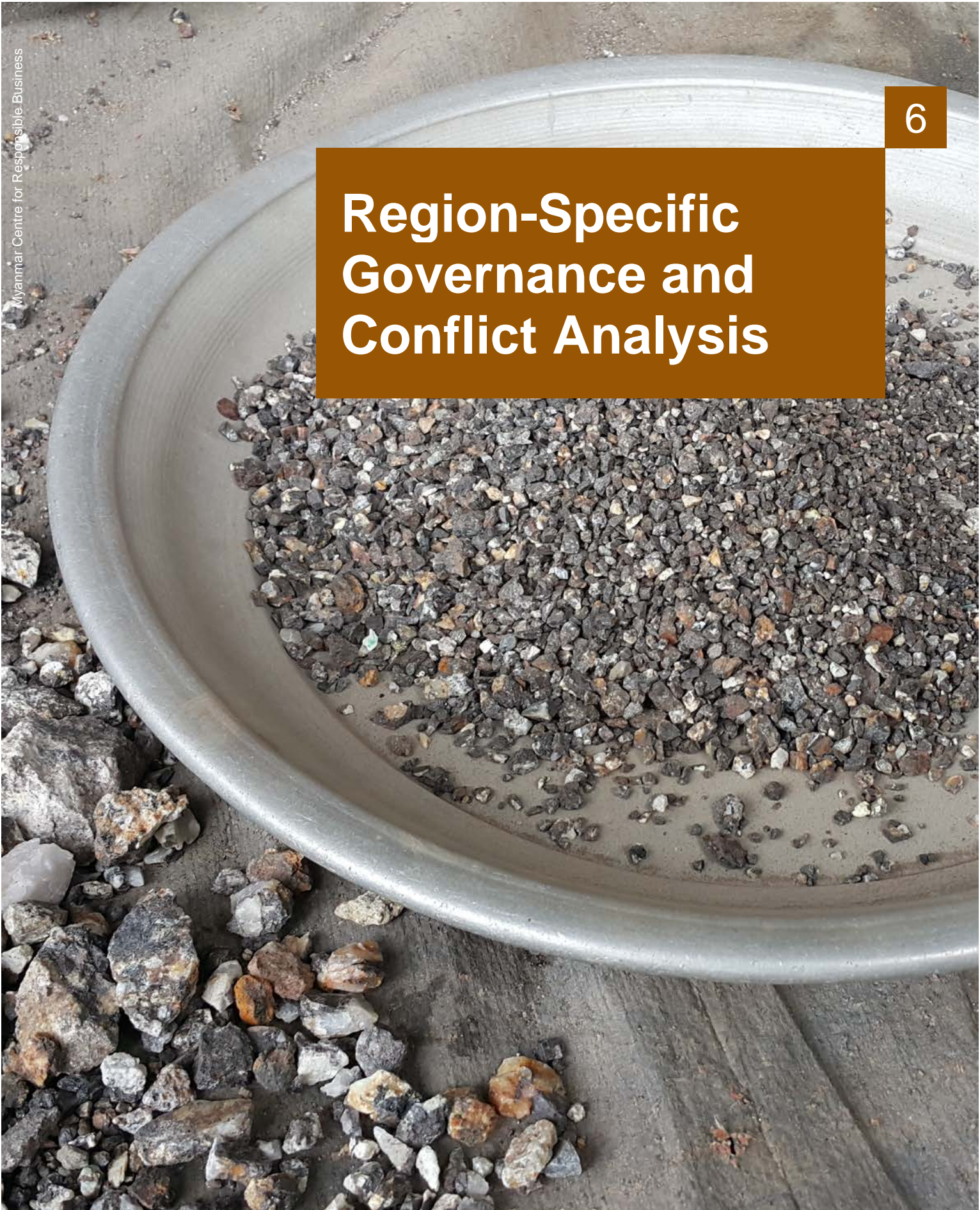


Region-Specific Governance and Conflict Analysis



Part 6

Region-Specific Governance and Conflict Analysis

In this section:

