II, page 119*).

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ACRONYMS

AAC	Annual Allowable Cut
ADB	Asian Development Bank
AFPFL	Anti-Fascist People's Freedom League
ASEAN	Association of South East Asian Nations
BIA	Burma Independence Army
BP	Border post
BSS	Brandis (later Burma) Selection System
BSPP	Burma Socialist Programme Party
CPB	Communist Party of Burma
CRPP	Committee Representing the People's Parliament
DDSI	Directorate of Defence Services Intelligence
DKBA	Democratic Karen Buddhist Army
DSI	Defence Services Institute
DZGD	Dry Zone Greening Department
FAO	Food and Agriculture Organization of the United Nations
FPJVC	Forest Products Joint Venture Corporation
GDP	Gross Domestic Product
GNP	Gross National Product
ILO	International Labour Organisation
KDA	Kachin Defence Army
KESAN	Karen Environmental and Social Action Network
KHRG	Karen Human Rights Group
KIA	Kachin Independence Army (The armed wing of the KIO)
KIO	Kachin Independence Organisation
KNA	Karen National Association
KNLA	Karen National Liberation Army (The armed wing of the KNU)
KNLP	Kayan New Land Party
KNPLF	Karenni National People's Liberation Front
KNPP	Karenni National Progressive Party
KNU	Karen National Union
KR	Khmer Rouge
MCSO	Myanmar Central Statistical Office
MDA	Mongkoe Defence Army
MoF	Ministry of Forestry
MI	Military Intelligence
MTA	Mong Tai Army
MTE	Myanmar Timber Enterprise
MNDAA	Myanmar National Democratic Alliance Army (Kokang)
MNLA	Mon National Liberation Army (The armed wing of the NMSP)
MSS	Myanmar Selection System
NATALA	Ministry for the Development of Border Areas and National Races
NCGUB	National Coalition Government Union of Burma
NCUB	National Council Union of Burma
NDAA	National Democratic Alliance Army (Eastern Kengtung)
NDA(K)	New Democratic Army (Kachin)
NDF	National Democratic Front
NLD	National League for Democracy
NMSP	New Mon State Party
NUP	National Unity Party
OSS	Office of Strategic Studies
PNO	Pao National Organisation
PSLP	Palaung State Liberation Party
RGC	Royal Government of Cambodia
RTFD	Royal Thai Forest Department
SLORC	State Law and Order Restoration Council
SPDC	State Peace and Development Council
SSA(S)	Shan State Army (South)
SSA(N)	Shan State Army (North)
STB	State Timber Board now the Myanmar Timber Enterprise (MTE)
STB	Company Sahavanakit (2499) Co.
TPS	Thone Pwint Saing Co. Ltd
UMEHC	Union of Myanmar Economic Holdings Company
UMEC	Union of Myanmar Economic Corporation
UNDCP	United Nations International Drug Control Program
USDA	The Union Solidarity & Development Association
UWSA	United Wa State Army (The armed wing of the UWSP)
UWSP	United Wa State Party
WADP	Wa Alternative Development Project

GLOSSARY

Ceasefire Group: A term given for insurgent groups that have come to an accord with the Burmese regime. The ceasefires are not formal political settlements. Generally ceasefire groups keep their armies, retain some administrative control in their areas and engage in some economic activities.

Jao Por: A Thai term given to 'godfather' type individuals; influencial people, operating outside the law, usually with close links to politicians. *Jao por* are very active in provincial and border-area business.

National Entrepreneur: A term used by the Burmese authorities that relates to a privileged group of companies/individuals close to the regime, notably involved in natural resource exploitation including logging, agriculture, road building, and tourism in Burma.

Tatmadaw: The Burmese term for the Burmese military.

A note on conversion rates

Unless otherwise stated, the conversion rate of the Myanmar kyat to the United States dollar is based on the unofficial 2001 exchange rate of $1 = kyat 620. (Most of the fieldwork on which this report is based was conducted in 2001.) Currency conversions from Thai baht to United States dollars, and from Chinese yuan to United States dollars, are calculated using the historically correct exchange rate.[c] All currencies are stated to two significant figures.

Burma uses the unusual measurement of a Hoppus Ton to measure timber volumes. 1 Hoppus Ton is equal to 1.8027 cubic metres.

A note on methodology

Global Witness has conducted primary research over a period of three years in Thailand, China and Burma, and interviewed many people from many different backgrounds. To the best of our knowledge, this report reflects the reality of logging in Burma. It should be noted, however, that this was not a scientific experiment and that for every incidence of illegal logging there may be many that go unreported. It should also be noted that while one cannot extrapolate from a single instance of illegal logging to draw a portrait of logging practices nationwide, many features of the trade, detailed in this report, are widely applicable. Access in terms of travel within Burma and access to individuals was extremely limited, as was the willingness of those individuals to speak. Complete coverage of the country was impossible.

A note on sources

Not all of the information contained in this report was witnessed at first hand by Global Witness. Global Witness has also relied on media reports from trusted sources and interviews with individuals familiar with logging in Burma. Where possible the identity of these sources has been made clear, although the majority of individuals remain anonymous to maintain their safety. It should be noted that accounts of natural resource exploitation in Burma may be politically biased. Global Witness has therefore treated such information with caution, and has attempted to convey this in the text. Further, the opinions expressed by some of the interviewees do not necessarily reflect the opinions of Global Witness.

Pian Ma, Yunnan Province, China; 2001.

"Take photos of the unspoiled forests, take photos of the lush bamboo forests. When I see gigantic logs carried off to China I feel very sad. Some logs are as big as the truck itself."

KIO Officer, Kachin State, 2002

[c] www.oanda.com

3 INTRODUCTION

Burma is resource rich, and principal among these resources is timber. As in many countries, control of natural resources in Burma is the key to power. This report, the result of extensive research and fieldwork in Burma, Thailand and China, examines the roots of the civil war and how conflict and an authoritarian regime (the State Peace and Development Council (SPDC)) have been sustained through the exploitation of Burma's natural resources. The destructive exploitation of Burma's forest has received little attention despite the severe implications for peace, development, prosperity and the environment.

The role of timber in Burma's recent history has been as varied as it has been pivotal. Interest in the teak forests of Tennaserim was instrumental in the British decision to annex parts of Burma in 1824, and victory in the Second Anglo-Burmese War gave Britain control over the teak-rich forests of the Pegu Yomas. The inequitable exploitation of natural resources by the British colonial authorities in Burma's border areas, caused great resentment amongst the ethnic communities who live there and was a primary cause of the ethnic insurgency at the time of Independence in 1948. Burma has been at war ever since, in large part due to the desire of the combatants to control access to these natural resources. Countries such as China and Thailand have supported the insurgent groups, often in exchange for access to natural resources including timber.

Since 1988, the ruling military regime has been the ultimate arbiter of forest resources both within Burma and internationally and this control, together with the revenue derived from the timber trade, continues to play a significant part in the maintenance of its grip on power. At the same time timber revenue and control of the trade on the border has enabled the ethnic insurgents to finance their side of the conflict. The human rights abuses of the military regime are well documented and abhorrent, but none of the combatant groups is entirely blameless. This report does not go into the detail of these abuses but it is clear that perpetual conflict has not benefited the average person in Burma. It is equally clear that whilst the civilian population has suffered, combatants on all sides have used their privileged positions for personal enrichment to the detriment of the people they claim to be fighting for. It should also be noted that much of the logging currently taking place in Burma not directly financing conflict is, nevertheless, very destructive and ultimately is not in the best interests of Burma's people.

Log stockpile in Pian Ma, Yunnan Province, China; 2001.

The situation has been compounded by the Thai and Chinese logging companies who, with the backing of their political patrons have taken advantage of the conflict situation to cut deals with the military regime and insurgents alike. Despite the environmental and economic disasters experienced by both the Chinese and the Thais as a result of rampant deforestation, they have encouraged the very same companies to log just over the border in Burma, with the same predictable results.

Burma's resources have been traded by the regime in exchange for political, financial and military support from its neighbours, and the insurgents have mortgaged any prospect of sustainable development in a post-conflict situation against their short-term military ambitions. Whilst the Chinese and Thai economies have benefited greatly from the exploitation of Burma's natural resources, China's border towns have boomed, and Thai loggers and their political backers have got rich, Burma has remained mired in conflict.

The regime has also used such *resource diplomacy* in the domestic context. In some instances control over logging operations has been devolved to key figures in the military and military intelligence. In the same way, influential businessmen and companies (the national entrepreneurs) have been awarded lucrative logging contracts in exchange for their support. A fundamental reason for the political intransigence of the regime is the potential loss of these economic perquisites in a more democratic society.

Equally important to the regime has been the exchange of natural resources for peace with the ethnic insurgents. These 'ceasefire deals' are seen by the SPDC as one of its major achievements. However, the primary purpose of the deals appears to be to undermine the insurgency, rather than improving the circumstances of the ethnic minority peoples. The potential benefits of peace in Burma should not be underestimated, but whether such deals – characterised by coercion and lack of transparency – will ultimately be good for the ethnic communities is not clear.

Management of the forests by the ceasefire groups, whether by design or force of circumstance, has been poor to non-existent and much of the resource base has already disappeared. Once the natural wealth of these border areas has been exhausted, not only will any real prospect for sustainable development have vanished, but the underlying causes of conflict may well still remain, perhaps even exacerbated by this plunder.

Part 1 (*pages 13 to 26*) of this report is largely historical and examines the roots of conflict in Burma, Burmese politics, and links to the inequitable extraction of natural resources, in particular timber. Part 2 (*pages 27 to 115*) based substantially on Global Witness' field investigations looks at logging throughout Burma with a focus on border areas. It details the importance of the timber trade to the regime, to the ethnic insurgents, to Thailand and to China. Information based on Global Witness' investigations in the field is clearly marked.

Mismanagement, corruption, the all-pervasive military presence, and sanctions have crippled most of Burma's formal economy. This has led to an increased reliance on timber, which remains a vital source of foreign currency and serves to fund, amongst other things, the fight against the insurgency. Timber cutting targets in Burma's state-run forests now have as much to do with the financial imperative, as they have to do with sustainability of production. The SPDC's desire to maintain the territorial integrity of the Union of Burma outweighs its concern for the environment, or the potential impact that environmental destruction might have on future sustainable development. The preponderance of short-term decisions together with logging by the military and impecunious officials, and illegal logging by others has put even more pressure on the forest (*see The Reality of the SPDC-Controlled Timber Trade page 35*).

This report also looks at logging in the border areas, currently the areas of greatest concern. Timber extraction on the Thai-Burma border is very much reduced compared to the levels of the late 1980s and early 1990s, but Global Witness' investigations along the China-Burma border, and in Kachin State in particular, show that logging here is widespread and extremely destructive (*see page 97*). The massive N'Mai Hku (Headwaters) Project is of particular concern (*see page 104*).

