

Alternative Development or Business as Usual?

China's Opium Substitution Policy in Burma and Laos

A significant part of opium and its derivative heroin on the market in China originates from the 'Golden Triangle' – roughly the area that spans northern Burma¹, Thailand and Laos. It supplies a large number of injecting drugs users in China, and is considered a major security concern by the Chinese authorities.

To counter this threat, the Chinese government have launched opium substitution programmes in northern Burma and Laos. The schemes, promoting agricultural investments by Chinese companies, have seen a dramatic increase in recent years. They include large-scale rubber plantations and other crops such as sugarcane, tea and corn. Most contracts are made with local state and military authorities and companies rather than with local communities.

Local authorities in Burma and Laos promote these mono-plantations as a way out of poverty and opium cultivation by providing former poppy farmers with alternative sources of income in regions bereft of any other investment. Opportunistically, some government officials have taken advantage of their positions, financially benefiting from these projects. Although these investments have brought some developments, they have concomitantly caused serious negative consequences for China's two neighbours.

Furthermore, it remains to be seen whether China's opium crop substitution policy is achieving its goals – to reduce opium culti-

Conclusions & Recommendations

- The huge increase in Chinese agricultural concessions in Burma and Laos is driven by China's opium crop substitution programme, offering subsidies and tax waivers for Chinese companies.
- China's focus is on integrating the local economy of the border regions of Burma and Laos into the regional market through bilateral relations with government and military authorities across the border.
- In Burma large-scale rubber concessions is the only method operating. Initially informal smallholder arrangements were the dominant form of cultivation in Laos, but the top-down coercive model is gaining prevalence.
- The poorest of the poor, including many (ex-) poppy farmers, benefit least from these investments. They are losing access to land and forest, being forcibly relocated to the lowlands, left with few viable options for survival.
- New forms of conflict are arising from Chinese large-scale investments abroad. Related land dispossession has wide implications on drug production and trade, as well as border stability.
- Investments related to opium substitution plans should be carried out in a more sustainable, transparent, accountable and equitable fashion with a community-based approach. They should respect traditional land rights and communities' customs.

vation and provide sustainable alternative local livelihoods in Burma and Laos – by promoting large-scale rubber and other mono-crop plantations.

The Chinese government have also donated rice to local authorities in Burma to address food security problems of ex-poppy farmers. However, the business approach of promoting mono-plantations is perceived by the local communities and international development agencies as for profit only, and they question the sustainability of the Chinese approach. The image of the Chinese government and people in these regions has consequently suffered.

OPIUM CULTIVATION IN BURMA AND LAOS

Opium cultivation in the Golden Triangle steadily declined since the mid-1990s, when Afghanistan replaced it as the world largest opium producer. However, since 2006 cultivation in the Golden Triangle has been on the rise again, bringing into doubt the viability of the much-heralded ‘successful’ reduction.²

The main increase in opium cultivation has been in Burma, where opium cultivation has risen from an estimated 21,500 hectares in 2006 to about 31,700 hectares in 2009.³ The Kokang and Wa regions, traditionally the main opium-producing areas, have remained opium-free since local authorities implemented strictly enforced opium bans in 2003 and 2005, respectively.

Opium cultivation has since shifted to southern Shan state, now the main producing area. Cultivation in Kachin state, especially in the Sedun region near the Chinese border, has also increased. North-east India has seen a spike in opium cultivation.⁴

The Lao government has also banned opium cultivation, declaring the country opium-free in 2006. Existing only in very remote and isolated areas, cultivation in

Laos increased from an estimated 1,600 hectares in 2008 to about 1,900 in 2009.⁵ However, Laos along with Thailand remain significantly less important ‘suppliers’ than Burma.

The factors driving the recent increases are diverse and complex. Opium cultivation is strongly linked to poverty, which is not just a function of income, but is driven by a range of socio-economic and security-related factors.⁶ As an EU statement outlines: ‘illicit drug crop cultivation is concentrated in areas where conflict, insecurity and vulnerability prevail. Poor health, illiteracy and limited social and physical infrastructure reflect the low level of human development experienced by the population in these areas.’⁷

Most growers are impoverished subsistence farmers from different ethnic minority groups in the remote mountains of northern Burma and Laos. These marginalised communities practice swidden upland rice cultivation. The opium cash crops compensate for the food shortages as not enough rice can be grown to feed their families. The crop also provides savings, is used for personal consumption and for medicinal purposes. Some communities still use it in traditional ceremonies and spirit worship.

Local demand from users coupled with increasing farm gate opium prices and simultaneously decreasing prices of alternative cash crops is also driving increased cultivation. And the continuing conflict in Burma is a further contributing factor, as virtually all the parties involved participate in the drug trade.