- A. Conflicts and State-building
- B. Natural Resources as a Driver of Conflicts
- C. Kachin State
 - Conflict dynamics
 - Armed group involvement in mineral extraction
- D. Wa and Pa-O Self-Administered Areas (Shan State)
 - Conflict dynamics
 - Armed group involvement in mineral extraction in Shan State Self-Administered Areas
- E. South-East Myanmar (Kayah, Kayin, Mon and Tanintharyi)
 - Conflict dynamics
 - Armed group involvement in mineral extraction

A. Conflicts and State-building

Much of Myanmar's mountainous borderlands have never come fully under the authority of the central Government, having been largely autonomous in pre-colonial times, administered separately as semi-self-governing 'frontier areas' during the colonial period, and under the control or influence of non-State armed groups in the decades since independence in 1948.

This means that the challenge of integrating the periphery into the Myanmar State is not primarily a logistical challenge of extending state structures and service-delivery mechanisms into remote, hard-to-reach areas. Rather, it is the much more difficult challenge of confidence-building and peace-building, which is in turn dependent on political negotiations that must build a shared vision of a more inclusive Myanmar State that respects its ethnic diversity and provides for a considerable degree of local autonomy or federalism (see further, Part 4: Sector-level Impacts). In the interim, the NCA – ratified by the legislature – includes 'interim arrangements' that recognise the *de facto* authority of EAOs over their areas, including non-State systems of governance and service-delivery.⁴⁴⁷ The NCA provides that projects in these areas – including commercial ventures such as mining – should be developed and implemented in close consultation with non-State armed groups and local communities.

In minority ethnic areas that have not seen significant recent armed conflict, the issues are more related to State legitimacy and EAO political influence (rather than military control).

⁴⁴⁷ [2015 Nationwide Ceasefire Agreement](#), Article 25

In many cases, the Union Government has been viewed as having neglected – or privileged – particular communities. It is important for outside actors, including companies, to understand the particular grievances that exist, and take steps to ensure that mining projects and activities do not exacerbate them.

B. Natural Resources as a Driver of Conflicts

There is currently a clear geographic divide in the conflict situation in Myanmar, between the south-east States and Regions (southern Shan, Kayah, Kayin, Mon and Tanintharyi) which border Thailand, and the north-east (northern and eastern Shan and Kachin) which border China. This is also reflected in the peace process, with most of the groups that signed the NCA located in the south-east, whereas groups in the north-east have not signed.⁴⁴⁸ This division reflects the very different political-economy realities in those two areas – including the different policies and approaches taken by China and Thailand, as well as access to funding by EAOs.

Natural resources play a particularly important role in this, including timber, gold, jade and (to a lesser extent) other minerals. Resource revenues are in general far less lucrative in south-east Myanmar compared to the north-east. In the south-east, many areas have already been logged, and with armed groups controlling little fixed territory, incomes are limited for most. There are gold deposits in some areas, but this provides nothing like the revenue potential in the north-east, where in addition to timber and gold, there are multi-billion-dollar annual exports of jade, mostly off-the-books.⁴⁴⁹

Natural resources are one driver of the conflict for several reasons. Many minority communities feel aggrieved that despite having a rich endowment of natural resources, few of the revenues find their way back to minority communities, where the majority of the population remains in grinding poverty. The personal and institutional fortunes being made by some actors would be threatened by transparency, and therefore potentially by peace. In addition, natural resources are a major source of income for most EAOs, funding their armed struggle.

C. Kachin State

Conflict dynamics

The Kachin Independence Organisation (KIO) was established in February 1961 by a group of young Kachin nationalists who felt that the promises of political autonomy made on the eve of independence had not been honoured. It quickly became one of the largest and best-organised armed opposition groups in the country, controlling large areas of Kachin and northern Shan States. Ceasefire offers were made and discussions took place with the Government in the 1960s, 70s and 80s, but none succeeded.⁴⁵⁰

⁴⁴⁸ International Crisis Group, [Myanmar's Peace Process: Getting to a Political Dialogue](#), 19 October 2016, Section II.

⁴⁴⁹ Global Witness, [Jade: Myanmar's "Big State Secret"](#), October 2015.