According to Chinese import data, 850,000 m^3 of timber crossed the border from Burma in 2001; this is over 160,000 m^3 more than the total volume of timber exported to all countries, as recorded by the Burmese authorities. The beneficiaries of this massive trade are the Chinese, their business partners in Burma, and those countries buying timber products from China, not the ordinary people of Kachin State.

A Chinese truck carrying timber from the N'Mai Hku area across the new La Cholo bridge built to open up Kachin State for exploitation of timber and minerals; 2001. Translation of the words on bridge: "*Repair a humble bridge, walk on the road to prosperity*."

4 SUMMARY

Burma is the epitome of unrealised potential, a country rich in natural resources and social capital, yet poor. In 1999-2000, Burma's official recorded timber exports totalled 806,000m^3, whilst during the same period importing countries recorded approximately 1.72 million m^3, which suggests illegal exports of 914,000m^3. Logging has lead to environmental destruction, particularly in Kachin State where Chinese logging companies have clear-cut vast swathes of virgin forest.

Struggles over the control of natural resources have been a primary cause of war in Burma for over a century and the exploitation of these resources, including timber, has helped fund all combatants in the current conflict. For over 50 years the civil war has defeated the aspirations of most people in Burma and prevented meaningful development, whilst the elite in both Burma and neighbouring countries take advantage of the situation to plunder this natural wealth for material and political gain.

During this time the rule of SLORC/SPDC has been characterised by intransigence in the face of opposition from within Burma and from the international community. It is the regime's ability to control access to abundant natural resources within Burma that has made this possible.

Burma is surrounded on all sides by resource-hungry nations and the SLORC/SPDC has used this to its advantage. External relations with both China and Thailand have been carefully managed by controlling their access to fisheries, jade, gold, mineral deposits and forests: resource diplomacy. Not only has the regime obtained political capital and vital foreign exchange earnings but at times it has received tacit support for its war against the insurgent groups.

This tactic has also been instrumental in managing internal relations, and in undermining the majority of the ethnic insurgencies by tying these groups to the formal economy and in some cases corrupting the leadership. Addressing both ethnic concerns and the manner in which natural resources are exploited will be pivotal for the future of peace and development in Burma. To date these issues have been largely ignored by the international community, which has been more focused on the political deadlock in Rangoon.

4.1 Natural Resources and Conflict in Burma

The control of natural resources is key to the past and current conflict. The Anglo-Burmese wars of the 1800s were at least in part motivated by a British desire to control Burma's teak forests. Following the annexation of Burma to the British Empire in 1885 the colonial administration instigated a dual system of government that divided Burma into two distinct territories: Ministerial Burma, covering the central fertile plains and dominated by Burmans, and Frontier Areas, mostly inhabited by ethnic minorities. The British deliberately accentuated existing differences between Burmans and the minority groups, which together with the inequitable exploitation of natural resources and minimal development of the Frontier Areas sowed the seeds for later conflict.

Soon after Independence from the British in 1948, the Communist Party of Burma (CPB) led an armed rebellion against the government under U Nu. In 1949, ethnic groups joined the insurgency and much of Burma remained in the hands of insurgent groups throughout the 1950s. In 1962, the army (known as the *Tatmadaw*), under General Ne Win, seized power from the government and established a military dictatorship. The paramount concern of the military has been the preservation of the Union of Burma, an aim that in its view could only be realised through defeat of the ethnic insurgents. This has led to hundreds of thousands of deaths, the creation of 300,000 refugees, and one million internally displaced people (IDP) and, as a result of the *Tatmadaw* 's Four Cuts counterinsurgency campaign, widespread human rights abuse. As a result of these tactics, resistance to the regime became more entrenched.

Both the military regime and the groups that it has been fighting have been financed through the exploitation of opium and natural resources, predominantly precious stones and timber.

Following the collapse of the CPB in 1989, the SLORC negotiated ceasefire deals with several insurgent groups. This meant that the *Tatmadaw* could be deployed elsewhere, increasing pressure on the remaining insurgents. An integral part of these deals was to give the ethnic groups economic interests and the control of natural resources. This created tension between many of the groups and provided them with a focus that diverted their attention away from pursuing their political ambitions. In some instances such deals tied the groups into the formal economy and hence central control. One case in point is the Nam Hti sugar mill, which was given to the Kachin Independence Army (KIA); other fixed assets such as sawmills and mines have been used in a similar way.

Little is known about the degree of coercion involved in these deals, but as almost all the ethnic groups relied on the support or at the very least tolerance of China and/or Thailand, these countries were in a very good position to apply pressure. In most instances the natural resources have been rapidly depleted through mismanagement and in some cases corruption. The climate of instability, and uncertainty about the future, have also led to 'natural resource fatalism' whereby forests have been logged because, as is commonly said, 'they would in any event, be logged by someone else.' To compound these problems, most of the timber cut in Kachin State, for example, has fuelled development in China, not Burma. Such unsustainable exploitation has already led to environmental destruction and undermines prospects for future sustainable development, whilst the underlying political grievances, which have not adequately been addressed, remain or will become worse.

4.2 SLORC/SPDC-controlled logging

Commercial logging in areas of central Burma is probably not as destructive as that seen on the China-Burma border, but nevertheless chronic mismanagement has lead to a situation that does not correspond to the picture of sustainability in the forest sector painted by the regime.

The Burma Selection System (BSS) was designed to ensure sustainable timber production but fell into decline after Independence. In the first instance, an annual allowable cut (AAC) that had been calculated for the whole of Burma was harvested from ever-decreasing areas, as forests became inaccessible due to the insurgency. More recently, the regime's need for foreign currency has resulted in cutting levels being set according to the economic imperative rather than sustainability of production. In 2001, logging, much of it teak production, represented about 11% ($280 million) of legal foreign exchange earnings. The problem of over-cutting has been exacerbated by corruption, institutional decline and inaccurate data, and Myanmar Timber Enterprise (MTE) loggers cutting additional timber to meet 'welfare' needs. Logging and transportation is often sub-contracted to favoured individuals, the national entrepreneurs, several of whom have founded their business empires on drugs money. High quality teak from the Pegu Yomas and other central areas is exported all over the world.

Burma's large army represents the reality on the ground of the regime's preoccupation with 'stability through the armed force'. Defence expenditure accounts for 40% of public sector costs but is insufficient to support the large standing army, which engages in informal business activities such as logging and mining to make up the shortfall. This has led to arbitrary taxation and the confiscation of productive land by the *Tatmadaw*. *Tatmadaw* units are involved in logging on several levels: conducting logging operations themselves, transporting illegal timber, using forced labour, giving permission to log, and taxing legal and illegal log cutting and transportation.

4.3 China-Burma relations and logging in Kachin State

In 2001, total Burmese timber exports were just over 688,000m^3, whilst China alone recorded imports of 850,000m^3. China needs Burma's natural resources to fuel development on the border and in Yunnan Province as a whole. In August 1988, China signed an official border trade agreement with Burma, the first such agreement following the pro-democracy demonstrations in July of the same year. Having supported insurgent groups such as the CPB in the past, China quickly became a major ally of the regime. Such economic cooperation became increasingly important, following the imposition of a logging ban in Yunnan in 1996 and a nationwide Chinese ban in 1998. It appears that China's concern for the environment ends at the border.

A Shan State Army (South) Soldier. The SSA(S) are the second largest insurgent army.

Burma's Kachin State, sandwiched between China and India, has been described as some of the most valuable real estate in the world due in large part to its forests, but also its jade, gold and mineral reserves. The forests of Kachin State form part of an area said to be "*very possibly the most bio-diverse, rich, temperate area on earth;*"[1] they also suffer from the highest rate of deforestation in Burma. Global Witness has estimated that the volume of timber, both softwoods and hardwoods, exported from Kachin State to Yunnan is no less than 500,000 m^3 a year.

Marginalisation of the Kachin people, in particular the lack of socio-economic development and the inequitable distribution of the benefits of resource extraction in Kachin State, was in part responsible for the insurgency. The KIA and CPB insurgent economies were based on the jade trade and Chinese support. The timber trade also played a significant role, but it was not until the collapse of the CPB in 1988 and the KIA ceasefire in 1994 that logging took place on an industrial scale.

Logging in Kachin State is chaotic, in part because it is controlled by many groups including the New Democratic Army (Kachin) (NDA(K)), KIA, *Tatmadaw* and Military Intelligence (MI). Little is known about the interrelationships of these groups, which are many and varied, but it is clear that the demand for natural resources has resulted in the increased militarisation of Kachin State. The local population has benefited little in economic terms but the powerful have enriched themselves as the environment, and thereby the prospect for future sustainable development, has been destroyed. In addition, the presence of many migrant workers has led to an increase in prostitution, HIV/Aids, drug abuse, and gambling.

Most of the logging is carried out by Chinese companies, and the vast majority of the timber and other resources are exported to China. Very little, if any, timber processing takes place in Kachin State. At the same time the Chinese are setting up multi-million dollar factories just across the border a few kilometres from Burma. Companies in the Chinese border town of Pian Ma, most of which were involved in the timber business, expanded from four in 1984 to over 150 in 2001.

The N'Mai Hku Project is of particular concern (*see page 104*). This area of Kachin State has been described as one of the world's 'hottest' biodiversity hotspots, but it is also the site of a combined logging and mining project. The deal was reached between the Kachin Independence Organisation (KIO) and private and state interests from China and Malaysia. Implications for local communities and the environment are likely to be catastrophic, with little economic benefit derived by the KIO. Over the past few years, Chinese interests have been building an extensive road network to facilitate the project, paid for by logging.

On the Chinese border logging and the opium trade are inextricably linked: drug traffickers have invested in logging to launder money, and logs have been hollowed out to conceal drugs (*see page 56*). Perhaps more disturbing is that drug eradication schemes have been used to justify large-scale logging, by providing opium farmers with an alternative income. However, the reality is that logging revenue is not invested in the region, and unsustainable logging results in ecological problems, which in turn affect agriculture and food security. Thus forests are destroyed and this destruction directly leads to the conditions that force people to grow opium as a reliable cash-crop.

The Peoples Liberation Army; The People's Republic of China transporting Burmese logs from Pian Ma; 2001.