The role of the global drugs market in determining opium cultivation levels in Southeast Asia should also be taken into account. The Golden Triangle, no longer a supplier to the important markets in Europe and the United States, is now producing opium and heroin almost exclusively for the immediate region, which includes China.

CHINA'S WAR ON DRUGS

Drug production and consumption, and related infectious diseases, such as HIV/AIDS, are important security and health concerns for China. Burma is the major regional producer of opium and heroin, as well of amphetamine-type stimulants (ATS). Most heroin available on the Chinese market originates from Burma. Laos, on the other hand, has transformed from an opium production country into a key transit country, which is also a Chinese concern. Some of the ATS available on the Chinese market, especially in Yunnan Province, also originates from Burma. But China itself is also a major producer of ATS, especially 'ice' (crystal methamphetamine), which is not produced in Burma.

Drugs use in China has increased significantly since the 1990s, spreading out from Yunnan Province, bordering Burma and Laos, to the country at large. In 1989 the first epidemic outbreak of HIV/AIDS in China occurred among injecting drugs users in the border town of Ruili, situated on the main trade road to Burma.

The early phase of the HIV/AIDS epidemic in China was predominantly driven by unsafe practices such as needle sharing among injecting drugs users (IDUs), starting in Yunnan. By 2002 HIV/AIDS prevalence was found among IDUs in all 31 Chinese provinces. Drugs use levels in Yunnan remain among the highest in China and the province therefore remains a special concern.⁸

Alarmed by these trends, the Chinese government took a pragmatic approach and began to implement harm reduction programmes for drugs users, such as methadone treatment and needle exchange. But in parallel, China maintains a harsh punishment regime, executing drug traffickers and forcing recidivist drugs users into treatment camps. High relapse rates raise doubts about the efficacy of such coercive policy responses.

Apart from addressing domestic consumption, the Chinese government also has tried to reduce opium cultivation in the region. To support the 'People's War Against Drugs and AIDS', in 2004 the central government set up the 122 State Council Working Group under the Ministry of Commerce, with 13 other ministries involved. This working group aimed to stimulate and coordinate Chinese investment in opium substitution plantations in northern Laos and Burma.⁹

In 2005 the Yunnan Provincial Party Committee issued a policy document 'Dissolving the Main Task of People's War Against Drugs for 2005', and made the Yunnan Provincial Commerce Bureau responsible for organising and coordinating development programmes 'in the peripheries'.¹⁰ The following year, Yunnan province approved a poppy substitution development programme for Burma and Laos, and created a special Opium Replacement Fund.¹¹ Since then the Chinese government has been actively promoting the scheme and mobilising Chinese companies to take part.

The focus of the Chinese approach to reduce opium cultivation is on overall economic development by integrating the local economy of the border regions of Burma and Laos into the regional market, and through bilateral relations with authorities and businessmen across the border. According to the Chinese government, the substitution projects have achieved several successes: creating a new source of income for farmers; hastening infrastructure construction; improving knowledge and agricultural production methods; putting into practice new theories on the fight against drugs; and enhancing good neighbourly relationships with adjacent countries.¹²

However, inconsistencies between objectives and actual impact, connections between government, military and businessmen, and emerging local land conflicts demand further scrutiny of, and open dialogue about, these projects.

The Chinese companies' agricultural investments under the crop substitution are often in areas of relatively lower elevation and near roads, as these are more easily accessible. This practice fails to target (ex-) poppy growing areas, usually more remote and in higher elevations unsuitable for rubber and sugarcane cultivation. Authorities in northern Burma and Laos have resettled upland communities from the hills to the valleys and along roads where these plantations are established. This is intimately connected to their policies to end shifting cultivation and opium cultivation.

In contrast, other governments have supported local and international NGOs in Burma and Laos to promote socio-economic development, providing alternative livelihoods directly to the most vulnerable and (ex-) poppy growing communities. While these approaches differ in strategy, the general outcomes are similar in terms of moving upland subsistence farmers into the lowland market economy.¹³

China and other nations have supplied emergency aid to ex-poppy farmers in Shan and Kachin states in northern Burma for years. China donated 10,000 metric tonnes of rice directly to local cease-fire authorities across the border in 2007 and again in 2008. Exactly how this aid was distributed by cease-fire remains unclear. Offers by international agencies to cooperate with the Chinese to ensure emergency aid actually reaches the neediest households have been declined.

THE CROP SUBSTITUTION SCHEME

Chinese companies participating in the cross-border development schemes receive several state-subsidised financial incentives. These include easing bureaucratic hurdles for investment, relaxation of labour regulations, subsidies and import tax and VAT waivers, and, most importantly, permission to import crops produced under the scheme, as imports to China are subject to import quotas which can be hard to obtain.