⁴⁵⁰ Transnational Institute, [The Kachin Crisis: Peace Must Prevail](#), March 2013; Martin Smith, *Burma: Insurgency and the Politics of Ethnicity* (Zed Books, 1999).

Over the years, like many armed groups, the KIO suffered from fragmentation and splits. These were due to a number of factors, including personal rivalries, ideological differences and intra-ethnic tensions, sometimes with the encouragement or support of the Government. In 1968, a prominent Lashi, Ting Ying, defected from the KIO along with several hundred Lashi and Maru fighters. This group affiliated itself with the insurgent Communist Party of Burma (CPB), as Unit 101. When the CPB began imploding in 1989, Ting Ying's group restyled itself as the New Democratic Army-Kachin (NDA-K) and reached a ceasefire with the Government. It converted into Border Guard Force units in 2009.

The KIO itself continued fighting. Yet, faced with the enormous human costs of the conflict, its leadership had become convinced that a negotiated political solution had to be found. It took the initiative to open contacts with the Government in the early 1990s, aiming to negotiate a nationwide ceasefire on behalf of all armed opposition groups, to be followed by political dialogue. However, unity between the groups soon broke down, and the KIO, unable to convince its other ethnic allies to enter dialogue with the Government, signed its own agreement in 1994.⁴⁵¹ The ceasefire ended the armed conflict in Kachin areas but did not address the underlying grievances.

The shift from a war footing to a peace economy created challenges. The KIO took formal administrative authority over the territory under its control and functioned in many respects as a local government, with departments of health, education, agriculture, and so on; running civilian hospitals and schools (that taught Kachin language and culture); and initiating infrastructure projects.⁴⁵² It also maintained its armed forces. It funded this mainly through business activities, including in the lucrative areas of jade and gold mining, and logging. Despite this there were increasing complaints from communities over the lack of transparency of these resource revenues and the fact that very few were being used for the welfare of the population. The ceasefire also provided the space for outside business interests to enter Kachin State and become involved in unsustainable resource extraction.

The KIO cooperated with the Government's political process during the ceasefire, including attending the constitution-drafting National Convention, advising the Kachin population to vote 'yes' in the constitutional referendum, and supporting the 2010 elections. Yet, the independent Kachin parties were blocked by the authorities from participating in those elections. The KIO was also placed under military pressure in 2009 when – like other ceasefire groups – it was instructed to transform into border guard forces under partial military control. When the KIO refused, the Government declared the ceasefire void.⁴⁵³

Following the elections, the scene was thus set for a resumption of hostilities. The flashpoint came in June 2011, with clashes between government troops and a strategic KIO outpost close to the site of two Chinese-operated hydroelectric dams in Momauk Township. The Myanmar army overran the outpost after several days of fighting, and when it ignored a KIO deadline to withdraw, the KIO placed all its troops on a war footing and destroyed a number of bridges in the area to hamper the resupply of government forces.⁴⁵⁴ Numerous

⁴⁵¹ Ibid

⁴⁵² Ibid; Tom Kramer, Transnational Institute, [Neither War Nor Peace: The Future of the Ceasefire Agreements in Burma](#), July 2009

⁴⁵³ Transnational Institute, [The Kachin Crisis: Peace Must Prevail](#), March 2013

⁴⁵⁴ Ibid

rounds of peace talks failed to achieve a breakthrough, and in late 2012 the conflict escalated once more. A de-escalation agreement was eventually signed in May 2013, which reduced tensions for a while. However, sporadic fighting – some serious and intense – has occurred up to the present, and the prospects for a sustainable end to the conflict appear distant. The KIO did not sign the NCA.

Although a de-escalation agreement was signed between the KIO and the Government in May 2013, and there has been continued contact between the two sides, this has not led to a path towards more sustainable peace. However, the KIO considers it important not to be left behind as the peace process, particularly the political dialogue phase, moves forward. It is possible that given the right assurances, the KIO may be willing to join the process.

Armed group involvement in mineral extraction

Armed groups in Kachin State are involved in the licensing, operating or taxing of mineral and gems extraction (Box 28).