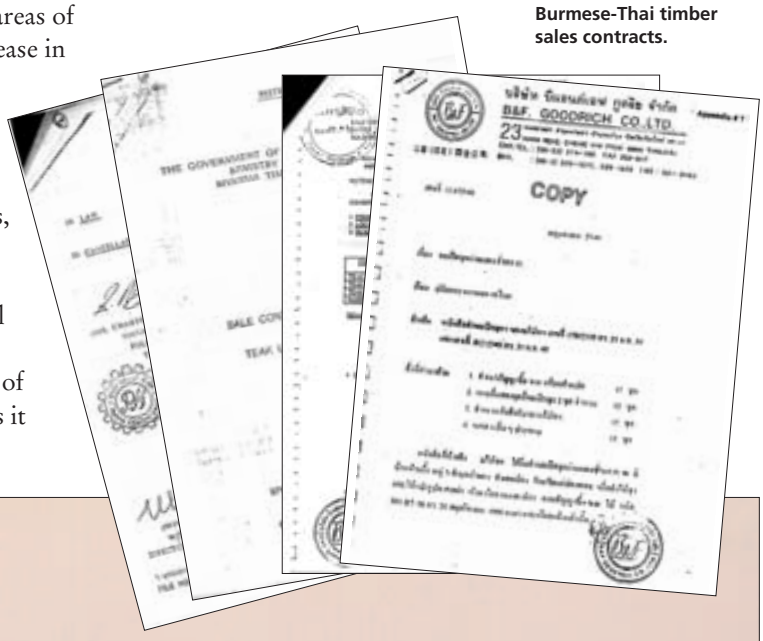
4.4 Thailand-Burma relations and logging in Karen State

Thai support for the insurgencies in Burma was closely associated with a defensive 'buffer zone' strategy whereby the presence of insurgent groups on the border prevented direct clashes between Thai forces and the Burmese military. In 1988, in an attempt to influence Thai foreign policy toward the regime, the SLORC granted logging concessions to Thai companies with connections to high-ranking Thai politicians and the military. Key amongst these Thai politicians was General Chavalit, then Commander in Chief of the Thai armed forces, who played a similar role in the importation of timber from Khmer Rouge-held areas of Cambodia. This move, which saw a massive increase in logging on the Thai-Burma border until 1993, spelled the beginning of the end for Thai support of the insurgent groups.

Currently logging on the border is much reduced compared to the levels of the early 1990s, but timber still crosses the border from conflict areas under the control of the Democratic Karen Buddhist Army (DKBA) and the Karen National Union (KNU). Thai timber continues to be laundered across the border, with the complicity of Thai border authorities, in much the same way as it was during the Salween Scandal (*see page 62*).

In Karen State, as in Kachin State, the ethnic insurgency has a great deal to do with control over natural resources, in particular timber. Logging in contested areas also has strategic implications: logging reduces forest cover, logging roads allow the rapid deployment of troops, and logging companies become directly involved in the conflict by providing combatants with intelligence and transportation.

Logging has resulted in environmental destruction in Karen State and has provided very little material benefit to the average Karen, but the Karen elite, Thai *jao por* (mafia) and their political patrons have become rich.



Burmese-Thai timber sales contracts.

Thai log trucks carry Burmese teak on the Thai-Burma border; late 1980s/early 1990s.

PART ONE: BACKGROUND

5 THE ROOTS OF CONFLICT

"The conflict in Burma is deep rooted. Solutions can only be found if the real issues of conflict are examined, such as territory, resources and nationality…" [2] **Dr Chao-Tzang Yanwnghwe, Burmese academic, December 2001**

5.1 Strategic location, topography and natural resources

Burma[d] is the largest country on mainland Southeast Asia bordering the Andaman Sea and the Bay of Bengal, between Bangladesh and Thailand.[3] It has a total area of 678,500 square kilometres and land boundaries of 5,876 km (Bangladesh and India in the west, with borders of 193 km and 1,463 km respectively and China, Thailand and Laos in the east with borders of 2,185 km, 1,800 km and 235 km[3].

Rugged mountain ranges form a horseshoe surrounding the fertile plains of the Irrawaddy River in the centre, which comprise both Burma's agricultural heartland and the cultural heartland of the Burman people. In the west, the Arakan Yoma mountain range extends almost to the Irrawaddy Delta creating a barrier between Burma India, and Bangladesh. In the east there is the Shan Plateau and the Bilauktaung mountain range, which forms part of the border with Thailand. In the far north, the border with China follows the line of the Gaoligongshan Mountains. North-south travel within Burma is relatively easy as the Chindwin, Irrawaddy and Salween rivers run almost the full length of the country but at the same time east-west travel is made more difficult.

Burma's position is of key strategic importance in the region being at the crossroads of Asia, where south, east and Southeast Asia meet, and located close to major Indian Ocean shipping lanes. Sandwiched between the regional superpowers, China and India, Burma has, to a certain extent, been protected in the past by its mountains. But the existence of these mountain ranges and the consequent inaccessibility of many of the border areas hindered nation building and the remote and lengthy borders are both vulnerable and difficult to control.

These remote border areas are also rich in natural resources including timber, but the benefits derived from this natural wealth have historically bypassed the ethnic minority peoples that live there, a cause of great resentment.

Northern Kachin State, Burma.

[d] The military government renamed Burma as Myanmar in 1989 and this name is used by the United Nations. In this report, however, Global Witness will use Burma and Myanmar will only be used where it is quoted by name.

5.2 The Peoples of Burma.

Burma has a population of about 50 million people, three quarters of whom live in rural areas, predominantly as subsistence farmers. The main religion, Buddhism is practiced by over 80% of the population[4] but there are also Christians, Muslims and animists, the latter mainly among ethnic minorities.

Under the 1974 Constitution Burma was split into divisions and states. The majority of the people in the seven divisions are Burman, in the seven states the majority are ethnic peoples; four additional states [Chin, Mon and Rakhine (Arakan)] having been added under the new constitution.

It has been estimated that Burmans make up 65% of the population, the Karen 9%, the Shan 7%, the Chin 2%, with smaller groups such as the Mon, Kachin and Wa at 1% each.[5] There is also a sizeable population of Indians and Chinese, among the latter of whom many have recently settled in Mandalay and the northeast of Burma.

The SPDC however, claims that '*Myanmars*' (meaning Burman), account for 80%.[6] In most countries such figures would be a matter of fact but in Burma these statistics have become highly politicised. The SPDC has consistently and deliberately underreported the number of ethnic minority peoples in Burma; any arguments for power sharing let alone federalisation or self-rule, by extension, become less tenable. Ethnic minority organisations have made their own estimates, but these should also be treated with caution; none of these sets of data are based upon a nationwide population census.

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Padaung woman.

The SPDC places emphasis on the concept of a Burmese family of races that "*lived in union for thousands of years*", but there is serious doubt from historians on the unitary version of the government[4] particularly regarding the degree of influence that Burman kingdoms had over ethnic groups before the colonial era.

5.3 Ethnic diversity and politics

"Whilst many states face challenges relating to ethnicity and religion, Burma's are acknowledged to be exceptional."[5] Bruce Matthews, academic, 2001

Burma's location at the crossroads of Asia and physical geography has helped shape the way in which it has been settled by its peoples and is largely responsible for its exceptional ethnic diversity. Understanding ethnic differences and how these have been both promoted and suppressed is important to understanding the current situation in Burma.

The British colonial forces accentuated and amplified this diversity to successfully 'divide and rule' Burma for over 100 years. In contrast, successive, Burman-dominated, governments since independence have systematically, and forcefully, downplayed ethnic differences. These governments have tried to foster a national Burmese identity in order to help unify and pacify the country. But such policies of cultural assimilation have only served to create more resentment and most likely have prolonged conflict in Burma.

Before the start of British colonial rule in 1826 a distinction could be made between the valley-kingdoms of the Burman (Bamar), Mon, Rakhine (Arkanese) and Shan and the hill peoples such as the Chin, Kachin, Karen, Karenni and Wa. The people of the central valleys were wet-rice farmers, literate, and practiced Theravadha Buddhism. In contrast the peoples of the mountainous border regions were mostly dry-rice farmers, practicing slash and burn agriculture, enjoyed an oral tradition rather than a literate one and were mostly spirit worshippers. At this time royal Buddhist rulers presided over city-


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states in the centre whereas the hill peoples tended to vest authority in local village chiefs. It was only in the late eighteenth century, just prior to British annexation, that the authority of the royal court of Ava, in the upper Irrawaddy plains, was extended to borders roughly equivalent to those of modern day Burma.[7]

In excess of 100 distinct languages and dialects have been identified in Burma and although these can be categorised into four main linguistic groupings [Tibeto-Burmese, Mon-Khmer, Shan (Tai) and Karen (Kayin)][e] many distinctive minority cultures exist, such as the Salon sea-gypsies in tropical Tenasserim, the 'long-necked' Kayan (Padaung) of the Shan/Karenni borders and the Nung-Rawang in mountains of the north.[7]

5.4 British Colonial Rule

5.4.1 The First Anglo-Burmese War (1824-1826)

Burma was annexed into the British Empire as a province of India in three wars from 1824 to 1885.[8] The desire to control Burma's natural resources and general trade, in particular the rich teak forests, was a significant factor in Britain's decision to progressively assimilate Burma into the Empire.

In the late eighteenth and early nineteenth centuries the Konbaung Dynasty had reached the height of its power, culminating in the annexation of Arakan and Assam and the replacement of the King of Manipur with a Burman vassal. The remnants of the forces opposing the Burman troops regrouped in Bengal, ruled by the British, and in territory controlled by the East India Company. When, following a number of border skirmishes, the Burmese forces positioned themselves along the border, the British reacted and defeated the Burmese. This first Anglo-Burmese war ended with the Treaty of Yandabo (1826). The Burmans gave up their claims to both Assam and to Manipur and ceded Arakan and Tenasserim to the British.[8]

Following the depletion of British forests and suitable forests in the British colonies, in particular the exhaustion of the teak forests of Malabar, the acquisition of the Tenasserim teak forests was extremely timely. The British needed teak to maintain the naval fleet and also for railway sleepers throughout the Empire.

5.4.2 The Second Anglo-Burmese War (1852-1853)

In 1852 King Pagan repudiated the Treaty of Yandabo following increased tension with the British and renewed skirmishes at the India-Burma border. The Burmese administration increasingly refused to show deference to the British, impeding the activities of British merchants through greater regulation. The antagonism culminated in fining of two British traders for breaching customs regulations; extortion according to the traders. The British dispatched two warships to resolve the dispute. The Second Anglo-Burmese War ended in 1853 with the British annexation of the remainder of Lower Burma; effectively the old kingdom of Pegu. In drawing up the new border, following the conflict, the British took as much of the Pegu Yomas teak forests as possible.[9]

[e] These linguistic groupings should not be considered definitive or representative of cultural or political identities.