Some businessmen are even able to obtain several Chinese government subsidies for the same plantation.

The Chinese government has set several conditions for companies participating in this programme. Officially, these investments have to contribute to socio-economic development of the area. Ostensibly, if the company performs well, the government will subsidise a certain amount of money per mu (15 mu equal 1 hectare). The government encourages diversification of crops, but in practice, as mentioned above, the results are almost exclusively mono-plantations, usually rubber.

Chinese companies complain that the subsidies are difficult to obtain, and are not worth the paper work demanded. 'The big money for me is from exports to China. We get tariff and VAT exemption,' claims one Chinese businessman. But all that notwithstanding, 'From our perspective, it is over-regulated.'¹⁴

TNI researchers on the China-Burma border have found that some Chinese traders abuse the schemes by pretending to plant crops, but in fact are only buying up local produce from farmers in Burma, bringing it into China free of customs duty, and making inordinate profits. The Chinese government temporarily suspended the opium substitution programme in early 2010 to evaluate its successes and failures. This decision may have been reached due to the issues discussed above.

CHINA'S RESOURCE AND TRADE DIPLOMACY

China is keen to promote investment in Burma and Laos. China's new role as major regional investor was first articulated by a 2001 official Beijing policy known as 'zou chu qu', literally translated as 'to go out'. Motivated by China's lack of raw materials, the aim is to transform the country from a recipient of foreign investment into a major overseas investor.¹⁵

Rubber plantation in the Wa region in Burma. Photo: Tom Kramer



Promoting agricultural investment in Burma and Laos is clearly not solely governed by concerns about opium cultivation. Rubber is a key strategic commodity for China's industry, together with coal, iron and petroleum. Domestically, rubber can only be grown in Yunnan and Hainan provinces, where further expansion is limited by scarcity of suitable land. Rubber plantations in Laos and Burma, where land and labour are cheap and local land tenure nearly non-existent are of great strategic importance in satisfying China's growing domestic demand.¹⁶

Security threats and the continuing conflict in Burma, and to a lesser degree northern Laos, are a serious concern to the Chinese government, which wants peace and stability along its borders. Following a resumption of fighting in the Kokang region in northern Burma in 2009, for example, the Chinese government in a rare example of open diplomacy called on the Burmese authorities to properly handle domestic problems, maintain stability in the China-Burma border region, and protect the security and property of Chinese citizens in Burma.¹⁷ Concomitantly, drugs production

and trade in northern Burma and Laos is of grave concern to Chinese authorities, as it could cause further instability through smuggling and other criminal activities of drug syndicates in Burma, Laos and China.

Furthermore, economic development of border regions is strongly promoted by different levels of government in China in order to overcome socio-economic disparity between the centre and periphery, viewed as a potential source of conflict. Insecurity in the border regions would also threaten other important Chinese investments in northern Burma and Laos.

These include major hydropower projects in Kachin state, the construction of new overland pipelines to transport oil and gas from the Bay of Bengal to Yunnan Province, large-scale mining ventures in northern Burma and Laos, major new highway developments to better facilitate cross-border trade, and, most recently, large-scale agricultural land concessions.

Providing food for China's population is also an important national and provincial policy objective. To bolster Yunnan prov-

ince's efforts to provide food security, the provincial government is increasingly promoting contract farming and agricultural concessions by Chinese companies in Burma and Laos.

Other factors contributing to a stronger presence of Chinese agribusiness investment in northern Burma and Laos include: China's liberalizing economy (including tariff reductions); an influx of Chinese migrant labour needing new work opportunities; the absence of legally binding regulations for companies operating abroad; and accelerated infrastructure development connecting northern Burma and Laos with Yunnan.

For landlocked Yunnan province, promoting 'harmonious' regional cooperation is an important political-economic objective. However, China's 'resource and trade diplomacy' of the last decade has essentially promoted short-term economic gains for Chinese companies. Their resource extraction activities are threatening local communities' livelihoods and land tenure security, and have caused great damage to the environment. They undermine China's official policy of promoting 'harmonious' cooperation with neighbouring countries, and have the propensity to increase rather than mitigate future conflicts.

WHITE GOLD IN NORTHERN BURMA

Over the past decade northern Burma's landscapes have dramatically changed as a result of new Burmese and Chinese government policies, restive national politics and border insurgencies, heavy resource extraction flows, and growing Chinese private investment in multiple resource sectors. Not only have the physical landscapes been altered by new finance regimes and heavy resource traffic, but so have the livelihoods relying upon land and resources.