Box 28: Kachin Armed Groups Involved in Mining in Kachin State⁴⁵⁵

- **Kachin Independence Organisation (KIO):** The armed wing of KIO is known as the Kachin Independence Army. It is one of the largest and best-organised armed groups, with several thousand troops, and a significant number of armed village militia members. It operates in Kachin State and ethnic Kachin areas of northern Shan State. The KIO was established in 1961. After many years of sometimes intense fighting, it first signed a ceasefire in 1994. It refused to participate in the border guard force scheme in 2010, increasing tensions with the military Government, who declared the ceasefire void and also blocked Kachin representation in the 2010 elections. Serious fighting re-erupted in mid-2011. After many rounds of discussion, a de-escalation agreement was signed in May 2013. However, sporadic clashes – some intense – have continued and around 100,000 people remain displaced in camps. The KIO has not signed the NCA.
- **New Democratic Army-Kachin (NDA-K, now Border Guard Forces):** A splinter group from the KIO, which formed initially in 1968 when a prominent Lashi leader named Ting Ying defected from the KIO along with several hundred Lashi and Maru fighters. The group affiliated itself with the insurgent Communist Party of Burma (CPB), and when the CPB began imploding in 1989, the group restyled itself as the New Democratic Army-Kachin (NDA-K) and reached a ceasefire agreement with the government. In 2009, it transformed into Border Guard Force units. Both Ting Ying and his son, Ying Sau, were elected in the 2010 elections, and were elected again in 2015, but the father lost his seat in an electoral dispute.

By far the biggest extractive industry in Kachin is jade, with declared imports by China at USD 12 billion in 2014, and estimated by Global Witness at USD 31 billion that same year,

⁴⁵⁵ This Box is based on multiple sources, including: Martin Smith, *Burma: Insurgency and the Politics of Ethnicity* (Zed Books, 1999); International Crisis Group, [Myanmar's Peace Process: Getting to a Political Dialogue](#), 19 October 2016, Section II; Transnational Institute, [The 2015 General Election in Myanmar: What Now for Ethnic Politics?](#), December 2015

when smuggled jade is included.⁴⁵⁶ Given that Myanmar only reports about USD 1 billion per year in natural resource revenues, most of this trade is off-the-books. The jade mines themselves are in government-controlled areas around the town of Hpakant, with the KIO in control of significant parts of the surrounding area.

Many different actors, including the Myanmar military and the KIO, reportedly profit from the trade at all stages, from extraction to transport to final export. The United Wa State Party (UWSP) are also heavily involved in jade extraction, with UWSP-linked companies operating several concessions in Hpakant; the Pa-O National Organisation (PNO) is also involved in jade extraction through Ruby Dragon Group, a conglomerate owned by the PNO.⁴⁵⁷ There is also significant armed group involvement in gold extraction, including the KIO and the NDA-K, through companies they control, and taxing of other companies (sometimes couched as 'profit sharing'). Chinese companies have also bought gold mining concessions from these armed groups in their areas of control.⁴⁵⁸

D. Wa and Pa-O Self-Administered Areas (Shan State)

Conflict dynamics

In the late 1960s, the Chinese Communist Party stepped up support for its Burmese counterpart, the Communist Party of Burma (CPB). Its previous strongholds were in the centre of the country, but with new resources, the CPB launched a successful operation in northern Shan State, where it soon absorbed several border-based ethnic armies, including in Wa and Kokang areas, becoming the strongest anti-government force in the country. Several groups in adjoining areas formed looser strategic alliances with the CPB, while others – including the Pa-O National Organisation and Shan State Army – took a strong stand against the communists on ideological grounds.⁴⁵⁹

In 1989, ethnic minority troops of the CPB mutinied against the largely Burman leadership, leading to its swift collapse. These troops formed several new organisations along ethnic lines, including the UWSP. The Government was quick to seize the opportunity, offering advantageous ceasefire agreements to the new groups, including the UWSP. Non-communist groups generally continued fighting. The peace process that started in 2011 brought new ceasefires in Shan State, and reaffirmations of pre-existing ceasefires such as that with the UWSP. However, the UWSP has been ambivalent about the peace process, which it thinks does not accommodate its demands for an autonomous state, a *de facto* existing reality that the Wa will not give up.⁴⁶⁰