5.4.3 The Third Anglo-Burmese War (1885)

By 1885 the British, concerned at the increasing influence of French (King Thibaw had granted the French a railway concession and the right to manage the royal monopolies on teak and petroleum) and Italian traders and keen to open up a land route to China, were ready to expand control to Upper Burma. Disputes over teak were a precipitating cause of this third Anglo-Burmese war;[10] the Burman Royal Council fined the British Bombay-Burma Corporation 2.3 million rupees for fraudulently withholding royalties on exported timber.[8,10] The British issued an ultimatum, which was repudiated by King Thibaw. The resultant war lasted just two weeks in November 1885. The British annexed Upper Burma on 1 January 1886.[11]

5.4.4 British colonial administration and the amplification of ethnic differences

"Such a governing system might have sustained the 'pax Britannica' but…it was 'order without meaning' [12] *…it also set the peoples of Burma on different paths of political and economic development. It became the source of many resentments as well."* Martin Smith, Burma (Myanmar): Time for Change. Minority Rights Group, 2002

The British operated a dual system of government under which Burma was administered as two distinct territories. 'Ministerial Burma' covering the central fertile plains was dominated by Burmans, 'Frontier Areas' were mostly inhabited by ethnic minorities. This dual system of administration deliberately amplified ethnic differences in order to 'divide and rule' Burma.[7]

The British priorities were to increase regional security and trade. To this end, mass immigration by Indians and Chinese into Ministerial Burma was encouraged which was deeply resented by the Burmans. After the Third Anglo – Burmese War, King Thibaw was exiled to India, the monarchy was abolished and replaced by a form of parliamentary home rule. By the 1920s Ministerial Burma had become the world's largest exporters of rice and the economy was strong.[7]

In contrast the frontier areas were exploited for their natural resources particularly timber, and received very little investment. This relative underdevelopment, particularly the infrastructure, and exclusion from the benefits of the economy were later often significant factors in the emergence of insurgency.

At the same time missionaries promoted the Christian religion and education, including the transcription of minority languages into writing. They were particularly successful among ethnic minorities, such as the Karen, Kachin and Chin. This strengthened a sense of ethnic identity that until that point had been rather disparate. The formation of cultural and political organisations followed, for example the Karen National Association (KNA), established in 1881. For some Karen there was a notion that British rule had liberated them from the historical oppression by the Burman kings.[4] At the same time this raised suspicion among the Burman Buddhist population.

Ethnic minorities in particular the Chin, Kachin and Karen were also favoured for recruitment into the British colonial army.[7] The use of ethnic minorities in the armed forces to suppress Burman rebellions against British colonial rule became a particular source of resentment.[13]

As a result of these actions by the British, anti-colonial feelings were stronger in the Burman majority than ethnic groups and antipathy between the two groupings increased.

5.4.5 The road to Independence and the 'constitutionalisation' of ethnic inequalities

Anti-colonial sentiment, amongst Burmans, led to the formation of the Dobama ('We Burmans') and student movements in the 1930s lead by Aung San. With the outbreak of the Second World War, nationalists of the Burma Independence Army (BIA) fought alongside the invading Japanese, who had promised them independence, against the British, whereas many of the ethnic minorities, in particular the Kachins and Karens allied themselves to the British. They continued to put up armed resistance to the Japanese, supported by the British and the US, until the end of the war.

Thousands of Karen and other ethnic groups were killed or tortured as 'collaborators' after the British retreated to India.[4] Towards the end of the war the BIA, under Aung San, changed allegiances but this move did little to dispel the enmity that had developed between the war-time leaders.[7]

The British returned to Burma having defeated the Japanese and discussions were held with Burmese leaders about Burma's future independence; several ethnic groups including the Kachin, Karen, Karenni and Shan demanded separation. The road map for Burma's independence was finally agreed at the Panglong Conference in February 1947. Under this agreement the Frontier Areas were guaranteed '*full autonomy in internal administration*,'[14] and the enjoyment of democratic '*rights and privileges*.'[15] However, critically several of the main ethnic groups were not represented and the Karens attended only as observers. Later in 1947 Aung San's Anti-Fascist People's Freedom League (AFPFL) won constituent assembly elections. But, the elections were boycotted by the Karen National Union (KNU) [successors to the KNA] and the Communist Party of Burma (CPB)[f] amongst others.[7]

At this time a constitution was drafted with the dual aims of creating a sense of Burmese identity and cohesiveness, whilst at the same time enshrining ethnic rights and their aspirations for self-determination.[4] But the constitution failed to deal with the ethnic groups evenhandedly and did not adequately address separatist concerns. Only the Kachin, Karen, Karenni and Shan were assigned territories, in the form of ethnic nationality states. Of these only the Karenni and Shan were granted the right of secession. A 'special division' was created for the Chins but the Mon, Pao and Rakhine were not given any territories.[7]

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KIA soldier.

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KNU parade.

[f] The CPB, originally a member of the AFPFL, split into two factions – the 'Red Flag', who went underground before independence and the 'White Flag' – that went underground after independence. Both factions were determined to institute a communist state through an armed revolution. (Fink, C. (2001))

6 INDEPENDENCE AND THE PERPETUATION OF CONFLICT

Since Independence there have been hundreds of thousands of deaths among both combatants and non-combatants. War-related displacement has led to 300,000 refugees, in official camps, in neighbouring countries and one million internally displaced people (IDP) in Burma.[4,16] In some instances, as characterised by the Four Cuts counterinsurgency campaign, large areas have been forcibly depopulated, non-combatants forced to carry supplies and extra-judicial executions were widespread.

6.1 Conflict following Independence and rise of Ne Win

General Aung San, led the pre-independence Executive Council, and was considered by many to be the one person with the vision and diplomatic skills necessary to resolve the inherent problems in developing an independent state of Burma.[7] Aung San reached out to non-Burmans by, amongst other things, bringing them into the new Burma Army. He appointed Smith-Dun, a prominent Karen, as commander in Chief of the Armed Forces and visited ethnic leaders, selecting other non-Burmans for high-ranking positions. Tragically for Burma, Aung San and most of the cabinet were assassinated on 19 July 1947.

In January 1948 Burma gained independence. Less than 12 weeks later the CPB led an armed rebellion, against the government under U Nu. This was followed by the KNU in January 1949 and other ethnic groups soon after. Weapons, ammunition, and combat experience were everywhere, the legacy of the Second World War.

On 31 December 1949 Smith-Dun was forced to resign and was replaced by his deputy Ne Win. With the withdrawals of other senior Karen military figures and the two remaining Karen cabinet ministers the Karens lost their links with the AFPLF government. Smith Dun's ousting led to the defection and subsequent internment of whole Karen army and police units, leading to even greater political and economic chaos.[17] At the same time Ne Win built up the army around the nucleus of his old regiment, the Fourth Burma Rifles, recruiting mainly ethnic Burmans. By 1952 the government although itself weak had regained control of much of the countryside, with the help of Britain and India[17] and through the deployment of the army under its uncompromising leader. Central government authority was restored by General Ne Win but much of Burma lay in the hands of insurgent groups throughout the 1950s.

A number of ceasefire agreements were reached in 1958 but widespread ethnic disillusion and the CPB challenge with the government remained. The ethnic leaders felt that the move to a federal Burma, and equal rights for ethnic minorities, was not taking place quickly enough and they feared domination of the government in Rangoon by Burmans. By the early 1960s the civil war had spread to Shan and Kachin States with formation of Kachin Independence Organisation (KIO) and the forerunner of the Shan State Army (SSA). In 1961 U Nu's attempt to make Buddhism the state religion was seen by the Christian Kachin as particularly provocative.

Senior figures within the armed forces, or *Tatmadaw*, were also highly critical of the government for its economic failings and for other very different reasons. They felt that the politicians had failed to deal both with splits in the government and with the insurgents.

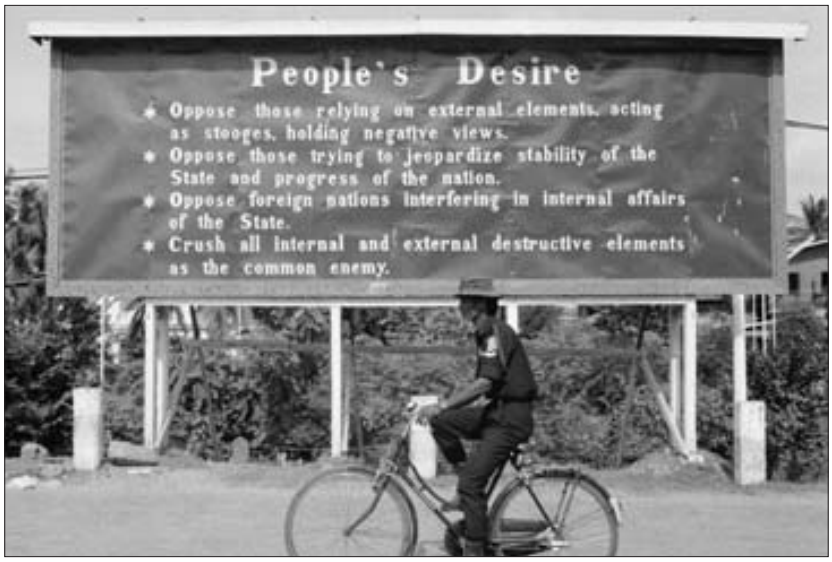
There were genuine attempts to address the problems, and as the civil war spread throughout Burma several ethnic minority politicians, including members of the Shan government and some prominent MPs, formed the Federal Movement,[17] which sought to ensure equal rights for ethnic minorities by changing the constitution through political means. General Ne Win, however, viewed devolution of power, to the ethnic regions, as tantamount to separatism. On 2 March 1962 he seized power, arresting U Nu and other leaders in the process. At the time of the coup U Nu was attending a Federal Seminar in Rangoon with the leaders of the Federal Movement.

The Secretariat building where Aung San and the cabinet were assassinated in 1947.

6.2 Burma under the Burma Socialist Programme Party (BSPP)

After the coup Ne Win established a military dictatorship and one party rule under the BSPP. His political vision the "*Burmese Way to Socialism*" was an amalgam of Buddhist, nationalist and Marxist principles. Ne Win, convinced that foreigners were to blame for Burma's problems, and certain that with its rich natural resources Burma could go it alone, forced Burma into a period of isolation, idiosyncratic rule and serious decline.

The BSPP was preoccupied with centralising power, defeating the insurgencies and eliminating foreign control over business. The pluralism of the 1947 Constitution was rejected in favour of a Burmese national identity to be shared by all ethnic groups; religious based schools were closed and publications in minority languages were severely restricted. In addition the government and *Tatmadaw* became increasingly Burmanised as ethnic minority peoples were increasingly excluded from positions of power. Key areas of the economy were nationalised in the early 1960s, and 300,000 Indians and 100,00 Chinese, who were active in trade and commerce, were forced to leave. Although still part of the UN, international relations during this period were minimal. Civil society and independent organisations were repressed.



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The peoples desire?

For 20 years CPB (backed by China since 1968), Karen, Kachin and more than 20 other ethnic forces ran extensive 'liberated zones' in the border areas. By the early 1980s two main opposition groups had emerged: the CPB and the National Democratic Front (NDF). The CPB was led by Burmans but its People's Army was largely made up of ethnic troops, whereas the NDF was a coalition of 11 ethnic minority parties, which was fighting for the creation of a federal union of Burma. Both groups financed their insurgencies, and forms of limited governance, through involvement in black market trading, and the extraction of natural resources, including timber. The regime, for its part, was spending in excess of 40% of the national budget on the military. Hundreds of thousands of people were killed during these decades of constant and bloody conflict as the 190,000 strong *Tatmadaw* fought the 50,000 insurgent troops.

