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# RSIS COMMENTARIES

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## **Myanmar's Shan State: The Faint Signal of Volatility**

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*There has been much fanfare about rising opium production in Afghanistan but little attention paid to Myanmar's Shan State. Nonetheless, the region has seen a spike in production levels of both heroin and amphetamines, with China presently bearing the brunt of this 'boom'. This may have a knock-on effect in Northeast India as well as Thailand.*

WHEN DISCUSSING heroin trafficking in Asia, policymakers, analysts, and scholars have placed an enormous emphasis on Afghanistan. This is understandable given the fact that Afghanistan produces roughly 92 per cent of the world's opium with over 3,600 tonnes per year and that much of the revenue is used to fund the Taliban as well as several other insurgent groups in India, Pakistan, Afghanistan, and several Central Asian nations.

### **Shan State as a Volatile Spot**

While the international spotlight has shifted to Afghanistan, opium production levels have quietly risen in Myanmar's Shan State bordering China and Thailand. The Shan State comprises a volatile mix of drug-traffickers and their private armies, pro and anti-government militias, the Burmese Army, and several marginalised minority groups. The area is the former home of the recently deceased drug kingpin Khun Sa and has been granted a significant degree of autonomy from the central government, now based in Nay Pyi Taw, in exchange for the cessation of insurgent activity by several groups. As such, criminal syndicates in the state have continued with their cultivation and trafficking of heroin relatively unabated, become involved in smuggling methamphetamines (AST), and have refused to lay down arms. Needless to say, this has proven to be a very bad deal for the junta.

### **Trafficking into China**

At present, it appears that most of Myanmar's heroin and AST flow into China, which has become a major consumption and transit point. This is an unintended consequence of its economic boom and globalisation drive. As Beijing continues to invest billions into China's more underdeveloped provinces such as Yunnan and several others near India's Northeast, Myanmar's heroin and AST

production is likely to rise to meet the increasing demand in a more prosperous China.

Although India should indeed applaud this effort undertaken by the Chinese to raise income levels and living standards, reduce poverty, and improve civilian infrastructure, it would be prudent for New Delhi to consider the consequences that this may have on the various insurgencies in the Northeast. Due to Beijing's strict anti-drug policies and heavy security presence near its border with Myanmar, heroin sourced from Myanmar is considerably more expensive than its Afghan competitor. If successfully smuggled into China, this translates into much higher profit yields as overhead costs remain low while street value is high.

### **Refuge for Indian Insurgent Groups**

Myanmar is well-known for corruption, particularly within the military establishment, and is consistently ranked at the bottom in terms of government transparency. The military is the only functional institution and has a virtual stranglehold on nearly all economic activities ranging from natural gas production to the export of precious stones. Myanmar is currently divided into fiefdoms with a high-ranking officer being granted jurisdiction over a particular area. In the area bordering India's Northeast, some military officials have permitted insurgent groups based in India to take refuge in Myanmar for a price.

Once inside Myanmar, these militants could gain access to production centres as well as smuggling routes in Myanmar and China, especially given the ethnic and linguistic links that many share with both nations. If these insurgent groups were able to even gain a minor stake in the increasing heroin and AST trade in Myanmar, it would greatly increase their operational capacities as it would allow them to purchase more sophisticated weaponry, communications equipment, and increase both the quality and frequency of their training.

India may need to use its influence in Myanmar to head off this potential problem and to encourage the junta to not only crack down on those within the establishment who are involved in sheltering Indian insurgent groups, but to also make greater efforts to rein in the drug trade in the Shan State. This has to be the case as it could serve as a vital source of revenue for militant groups in the future. For this to occur, India will undoubtedly have to coordinate efforts through the Chinese, thus providing New Delhi with an opportunity to improve relations with its neighbour while cutting off a potential economic lifeline for terrorist groups.

### **Implications for Thailand**

Given Thailand's geographic proximity to Myanmar and its porous borders, it is one of the first nations to feel the impact of this recent development. Recognising this, the recently-elected administration of Samak Sundaravej has announced that it will be launching a nationwide crackdown on the drug trade within Thailand and has warned the public about the potential for large amounts of casualties. As was the case when a similar strategy was employed by former Prime Minister Thaksin Shinawatra in 2003-2004, this will be a temporary fix to an issue that requires long-term, sustainable solutions.

Without permanently containing production areas and establishing some kind of security arrangement with the junta, it will only be a matter of time before Myanmar's narcotics began to flood into Thailand once again. Such agreements will have to include intelligence-sharing as well as cooperative and coordinated efforts on the border. However, none of this will be possible unless the junta can be convinced that it is in their best interest to work with Thailand and other regional states to extinguish a long running, narcotics-fuelled insurgency within their own territory.

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