Armed groups involved in mineral extraction in Shan State Self-Administered Areas

Within Shan State are five self-administered areas, defined by the 2008 Constitution (out of a total of six such areas in Myanmar, the other being in Sagaing Region). These are made

⁴⁵⁶ Global Witness, [Jade: Myanmar's "Big State Secret"](#), October 2015

⁴⁵⁷ Ibid

⁴⁵⁸ Images Asia and Pan Kachin Development Society, [At What Price](#), November 2004; Kachin Development Networking Group, [Valley of Darkness: Gold mining and Militarization in Burma's Hukawng valley](#), 2007; Kachin News Group, [Orchards being converted to Chinese gold mines](#), 23 November 2009

⁴⁵⁹ Martin Smith, *Burma: Insurgency and the Politics of Ethnicity* (Zed Books, 1999)

⁴⁶⁰ International Crisis Group, [Myanmar's Peace Process: Getting to a Political Dialogue](#), 19 October 2016, Section II.

up of four Self-Administered Zones (for the Ta'ang/Palaung, Danu, Pa-O and Kokang) and a larger Self-Administered Division for the Wa.⁴⁶¹ The Constitution provides some limited devolution of legislative and executive authority from the Shan State legislature/executive to the 'leading bodies' of these areas. Regulation or revenue generation from natural resources is not included in these devolved powers. Nevertheless, some zones have considerable *de facto* autonomy and therefore authority over activities in these areas – in particular, the Wa (since most of the Division is under the full control of the UWSP and is a *de facto* mini-state), the Pa-O (controlled by the relatively powerful PNO militia) and the Kokang (where the Kokang border guard force has considerable authority).⁴⁶²

The UWSP is heavily involved in extraction of jade in Kachin State (as discussed above). It has also recently become a major global player in tin production, with mines in the UWSP-controlled enclave responsible for most of Myanmar's rapid increase in tin production over the last several years. In 2014, Myanmar emerged unexpectedly as the third-largest global tin producer, with a 5-year production increase of 4900% – causing major disruption to global tin markets.⁴⁶³ There is no history of tin mining in the Wa area prior to 2010, and little geological data available to inform estimates of future production or remaining reserves. However, recent reporting has suggested that output in Wa may have peaked, with uncertainty over whether remaining, less viable resources will be exploited.⁴⁶⁴ Given that the UWSP-controlled area is run as a *de facto* mini-state, revenues from these resources flow directly to the UWSP.

The PNO is also involved in jade mining in Kachin State, as well as in ruby mining in Mogok, Mandalay Region.

Box 29: Armed Groups Involved in Mining in Wa and Pa-O Self-Administered Areas (Shan State)⁴⁶⁵

■ **United Wa State Party (UWSP):** The armed wing is known as the United Wa State Army. It is the largest armed group in Myanmar, with estimates of around 20,000 regular troops, and many more that could be called up at short notice. The US has described it as “South-east Asia’s largest narcotics trafficking organization” and formally designated it a “significant foreign narcotics trafficker.”⁴⁶⁶ It is based in an enclave on the Chinese border that forms part of the Wa Self-Administered Division. The enclave is highly autonomous, operating on Chinese time, using Chinese currency and Chinese cellular networks. The UWSP also controls significant territory in a non-adjacent area further south, on the Thai border, which it consolidated and expanded in the mid-1990s, after it contributed to the defeat of opium kingpin Khun Sa’s forces in the area, and then forcibly relocated some

⁴⁶¹ [2008 Myanmar Constitution](#), Article 56

⁴⁶² Kim Jolliffe, Asia Foundation, [Ethnic Armed Conflict and Territorial Administration in Myanmar](#), July 2015

⁴⁶³ Gardiner et al, [Tin mining in Myanmar: Production and Potential](#) (2015) 46:2 *Resources Policy* pp. 219-233

⁴⁶⁴ Reuters, [Exclusive: Production slowing fast at Myanmar mine that rattled tin market](#), 18 October 2016