6.3 The Four Cuts counter –insurgency campaign

The Four Cuts campaign started in the late 1960s. At its heart lay the intention to deprive opposition groups of food, funds, recruits and intelligence. Areas in Burma were classified by the *Tatmadaw* as being 'white' or insurgent free, 'black' or insurgent controlled and contested or 'brown' areas. Some areas were designated 'free-fire' zones and local people were forcibly relocated to defended settlements under government control. Anyone caught in the free-fire zones risked being shot on sight. In practice, this has been implemented by systematic intimidation and repression of the civilian population until they no longer dare support the opposition, and by making them so destitute that they are unable to provide any material support. In essence the insurgent groups have been undermined by directly attacking the civilians who support them, often referred to as '*draining the ocean so the fish cannot swim*'.

The SLORC/SPDC has made its implementation much more systematic than ever before, using military offensives and large-scale forced relocations.[18] Predictably, these brutal tactics led to an increase in the resolve of the insurgent groups.

6.4 The 1988 uprising and the State Law and Order Restoration Council (SLORC)

In the late 1980s the thriving black market economy was worth about $3 billion, equivalent to 40% of Gross Domestic Product (GDP)[g], and much of this benefited the insurgent groups financially. In 1987, in an attempt to undermine the black market, and through this the insurgents, the BSPP invalidated all large denomination banknotes, equivalent to 70% of the currency. Government employees were permitted to exchange these notes, but the move hit the remainder of Burma's population hard wiping out their cash savings.

In addition, mismanaged economic liberalisation resulted in large price increases for basic foodstuffs, in particular rice. This, together with the currency reforms,

[g] GDP: The total market value of all goods and services produced by labour and property within the political boundaries of an economy during a given period of time. It is normally measured over 1 year and is the government's official measure of how much output an economy produces.

lead to popular unrest. In July 1988 as Burma faced bankruptcy Ne Win resigned. The resignation was followed by mass pro-democracy demonstrations throughout Burma.

Martial law was imposed on 18 September 1988 by forces loyal to Ne Win, under Senior General Saw Maung, which had crushed the protests and resumed power as the State Law and Order Restoration Council (SLORC). Thousands of students and pro-democracy demonstrators fled violent crackdowns to Burma's ethnic minority-controlled borders. It is thought that about 10,000 people, many of them unarmed civilians, were killed as a direct result of the conflict during 1988.[7]

The SLORC's violent response to the nationwide civil unrest in 1988 was condemned by much of the international community and most donors suspended their aid packages to Burma. Export earnings had dropped from $426 million in 1983-4 to $258 million in 1987-8[10] and the foreign trade deficit was $359 million.[10] In 1988, foreign debt stood at over $4 billion, requiring hundreds of millions of dollars each year in service payments, whilst foreign currency reserves, used amongst other things to finance imports into Burma, were a minuscule $9.5 million.[10]

At a time when the SLORC's economic situation was desperate, it was logging and fishing concessions that provided Burma with crucial foreign exchange. The logging concessions, granted to Thai companies on the Thai-Burmese border following General Chavalit's visit to Rangoon in December 1988 (*see page 64*), brought in over $112 million a year. This boosted SLORC's income from the timber trade to an annual average of $200 million making it Burma's largest single earner of legal foreign exchange providing 42% of the total.[19]

6.5 The 1990 General Election and the drafting of a new Constitution

Despite the economic lifeline thrown to the regime by the Thais and their logging companies the SLORC still faced ostracism from most of the international community. After the violence of 1988, the military leaders of the SLORC promised that they would deliver multi-party democracy and economic reform as soon as they had restored law and order.

In 1989, after the sudden collapse of the CPB, the SLORC quickly brokered ceasefire deals with several ethnic minority insurgent groups, the remnants of the CPB, including the United Wa State Party (UWSP), the New Democratic Army (Kachin) (NDA(K)) and the SSA(N). Other ceasefire deals followed throughout the 1990s (*see Ceasefires, page 46*).

Multi-party elections, held in May 1990, were won by the National League for Democracy (NLD) led by Aung San Suu Kyi, the daughter of General Aung San. The NLD, with 52.9% of the vote and 392 seats (80%), in alliance with 19 ethnic minority parties won the majority of the constituencies. The SLORC-sponsored National Unity Party (NUP) took 25% of the vote, but only 10 seats.

Subsequently the SLORC disputed the purpose of the elections and claimed that they were not to form a government but instead to elect a constituent assembly that would draft a new constitution. When the newly elected politicians attempted to call a parliament the military arrested over 80 of them. Other MPs fled to territory controlled by the NDF where they formed the exiled National Coalition Government Union of Burma (NCGUB). The NCGUB, NDF and other pro-democracy groups later united to become the National Council Union of Burma (NCUB). In November 1999 the NDF became the nucleus of the 23 party Democratic Alliance of Burma (DAB). Aung San Suu Kyi was placed under house arrest until 1995.

In January 1993 the SLORC introduced a hand-picked National Convention claiming that it was a more suitable forum at which to draft a new constitution. The NLD withdrew from the Convention in 1995 citing restrictions on freedom of expression.[7]

In 1998 the NLD and several elected ethnic minority politicians convened the 10-person Committee Representing the People's Parliament (CRPP) but this was broken up by the military authorities with several hundred more pro-democracy supporters being arrested.[7] Aung San Suu Kyi was placed under house arrest again in 2000 and by 2001 there were 1,850 political prisoners in Burma's jails.[20]

UWSP leadership.

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KNU soldier.

7 RECENT DEVELOPMENTS

Most foreign donors, including the International Monetary Fund, World Bank and Asian Development Bank, suspended aid to Burma after the 1988 popular uprising.

Foreign aid now represents less that 1% of GDP and UN agencies recently estimated annual overseas development assistance to Burma to be at around $1 per capita compared to $35 for Cambodia and $68 for Laos.[7] Burma receives grants of technical assistance, mostly from Asia, limited debt relief and grants for grass roots projects and the agricultural, health and forestry sectors from Japan, limited humanitarian aid from Japan, and loans from China, India, Thailand and Singapore.[21]

The SLORC ended the period of isolationism, engaging increasingly with the international community and in particular with neighbouring countries. In 1997 the SLORC, renamed the State Peace and Development Council (SPDC), joined the Association of South East Asian Nations (ASEAN).

The imposition of investment sanctions led by the US, and withdrawal of most aid has, to some degree, been countered using natural resources and its strategic location to reach accord with neighbouring countries such as China and Thailand and the ASEAN nations. The SPDC's closer ties with ASEAN and its neighbours, especially China and Thailand, have been key in cementing the regime's hold on power. Burma's 'natural resource diplomacy' has been instrumental in shaping these foreign relations.

There has been increasing engagement between the SPDC and international bodies in the last few years.[7] The International Labour Organisation (ILO) for instance re-engaged in the early 1990s; Burma had ratified the ILO's forced labour convention in 1955. In 1999 the ILO took steps towards expelling Burma because of continued evidence of forced labour. It also took the unprecedented decision, in June 2000, to recommend that its members (governments, employers and trade unions) review their economic ties with Burma and take appropriate action to ensure that they did not abet the widespread and systematic use of forced labour. In 2001 a high level delegation was sent to Burma to carry out an assessment of the practical implementation and actual impact of measures taken by the SPDC in order to put an end to the practice of forced labour. The team was allowed to move freely throughout the country and in essence found that although new legislation had been put in place its impact had been limited. In particular, it found that forced labour was practised in areas affected by military presence and especially in border areas where fighting may still be taking place. Since 2002 there has been an ILO liaison officer based in Rangoon.

The UN Special Rapporteur on the Situation of Human Rights in Myanmar has had a fact-finding mandate granted by the UN Commission on Human Rights since 1992.The current rapporteur is Professor Sergio Pinheiro. The UN Special Envoy began visiting Burma in 2000. The role of the special envoy is to facilitate 'democratisation and reconciliation.' Razali

Ismail, the envoy at the time of writing, has been involved in the 'confidence building' talks, which started in October 2000, between the NLD and the SPDC.

Some 330 NLD prisoners have been released since January 2001 and other prisoners have been released on 'humanitarian grounds.' A report issued in February 2002, by the US State Department, said that the US would consider lifting the sanctions on investment, imposed in 1997, in the event of "*significant steps*" towards political reform.[22] Significantly, Aung San Suu Kyi was released on 6 May 2002 after 20 months of house arrest, and was allowed to travel across the country. In addition some of the restrictions on the activities of legal political parties have been lifted. For instance the NLD offices were allowed to open but the party has not been given permission to print material. On 10 May 2002 the Japanese government donated 628 million yen for the renovation of an hydroelectric power plant. This was the first instalment of a 'humanitarian' aid grant worth between 3 and 3.5 billion yen ($24-28 million) to repair the Baluchaung No.2 hydroelectric power station, in Karenni State. The loan was said to be a gesture of support from the Japanese government to the SPDC for the talks with Aung San Suu Kyi.

But the regime has detained some 60 political activists, including Sai Nyunt Lwin a well-known Shan leader between May 2002, when Aung San Suu Kyi was released, and February 2003; many with lengthy jail terms.[24] No political detainees have been released since November 2002.[24] According to Amnesty International, between 1200 - 1300 political prisoners remain throughout the country. Many of these are thought to be prisoners of conscience.[h, 25]

Closed-door talks between the SPDC and the NLD continued in 2002 but did not move onto substantive dialogue, and ethnic minority groups have not been included. At the time of writing the talks have, by all accounts stalled and the SDPC has started to attack the NLD in the state-run press again.[24]

The SPDC's regressive change in approach is probably linked to recent diplomatic success with its near neighbours that will have heightened the SPDC's confidence[24] and morale. In January 2003 the SPDC secured a $200 million loan from China. Relations with Bangladesh have thawed and trade is on the increase, as it is with India.

Relations with the Thai government throughout 2002 were tumultuous and relations deteriorated early in the year following violent clashes on the border involving the Thai army, the *Tatmadaw*, UWSA, and SSA(S). The SPDC accused Thailand of assisting the SSA(S) in the planning and execution of an attack on UWSA and Burmese military outposts near the Thai-Burma border. This led to the closure of the border on 22 May, which hit Thai business interests hard.

Relations have since improved and the Burmese Foreign Minister was invited to Thailand in late September 2002 and the border subsequently reopened in October. Thailand has yielded to the SPDC's demands. Thaksin Shinawatra, the Thai Prime Minister, replaced several senior army figures known for their tough stance on Burma. The Thai government has also 'cracked down' on Burmese pro-democracy groups based in Thailand, leading to the closure of offices, arrests and some deportations and repatriations.