⁴⁶⁵ This Box is based on: Martin Smith, *Burma: Insurgency and the Politics of Ethnicity* (Zed Books, 1999); Kim Jolliffe, The Asia Foundation, [Ethnic Armed Conflict and Territorial Administration in Myanmar](#), July 2015; Tom Kramer, *The United Wa State Party: Narco-Army or Ethnic Nationalist Party?* (East-West Center, 2007)

⁴⁶⁶ US Drug Enforcement Agency News Release, [Eight high-ranking leaders of Southeast Asia’s largest narcotics trafficking organization indicted by a federal grand jury in Brooklyn, New York](#), 24 January 2005

100,000 Wa villagers there from its main territory. Although the UWSP has had a ceasefire with the Myanmar authorities since 1989, reaffirmed in September 2011, which has generally held, tensions have occasionally been high, particularly over the group's control of its southern area, which the Myanmar authorities do not recognise. A key political demand of the UWSP is recognition of Wa areas as a separate ethnic state, rather than included under Shan State, something most Shan leaders do not accept. UWSP has not signed the NCA.

- **Pa-O National Organisation (PNO):** The Pa-O rebelled against the Government in the early 1950s, forming several armed organisations in Shan State, including the (Union) Pa-O National Organisation and Shan State Nationalities Liberation Organisation. The PNO was resurrected in 1976 by a former Buddhist monk, Aung Kham Hti. The group signed a ceasefire with the government in 1991 and became a People's Militia (Pyithu Sit). While nominally under government authority, it has considerable *de facto* independent authority within the Pa-O Self-Administered Zone. The PNO is now also a political party – in addition to an armed militia – and won all the seats in the Pa-O Self-Administered Zone in both the 2010 and 2015 elections, giving it control of the zone's Leading Body.

E. South-East Myanmar (Kayah, Kayin, Mon and Tanintharyi)

Conflict dynamics

Kayin State has been mired in conflict since the Karen National Union (KNU) went underground in 1949. The nature of this conflict and its impact on the populations living in the area has changed over time. For much of the post-independence period, it was possible for the KNU to hold and administer large stretches of territory.⁴⁶⁷ The Myanmar army was battling a large array of armed opposition groups across the country who were reasonably well-funded and enjoyed the tacit or overt support of neighbouring countries. The mountainous terrain further hampered the Myanmar army's operations. This meant that the armed groups were able to conduct conventional positional warfare, with uncontested administrative control of their territory, which was defined by a frontline that was fairly stable over time. The KNU operated as a *de facto* government, with education and health departments that oversaw a fairly extensive (if rudimentary) network of schools and clinics in the areas under its control.⁴⁶⁸

This situation began to change significantly after the military coup in 1988, which brought a group of younger military officers to power. They embarked on a rapid enlargement and modernisation of the Myanmar armed forces, and more vigorously pursued the goal of bringing the hinterlands under central control. This was carried out through a combination of more concerted military operations against ethnic areas, together with ceasefire deals with individual armed groups.⁴⁶⁹ The attitude of neighbouring countries also adapted to the new post-Cold War realities, and these countries began to place higher priority on good

⁴⁶⁷ Martin Smith, *Burma: Insurgency and the Politics of Ethnicity* (Zed Books, 1999); Ashley South, Transnational Institute, [Burma's Longest War: Anatomy of the Karen Conflict](#), March 2011

⁴⁶⁸ Ibid

⁴⁶⁹ Ibid

relations with Yangon, and put increasing pressure on EAOs to reach ceasefire agreements or other accommodations with the military Government.

By the late-1990s, the KNU had lost control of most of its 'liberated zones'. Its decline was exacerbated by the defection in late-1994 of several hundred frontline soldiers, unhappy with the Christian leadership, who established the government-allied Democratic Karen Buddhist Army (DKBA) and shortly afterwards overran the KNU's long-standing headquarters at Manerplaw.⁴⁷⁰ Several other groups also split away to do separate deals with the Government, or in some cases to continue insurgency.