Dealings with the Thai government improved further with the Thai Prime Minister's visit to Rangoon in February 2003.[24] Five ethnic minority groups (the SSA, the KNU, the Karenni National Progressive Party (KNPP), the Chin National Front, (CNF) and the Arakan Liberation Party (ALP)) were reported to have agreed in late February 2003 to let Thailand mediate truce talks between them and the SPDC.[26] The KNU, KNPP and SSA with bases along the Thai-Burma border had been subjected to increasing pressure from the Thais. The ALP stronghold is in western Burma and the CNF is based along the India-Burma border in the northwest.[27]

7.1 The Detention of Aung San Suu Kyi

On Friday 30 May 2003 Aung San Suu Kyi's convoy was stopped and then set upon by Union Solidarity & Development Association (USDA)[i] members as it approached the village of Depayin in Sagaing Division, 500 miles north of Rangoon. The Burmese military regime reported that four people were killed in the attack but the real figure could be higher. The SPDC then placed Aung San Suu Kyi in "*protective custody*", and closed all universities, colleges and NLD offices.

A press release issued by the British Foreign and Commonwealth Office on 19 June stated that Aung San Suu Kyi was being held in Insein Jail under Section 10(a) of the 1975 State Protection Law; which allows for detention without access to family or lawyers for 180 days at a time, up to a total of five years, with no prospect of appeal. As a result the EU Foreign Ministers brought forward strengthened measures (extending the EU travel ban and assets freeze against members of the regime, their families and associates, and tightening the arms embargo) on 16 June 2003. Also on 16 June Asean Foreign Ministers meeting in Phnom Penh broke their long-standing rule of non-interference and pressed the regime of her release.[28]

In the US the Senate voted 97-1 in favour of banning all imports from Burma and freezing of SPDC assets, and the House of Representatives expected to vote soon on a similar sanctions bill.[29] According to press reports on 24 June Japanese Vice-Foreign Minister Tetsuo Yano met General Khin Nyunt to convey a message from Prime Minister Junichiro Koizumi that Aung San Suu Kyi be released immediately; these sentiments have been echoed by UN Secretary General Kofi Annan. At the time of writing the International Committee of the Red Cross had been denied access to her.[30]

[h] People imprisoned solely for their peaceful political or religious beliefs; who have not used or advocated the use of violence.

[i] The USDA is a mass mobilisation organisation of 12 million members headed by Than Shwe and designed to rally support for the SPDC.

8 THE ADMINISTRATION OF BURMA: WHERE POWER LIES

"Power in Burma is not based solely on command structures or titular office, however, as institutions are secondary to individuals."[10] David I Steinberg, academic, 2001.

Burmese military regional commands. Source Karen Human Rights Group.

The exercise of power and the control of natural resources are synonymous. However, there is a dearth of available information, and a great deal of myth and rumour surrounding the distribution and dynamics of power and control in Burma; for example how events on the ground reflect policy and specific decisions taken in Rangoon, or more locally.

Whilst regime is authoritarian and has pervasive influence in many areas of society down to the village level, control by the centre can be tenuous or absent in many parts of the country, be that in areas controlled by insurgents, ceasefire groups or the Tatamadaw's Regional Commanders. This in no way absolves the regime from the variety of abuses carried out by the military, but it does need to be factored in to analysis of how such abuses takes place and how it can be stopped.

Power in Burma is considered to be highly personalised with power generally understood to reside with individuals more than institutions.[10] This leads easily to power struggles and factionalism and underlies a real fear of splits in the Burmese military and other institutions. However, this has also been used to its advantage by the regime through offering ceasefire deals to local commanders of insurgents who might defect with their troops.[31]

Personal loyalties are developed and maintained through cronyism and corruption. Such client-patron relationships based on mutual support is typical in most areas of business including the natural resource sector and logging and are an overshadowing feature within the regime and between the state, the ceasefire groups and the business community.

The national entrepreneurs are trusted business people, often employing relatives of the senior SPDC members. Several of the companies set up by these individuals were financed in the first instance by drugs money. It has been argued that this was an attempt by the regime to lead the drugs barons away from their illicit trade but it is debatable as to whether or not this was the intention and, if it was, to what extent it has succeeded. The favoured companies include Htoo Trading Company (*see page 75*), Yuzana Co., Asia World Co. Ltd., Shwe Than Lwin, Myanmar Billion Group Ltd., Woodlands Group Ltd., Dagon, Kanbawza, and Olympic.

The national entrepreneurs receive privileges such as exemptions from certain taxes, freedom from certain import restrictions and special access to credit that are not afforded to less well-connected individuals and companies. They also have access to imported goods that in the logging context includes earth-moving machinery, log skidders and subsidised fuel. According to the Burma Country Commercial Guide Burma Financial Year 2002 this is "*a deliberate policy of corporate favouritism…* [that] *creates a business environment in which personal connections to the generals, rather than business skill or technical merit, are the most important factors for corporate success.*" Such a sharing of power to increase your sphere of influence is balanced by a widely held belief in Burma that power is finite i.e. that the sharing of power will necessarily result in a reduction in your own.[10] This dilemma is faced by the regime with respect to the Regional Commanders of the *Tatmadaw* (*see page 25*).

The Burmese government has a history of managing the power bases of strong local leaders. For example, in Shan State beginning in 1963, General Ne Win established Kaw Kwe Ye (KKY) village militias to counter the Shan separatist movement. The KKY was built around established strongmen and their armed followers. They were allowed to retain their arms and given economic freedom as a reward for fighting against the insurgents. The KKY also became involved in the opium trade; both Khun Sa and Lo Hsing Han (*see page 114*) were heads of KKY units in the 1960s.

Information in Burma does not flow simply according to a bureaucratic system but is closely linked to power. Most people have to make do with poor information

simply because more accurate information is not available. It is also the case that information is fabricated either to mislead deliberately or because people fear the potential consequences of telling the truth; officials, at all levels are known to inflate figures to feign progress. Access to the internet is strictly limited and the media closely controlled. Some of the SPDC leadership and some of the regional *Tatmadaw* commanders are believed to have their own intelligence gathering networks to provide them with 'real' information.

8.1 The State Peace and Development Council (SPDC)

The SPDC replaced the SLORC in November 1997 and is the highest state organ. It is not constrained by any legal provisions that limit its executive power. The Council is a193-member body that is exclusively made up of senior military officers. The Council used to include all 12 Regional Commanders but they are currently not represented. The SPDC in general, and the triumvirate of generals at the top in particular, are considered to be the ultimate arbiters of power in Burma. The SPDC has a pervasive influence in many parts of Burma, through formal administrative structures that reach all the way down to village level, the *Tatmadaw* and the USDA.

The SPDC controls all the organs of state power, consistently working to consolidate its position whilst weakening unarmed and armed opposition groups. Threats to its power are subverted through direct military intervention, control of the economy and developing relationships with the business community, alliances and ceasefire agreements, control of the media and a pervasive influence through civil society organisations.

8.2 The Cabinet

A few civilians were appointed to the cabinet in 1992. In 1997, there were 28 portfolios held by military officers and eight by civilians. However, all cabinet ministers are currently active, or retired, military officers. Below cabinet level, the ministries are also dominated by the military. The SLORC/SPDC change led to a diminution in the power of the cabinet following the dismissal of several powerful cabinet ministers; some of who were very wealthy former Regional Commanders.

8.3 The Three Generals

Until 2001 power in Burma was largely concentrated in the hands of five generals. 2001 however, saw the loss of Secretary 2 and Secretary 3. Secretary 2, Tin Oo, was killed in suspicious circumstances in a helicopter crash in the Salween River.[32] Secretary 3, Win Myint was removed from office in late 2001.[33] Tin Oo was close to Maung Aye and Win Myint was close to Khin Nyunt.[34]

Until recently General Ne Win retained some influence, though it was believed to be on the wane prior to his death in December 2002.[35] At the time of his death Ne Win was under house arrest with his daughter, Sandar Win.[36] On 26 September 2002 his son in-law Aye Zaw Win, and grandsons Aye Ne Win, Kyaw Ne Win and Zwe Ne Win, were found guilty of high treason following their arrest on 7 March 2002.[37] They had been arrested for supposedly organising a coup. However, this may have had more to do with punishment for dubious business practices and conflicts within the military leadership.[38]

Than Shwe, Maung Aye and Khin Nyunt form the triumvirate that controls Burma. Almost every decision of political importance is passed by at least one of these generals. Because of the climate of fear that has been created there is general reluctance on the part of those below the generals to make their own decisions, which has resulted in the most banal of issues being passed up the command chain. This can lead to almost complete paralysis of the decision-making mechanisms in the ministries.

Crackdowns on different groups, typically engaging in business or activities broadly described as ethnic politics, are thought often to be motivated by power struggles within the leadership.[39]

8.3.1 General Than Shwe

Executive power is supposedly vested in Senior General Than Shwe. Than Shwe joined the army when he was 20 and served in psychological warfare posts before being made a Brigadier General by the time he was 50. The former South West Commander (1980-1985) now holds the position of Prime Minister, Commander In Chief of the Armed Forces and Defence Minister.[40] Born in 1933, and a member of the SLORC since its formation 1988, he is believed to be in poor health. Than Shwe is considered to be somewhere between Khin Nyunt and Maung Aye in outlook; a reformist and hardliner respectively.[34] The fact that he is senior general, titular head of the regime and of the army, does not necessarily mean he is in charge. For instance his predecessor, SLORC Chairman, Senior General Saw Maung, had no real power.[40] However, recent events suggest that he has, to a certain extent, consolidated his position at the top.

8.3.2 General Khin Nyunt and Military Intelligence

Khin Nyunt was a protégé of Ne Win and in the early 1990s was thought to be in charge of the regime.[40] He was instrumental in brokering the ceasefires with ethnic insurgents and drug warlords, and takes a lead in foreign relations; an ethnic Chinese, he is close to the Chinese government.[34] He is regarded as the main modernizer and supporter of incremental reforms.[7] He either chairs or sits on at least fifteen working committees and addresses and controls every cabinet meeting.[34]

Khin Nyunt is the head of the Directorate of Defence Services Intelligence (DDSI), formerly known as the Military Intelligence (MI) and this, together with his

relationships with the ceasefire groups, is where his power base lies. The DDSI is a pervasive military intelligence network that monitors the civilian population as well as the military. Since the early 1990s the MI companies have reported directly to Rangoon, rather than through regional commands.[34] The MI/DDSI is used to help keep the military in line and Khin Nyunt has been associated with purging corrupt ministers, including former regional commanders, when the SLORC changed to SPDC. He is also the Chief of the Office of Strategic Studies (OSS). The OSS was added to the DDSI in 1994 and has become the political wing of the *Tatmadaw* directing key functions of the government. "*It* [MI/DDSI *control of government] works, in a sense, because it is unrepresentative, unidentifiable and unpredictable.*"[41]

General Khin Nyunt with UWSA leader Pao Yuqiang, billboard in Pangsan, Wa State; 2001.