On 28 May 2013, a 'Unity Committee' of five ethnic Kayin armed groups – Karen National Union, Karen National Liberation Army Peace Council, ex-DKBA BGF units, Democratic Kayin Benevolent Army and the ex-Karen Peace Force BGF unit – was formed with the purpose of promoting Karen political unity, avoiding skirmishes between different factions and seeking a peaceful solution in case of conflicts.⁴⁷¹ This has eased, but not eliminated, tensions and clashes between the groups.

This reduction in tensions between different Karen armed groups, and the signing of the 2012 ceasefire by the KNU, significantly reduced armed clashes in Kayin State, and greatly improved the economic and security situation of many communities. However, serious security problems persist. There are large numbers of internally displaced persons in the hills and 100,000 refugees in Thailand, most of whom have not yet been willing – or are not yet able – to return home.⁴⁷² Insecurity remains a problem in many areas, and various armed groups continue ad hoc taxation and racketeering.

Armed group involvement in mineral extraction

The Mawchi mines in southern Kayah State are traditionally a major tin production centre in Myanmar. They are currently controlled by the Government through a joint venture between MoM and UMEHL. The Karenni National Solidarity Organisation (KNSO), a people's militia, also conducts mining activities in the area through its Kayah Ngwe Kyae Company, with Government permission.

The KNU – which operates mainly in Kayin State, Tanintharyi Region, and some adjacent areas – is involved in gold mining in several areas, and in limestone extraction. The KNU is involved in the licensing and regulation of mining, mainly of gold, through its mining department. Gold mining operations currently exist mainly in KNU 2, 3 and 5 Brigade areas. The KNU has a set of rules and regulations for licence-holders, requiring inter alia that they register with the KNU, pay fees and taxes as required, inform it of any deaths or injuries on the mine site, and adhere to certain safety and environmental protection measures (see Box 24). The head of the KNU Mining Department acknowledged in September 2016 that implementation of these regulations was weak, and undertook to improve this.⁴⁷³

⁴⁷⁰ Smith, *ibid*

⁴⁷¹ Karen News Group, [Karen armed groups unite, agree KNU takes political lead](#), 5 March 2016

⁴⁷² Kim Jolliffe, Asia Foundation, [Ethnic Armed Conflict and Territorial Administration in Myanmar](#), July 2015

⁴⁷³ Burma News International, [Head of KNU Mining Department Urges Close Supervision of Mining](#), 28 September 2016

The KNU has also issued permissions or licences for companies to conduct feasibility studies for limestone quarrying/cement production, including in Mon State.⁴⁷⁴

Box 30: Armed Groups Involved in Mining in South-East Myanmar (Kayah, Kayin, Mon and Tanintharyi)⁴⁷⁵

- **Karen National Union (KNU):** The armed wing of the KNU is known as the Karen National Liberation Army. One of the largest armed groups in Myanmar, with several thousand troops, it is organised into seven brigades. It is also one of the oldest (having been founded in 1947). It signed a ceasefire for the first time in January 2012. Prior to this, for several years clashes had been fairly limited as a result of frontline units from both sides working out *de facto* arrangements to minimise hostilities. Following the ceasefire, there have been only a small number of minor clashes between the two sides. The KNU was one of eight groups to sign the NCA in October 2015.
- **Karenni National Solidarity Organisation (KNSO):** This is a Sgaw Kayin EAO based in Kayah State. It split from the Karenni National Progressive Party armed group in 2002, and became a People's Militia (Pyithu Sit) based near Hpasawng. It is mostly involved in business activities (car rental and mining in Mawchi). It operates a business office in Loikaw. The group has two types of troops: Pyithu Sit troops and some KNSO troops (with different uniform and badges). The group says that it has a total of about 180 soldiers. They are also known as Kye Phyu / White Star Group.

⁴⁷⁴ Mizzima, [KNU Suspends Min Lwin Mountain Cement Factory Project](#), 2 May 2016

⁴⁷⁵ Martin Smith, *Burma: Insurgency and the Politics of Ethnicity* (Zed Books, 1999); Ashley South, Transnational Institute, [Burma's Longest War: Anatomy of the Karen Conflict](#), March 2011; MCRB field research, 2016