Despite, or perhaps because of his evident power, Khin Nyunt has his detractors. He was not a Thahkin[j] fighter for national independence, and "*faces opposition from his contemporaries who believe he was not rightfully promoted via the usual route, namely the battlefield.*"[41] Khin Nyunt is unlikely to find any great support among other parts of the *Tatmadaw*, which reportedly "*fears the DDSI's power and resents its surveillance of their own activities.*"

In a November 2001 International Labour Organisation (ILO) report it was noted that many military personnel at the local level had failed to follow an order to stop the use of forced labour, and that there was little or no accountability in the case of breaches.

"*Thus, when a village head came to complain to the local battalion commander, the answer he received was that the Order came from Secretary-1, Lt.-Gen. Khin Nyunt, that Khin Nyunt did not have responsibility for fighting and that therefore this order did not concern them and that if they wanted to complain they could go to him.*"[43]

On August 26 2003 General Khin Nyunt was made Prime Minister, Secretary 2, Lieutenant-General Soe Win was promoted to Secretary 1 and Lieutenant-General Thein Sein was made Secretary 2.

8.3.3 General Maung Aye

General Maung Aye is determined in his conviction that the *Tatmadaw* can resolve Burma's problems on its own.[7] As commander of the Army he appoints Regional Commanders[44], all Regional Commanders report to him[10] and he is said to have his own military intelligence.[45] He also has an economic base as the chairman of an industrial committee that gives him a major voice in economic policy.[10]

8.4 The *Tatmadaw*

The Burmese military, or *Tatmadaw*, has expanded from around 190,000 troops in 1988 to about 400,000 in 2002.[46] There are an additional 72,000 in the Myanmar Police Force, including 4,500 paramilitary police.[52] This corresponds to roughly one soldier per 100 citizens.

The *Tatmadaw* has acquired a modernised arsenal of weaponry from countries such as China, Singapore, Israel and Pakistan, and has its own defence industry, called 'Ka Pa Sa'. Burma's defence spending of about $2.2 billion in 1997 and $2.1 billion in 1998[47] amounts to 14% of the country's Gross National Product (GNP).[k] The defence sector accounts for over 40% of the public sector spending, more than twice the amount that is devoted to health and education combined.

Currently very few *Tatmadaw* soldiers actually experience armed combat. Unlike the era when insurgents could match the *Tatmadaw* in conventional warfare, there is no longer any frontline, the last full scale offensive was in 1997 and the remaining insurgents employ guerrilla style tactics. Thus, soldiers are rarely engaged in military manoeuvres, but instead, often find themselves employed in agricultural enterprises and construction. In other words, the military has adopted a new and insidious alter ego, as a vast commercial enterprise.

Tatmadaw owns banks, construction, agricultural and import-export companies. The largest firm in Burma, the Union of Myanmar Economic Holdings (UMEH) is a *Tatmadaw*-owned corporation.[48] The army has become big business in Burma, and the military's autonomous status and power, combined with the SPDC's desire for foreign exchange and trade has provided numerous opportunities for officers to exercise initiative and line their pockets in preparation for an early and wealthy retirement. This situation is not the same for the rank and file. Soldiers are often coerced into recruiting; training is minimal and wages virtually non-existent.[49]

[j] 'Thakin' means Master. General Ne Win was one of the 30 comrades who called themselves Thakin.

[k] GNP: the market value of all the goods and services produced by labour and property belonging to a country, regardless of where the productive assets which earn the income are located. It equals GDP plus the net inflow of labour and property incomes from abroad. GNP can be calculated as GDP plus income accruing to residents from investments abroad less income earned in the domestic market accruing to foreigners.

It is important to consider the nature of the military which has been said to constitute a state within a state, having become a social caste with access to better healthcare systems, schools supplies and daily necessities.[10] One established observer of Burma's military asserts "*It is difficult to find a family in Burma today that does not rely on some member, distant or immediate, whose service in the armed forces provides the family with access to higher-quality rice, cheaper cooking oil, and other necessities that they cannot afford on the inflationary market.*"[50]

8.5 Regional Commanders

"*Senior officers are posted frequently to prevent them from building up personal followings, or individual power bases in particular geographical areas. Some officers are kept away from power centres, for example through diplomatic postings overseas, while others are co-opted into the regime's political structure where they can be more easily controlled*"… "*There is also a wide range of rewards which can be bestowed on 'loyal' officers in the way of promotions, comfortable postings, special privileges, business opportunities and other perquisites*."[54] Andrew Selth, academic; 1996.

The power and autonomy of Burma's regional commanders has important implications for resource control. Prior to 1988 there were nine Regional Commands; this has since been expanded to twelve 12 (*see table below*). The position of Regional Commander can be a route to power and is a very powerful position in itself; General Maung Aye for instance was Commander of the Eastern Division in Shan State and Than Shwe South West Commander (1980-1985).

Under the Burma Socialist Programme Party, the Regional Commanders were rotated every three years to stop them building up power bases. After 1988 the Regional Commanders were made members of the SLORC giving them political as well as military power.[51] This move may also have been an attempt to increase control over the commanders by bringing them to Rangoon on a regular basis. Under the SLORC in 1990 they were given informal, de facto control over anything they were interested in, in the areas under their control.[52] They were given authority over economic affairs thereby reducing the power of the ministries and now, amongst other things, they run state factories and implement infrastructure projects.[51] In a speech, on 7 July 2000, Brigadier General Zaw Tun, Deputy Minister for National Planning and Economic Development, stated that Divisional Commanders falsify GDP numbers as some thought their promotion prospects would be determined by these figures.[53] Whilst the increase in power of these Regional Commands has increased extended the reach of the SLORC/SDPC across Burma it has also resulted in a rise in centre-periphery tensions, which could ultimately threaten the authority of the generals in Rangoon.

National policy decisions are made in Rangoon yet the influence of the Regional Commanders on these decisions, as part of the ruling SPDC, is thought to be limited. However, these Regional Commanders still enjoy a large degree of autonomy in the areas under their control and there is a constant struggle to keep their power in check. Many Regional Commanders owe their positions to General Maung Aye and this is repaid in their loyalty towards him; their power whilst in check strengthens his position.

The 1988 Regional Commanders were brought back to Rangoon in 1992 where they were given lucrative ministerial positions.[55] It is thought that the reorganisation of the SLORC into the SPDC in 1997 was in part an attempt by the generals in Rangoon to further restrict the power of the Regional Commanders and their lucrative, but in many cases illegal, activities.[34] When their corruption became intolerable many ministers, including Regional Commanders brought to Rangoon after 1992, were removed as part of the shake-up.

Frequently, little distinction is made between the SLORC/SPDC and its regional and local commanders but they might not necessarily be one and the same thing.[40]

TABLE 1: REGIONAL COMMANDERS, INCLUDING CHAIRMANSHIP OF REGIONAL PEACE AND DEVELOPMENT COUNCIL (PDC). SOURCE: THE IRRAWADDY ON-LINE EDITION

Name	Chairman PDC	Command
Major General Myint Swe	Rangoon Division	Rangoon Command
Brigadier General Ye Myint	Mandalay Division	Central Command
Brigadier General Khin Zaw	Shan State (East)	Triangle Region Command
Brigadier General Tha Aye	Tenasserim Division	Coastal Region Command
Brigadier General Khin Maung Myint	Shan State	Eastern Command
Brigadier General Maung Oo	Rakhine State	Western Command
Brigadier General Maung Maung Swe	Kachin State	Northern Command
Brigadier General Myint Hlaing	Shan State (North)	North-East Command
Brigadier General Soe Naing	Sagaing Division	North-West Command
Brigadier General Aung Min	Pegu Division	Southern Command
Brigadier General Thura Myint Aung	Mon State	South-East Command
Brigadier General Htay Oo	Irrawaddy Division	South-West Command

PART TWO: LOGGING IN BURMA

9 THE ECONOMY

"The military view economic progress, reform, or liberalisation as secondary to maintenance of political control, or indeed as a means to such control. The primary function of an improved economy is greater military power, general political acquiescence of the population to military control through military delivery of greater economic rewards for loyalty, and improved political legitimacy, and not directly the betterment of the human condition."[56]
David I Steinberg, academic, March 2000

At different times Burma has been the world's largest exporter of rice and oil and several minerals but in recent years Burma's formal economy has been in a state of 'collapse.' Burma's poor macro-economic environment is characterised by constant budget deficits at 5% - 6% a year, high inflation that averages 28% a year, a hugely overvalued domestic currency (the unofficial kyat/dollar exchange rate, of 1,500 to the dollar, is over 200 times that of the official rate of 6.5),[57] heavy state spending on loss making State Economic Enterprises. Burma also has a very low ratio of tax to GDP – of 5% of GDP. Burma's total foreign debt now stands at $5.9 billion.

In reality, the economy has not collapsed because the majority of Burma's population live off the land and the informal economy, much of this illicit – notably drug production, is so extensive that there is an inherently high level of subsistence and self-sufficiency.[56] Burma is essentially an agrarian economy with two-thirds of the population engaged in subsistence agriculture. Agriculture, including forestry and fisheries, accounts for about 60% of GDP, the highest in Southeast Asia. It has a low population density and is exceptionally rich in natural resources but has the lowest level of industrialisation in Southeast Asia, which accounts for less than 10% of GDP. In China this figure is 50%, in Thailand 40%.

In February 2003 the Burmese economy hit another low point. A crisis was sparked by the huge losses suffered by Burma's largest commercial bank, Asia Wealth Bank (AWB), on its deals in China and the collapse of several non-banking financial companies.[57] In addition, on 1 February the Minister of Finance and Revenue, Khin Maung Thein was dismissed for his involvement in foreign exchange transactions.

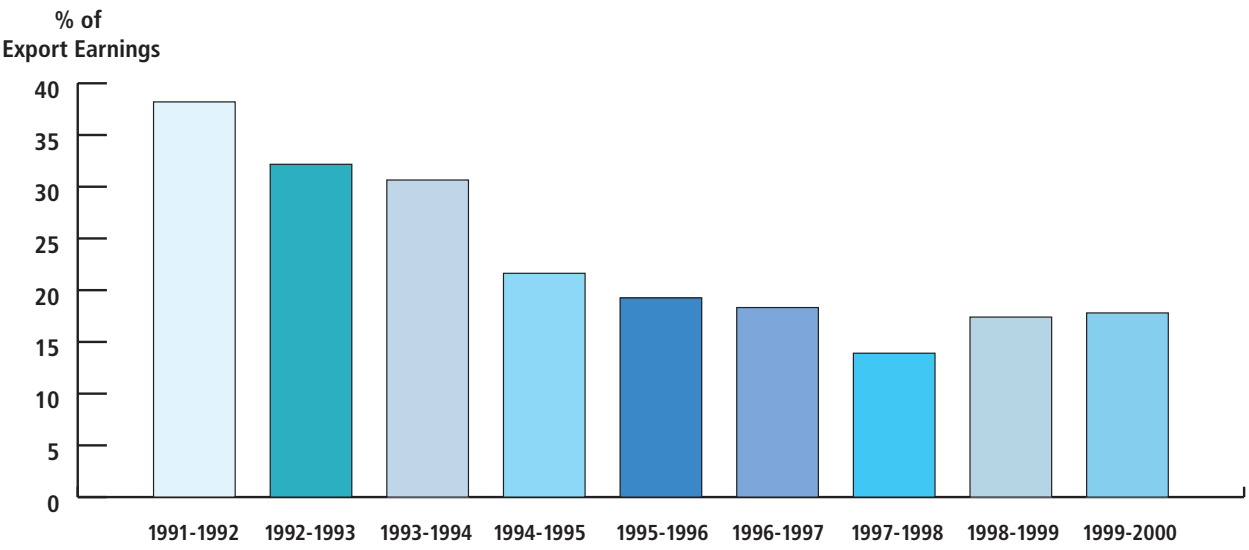
These events led to a run on the banks on 6 February.[57] The AWB is said to have paid out a third of its 260 billion kyat ($420 million) deposits during the run, most of the other major banks being similarly affected.[57] The SPDC responded by sending riot police on to the streets of Rangoon and appointing Hla Tun, an army officer with no skills in finance or banking, to the position of Finance Minister.[57] The Central Bank imposed a ceiling on withdrawals, and suspended cheque transactions and fund transfers.[57] It was also reported that 19 truck loads of newly printed 1,000 kyat notes were transported from Wazi to Rangoon.[57]

9.1 The importance of the timber trade

Forestry is one of the principle sources of legal foreign currency income for the SPDC. In the 2001 fiscal year the timber trade raised $280 million, equivalent to about 11% of foreign exchange earnings.[58] At the end of the 1980s timber was even more vital to the economy, accounting for 42% of all official export earnings; in 1989-90 timber exports, mostly teak, were worth $135,790,000.[9] Nevertheless forestry is also expected contribute 2.1% to a targeted 6% rise in Burma's GDP over the next five years.[59] The relative importance of the timber trade as a source of foreign exchange earnings is one reason for increased pressure on Burma's forests. The SPDC needs foreign currency and has therefore set targets for the MTE that have more to do with this need for foreign currency than sustainability of timber supply (*see Import – Export Figures page 39*).

EXPORT EARNINGS FROM FORESTRY ACCORDING TO THE BURMESE GOVERNMENT

SOURCE: MINISTRY OF FORESTRY, 2001



Transporting teak logs in Rangoon.

9.2 Involvement of the Army

The regime's pre-occupation with its own version of stability within Burma has resulted in defence spending far outweighing that spent on the social sector; health and education. Burma spends the highest proportion of total government expenditure on defence of any ASEAN nation at 48%; although gross expenditure of $2.5 billion is not as high in money terms.[60]

The large number of troops, projected onto a weak economy often has severe effects for the rural economy. The logistics of feeding, clothing and maintaining over 400,000 troops[45] means that the army necessarily has moved towards a system of 'self reliance.'[43] As well as providing for present members of the armed forces the army also needs funds to provide for welfare of war veterans. Regional commanders have been charged with becoming self-funding and this is translated down to barracks level. As the armed forces engage in subsistence business the opportunities to satisfy self-interest of officers has also increased.

The army is well known to usurp resources such as productive land, timber, and food from areas around its bases. Local army units have confiscated land and property on a large scale throughout the country but particularly in conflict areas. This is closely linked with forced labour (*see page 53*). Soldiers also establish arbitrary roadblocks to demand taxes. Typically this is a mix of self-reliance, and the self-interest on the part of the officers concerned and demonstrates the inability, or unwillingness of the central authorities to interfere in their business interests; it needs them to hold the armed forces together.

The institutionalised and overwhelming involvement of the military in the economy was initiated by Ne Win's military caretaker government between 1958 and 1960. Ne Win believed that only the army could save Burma from the 'economic chaos' created by foreign businessmen.[8] At this time the Defence Services Institute (DSI) became the largest commercial institution in Burma after taking control of established major trading firms involved in everything from shipping and commodities trading to banking.[8] Somewhat at the expense of established firms DSI flourished not least because it had access to interest free capital and was exempt from crippling taxes and restrictions that applied to private firms.

More recently a number of institutions have been established to control the economy. Notably these are the Union of Myanmar Economic Holdings Company (UMEHC) and the Union of Myanmar Economic Corporation (UMEC).

All major foreign investors enter the Burmese market via a joint venture with UMEHC, 40% of which is owned by the Department of Procurement at the Ministry of Defence. UMEHC is Burma's largest indigenous firm and was founded in 1990 to provide extra-budget income to finance army expansion. UMEHC does not publicly report its finances. The capital of UMEHC is held by the Ministry of Defence and active duty and retired military investors, both as individuals and by unit. UMEHC has a series of wholly owned ventures in banking, tourism, jade, gems and real estate. In addition, it has joint ventures with foreign firms in garment factories, consumer product factories, and wood products.

UMEC does not undertake joint ventures with foreign companies but has business interests in industrial planning, iron and steel factories, heavy industries, foodstuffs, trade, banking, tourism, gems, minerals, power and transportation. UMEC investors are active duty military personnel.

9.3 Bartering

In the early 1990s China is thought to have sold Burma arms worth $1.2 -1.6 billion, on credit.[10] The regime has also sustained itself through bartering resources or concessions for cash, supplies and for armaments, in particular with China. In July 2000 a Burmese delegation, led by Foreign Minister Win Aung, visited Moscow to discuss, amongst other things the acquisition of a nuclear reactor. The Russian Ambassador to Burma, Gleb Ivashentsov, stated that whilst the Russians could not offer much long term credit they could barter the reactor for rice, teak or fish.[61] The reactor has not, as yet, been built. Burma has also recently acquired 10 Mig-29 fighter jets from Russia as part of a barter deal. These were acquired at a cost of $130 million and the first six were delivered in January 2002.[62]

In May 2002 it was reported that the SPDC sent a trade mission to Iraq and was in the process of bartering teak for Iraqi oil.[22] In July 2002 it was reported that a "*… significant volume of teak log supply is...currently being diverted by the Myanmar authorities to supply a big contract from the Iraqi government.*"[63] Burma has also bartered teak with Vietnam for oil,[64] as well as having barter arrangements with Malaysia.[65]

10 BURMA'S FORESTS

"*The air, the water, the land and all the flora and fauna constitute the environment of all human beings. And therefore, it is the duty of all human beings to preserve the environment they live in. Myanmar is a green and pleasant country with forests and mountains.*"[66] The New Light of Myanmar, (Perspectives), May 2003

Burma is made up of temperate (25%) and tropical landscapes (75%) that range from the Himalayas in the north and east, to the lowland forest, mangroves and coral reefs in the south. Burma also forms a land bridge between Asia and the Malay Peninsular. Falling within the Indo-Burma biodiversity hotspot, and bordering the South Central China hotspot to the north in Kachin State (*see page 92*), Burma is one of the most biologically diverse countries in mainland Southeast Asia and has a large number of endemic species. [67]

Part of Burma's global conservation significance derives from the fact that it contains ecotypes, such as lowland peninsular rainforest, that are already depleted in neighbouring countries, and its forests and other habitats are unusually rich in plants and animals. About half of the closed forests remaining in mainland Southeast Asia are located in Burma.[102] The forests, dry plains and coastal areas are home to about 7000 species of plants including 1,347 large tree species, 96 bamboo species and 841 species of orchids. 1,071 of the plants are endemic.[68] Burma also has 300 species of mammals, 1000 species of birds and 360 species of reptiles.[69] Several of the large mammals are globally threatened including the largest population of wild elephants in Southeast Asia (about 4000 individuals), tiger, leopard, gaur and banteng, both wild oxen.[70]

Commercial logging is probably the main threat to Burma's forest resource particularly because of the increasing demand from neighbouring countries such as China, India and Thailand. However, other factors such as the clearing of forest for agribusiness, encroachment, and the cutting of timber for fuel are also important. Mangroves and coastal forests have been particularly severely impacted by the charcoal trade; and intensive shrimp farming. Only 25% of the original mangrove forest cover was estimated to have been standing in 1996;[71] it is not known how much remains today.

Conservation policy in Burma has developed over the last few decades. The Nature and Wildlife Conservation Division was created under the Forestry Department in the early 1980s. There are currently 34 protected areas including wildlife sanctuaries, bird sanctuaries, national parks, and elephant ranges. These areas currently amount to just over 2% (15,000 km^2) of the country's land area and this is neither adequate nor completely representative of the country's biodiversity.[72] This is also the lowest proportion of protected areas in the region but there is a target of 5% in the short term increasing to 10% of total land area in the long term.[73]

In practice, the protected areas system is weak. Many of the areas are already degraded or simply too small to provide habitat for threatened mammals. Local managers are poorly equipped for modern management practices, have inadequate budgets, and often lack government support. There is a constant struggle over land in some of the protected areas, conservation tending to be the loser in the battle with agribusiness and logging interests.

10.1 Forest cover, deforestation rates and forest degradation

"*Myanmar is emerald green. No exaggeration. For centuries it has been that way. Myanmar has perhaps one of the best, … if not the best, forest conservation policies which ensure that about 80 per cent of land is under forest cover all the time.*"[74] The New Light of Myanmar, June 2001

"*Common wisdom that Myanmar is rich in forest and natural resources is a rapidly evaporating illusion. Several decades of unsustainable exploitation of natural resources is bringing this idea sharply into question.*" Development worker based in Burma, 2002

"*The earth, water, mountain-forests and climate are the basic resources of a country. If the mountain- forests are destroyed, the earth and water will be degraded. This in turn will lead to climate deterioration. Hence forest destruction must be prevented and looked at with caution. Amongst all our basic resources, forests are the most important.*"[75] Senior General, Than Shwe, October 1993

The FAO defines 'forest' as being '*land with tree crown cover of more than 10 percent and an area of more than 0.5 hectares*.'[56] However, definitions of what exactly comprises 'forest' vary; some for instance include plantations, and this leads to differing estimates of the amount of forest remaining. The most recent FAO assessment estimated that 37.2% of Burma was covered in 'closed forest' (more than 40% forest cover),[77] while some staff of the Forest Department in Rangoon,[78] and conservation workers,[79] believe that figure is closer to 30%. Whatever the exact figure it is clear that Burma is still one of the more heavily forested nations in Southeast Asia. FAO figures for percentage forest cover in various countries in Asia are given in table below.

TABLE 2. THE PERCENTAGE FOREST COVER IN VARIOUS ASIAN COUNTRIES ACCORDING TO FAO, 2002[77]

Country	Closed Forest	Open Forest	Year of Data
Laos	48.5%	7.0%	1989
Burma	37.2%	14.9%	1996
Thailand	19.7%	5.5%	1998
India	11.6%	7.8%	1997
China	11.5%	0.6%	1996
Bangladesh	5.0%	0.0%	1996