Despite the end of open warfare in ceasefire zones in northern Burma since the early 1990s, subsistence farmers are increasingly

facing difficulties in feeding their families. Rampant logging that dominated most of the past decade and the recent growth of large-scale agricultural concessions, such as rubber (locally known as 'shwe phyu' or 'white gold'), have further marginalised farmers from their land and livelihoods.

Since the mid-2000s, the uplands in Kachin and Shan states have been transformed by cash crop concessions. Large-scale rubber, as well as tea, sugarcane and cassava plantations, among other crops, are concentrated along government-controlled roads. In some areas whole mountains are now covered with rubber trees, the Golden Triangle having morphed into a rubber belt.¹⁸

Reliable figures are hard to obtain in Burma, and data should be treated with great caution. Official figures show that since the government initiated rubber plantations in 2004, 400,000 hectares were already growing in 2008. This included some 12,000 hectares in Kachin state, over 16,000 in northern Shan state (around the Lashio area), and 26,000 in eastern Shan state (the Kokang and Wa areas). A confidential government report shows that rubber in Kachin state alone was expected to continue increasing from its 7,600 hectares in 2006 to 40,000 in 2010.¹⁹ This increase coincides with the Chinese government push for opium crop substitution since 2006.

BUSINESS MODELS IN BURMA

Much of this agro-investment is located within areas controlled by the Burmese military government, with permission granted from regional military commanders, and in some cases top regime officials from the capital, Naypyidaw. The government has established a 30-year rubber development plan, with a goal of 600,000 hectares and an annual production of 300,000 metric tonnes to be reached by the year 2030. While the bulk of rubber is still in the traditional growing areas in the south, most of the intended expansion is northern areas bordering China.²⁰

But in the north rubber development is promoted as ‘crop development substituting for opium poppy in border areas’. According to national statistics, about 70 to 80 percent of all rubber produced is exported,²¹ but even this proportion is surpassed by the nearly 100 percent of rubber grown in northern border regions exported across the border to Yunnan.

Local authorities have also promoted rubber cultivation in their areas. Regional army commanders, ceasefire groups and local pro-government militias in Shan and Kachin states have aggressively supported rubber production this past decade. Some of these concessions may not be included in national statistics if the contract is strictly between a Chinese businessman and local non-state military authorities. There are also discrepancies in national land data between and within ministries and departments, and between government data and the reality on the ground.

In Shan state the vast majority of rubber concessions are sprouting up in the Wa region in United Wa State Party-controlled territory. The Wa authorities in partnership with Yunnan Chinese businessmen have converted entire mountain slopes into agricultural concessions. Wa leaders claim to have provided income opportunities for former poppy growers by promoting about 33,000 hectares for rubber, 13,000 for tea and 6,600 for sugarcane.²² Some smaller rubber concessions have been granted by other ceasefire groups and local militias in northern Shan state, such as areas between Lashio and the Yunnan border at Muse,²³ and north-eastern Shan state in the heart of the Golden Triangle around Kengtung and Tachilek townships.²⁴

TNI research in Kachin state in northern Burma shows a wide variety of rubber concessions: the Burma Army Regional Northern and Northeast Command, the Forest Department, cease-fire groups, local companies and individual local businessmen. Both the Kachin Independence Organiza-

tion (KIO) and the smaller New Democratic Army-Kachin (NDA-K) signed contracts with Chinese companies to establish rubber and other plantations including sugarcane, bananas, watermelon and cassava, under the Chinese opium substitution programme.²⁵

Most funding for the agriculture concessions in northern Burma originates from Chinese businesses based in Yunnan, often Kunming, but also including Hainan and other provinces. Burmese companies in favour with the military government often but not always front the deals. The Chinese companies receive funding through China’s national opium crop substitution programme. Often the contracting authority in Burma acts as a figurehead for a Burmese company (sometimes owned by a local Burma Army or ceasefire/militia leader, other times a well-connected local businessman) in a joint venture with the Chinese company.

Certainly for government-controlled areas, joint ventures are more common than entirely Chinese-owned contracts since having a Burmese partner eases various hurdles, including taxes. Chinese businessmen first establish a deal with local Burmese army officers, militia or ceasefire group leaders, or occasionally national military leaders, depending on size and location of the project.

IMPACT ON FARMERS

The surge in agribusiness investments in northern Burma has greatly impinged on local food security, land tenure and local resource access, resulting in a toxic scenario of deforested lands, degraded landscapes, land confiscation, fenced-in cash crops, landless farmers and lack of alternative local employment.

In the Wa region, the establishment of rubber plantations has had a deep impact on local communities already facing dire poverty and food insecurity following the strict

opium ban implemented in 2005. Local authorities have relocated ex-poppy farming communities to areas near rubber plantations to provide low-wage or free labour. Plantations have in some cases been established on land confiscated without compensation from local farmers.²⁶

The establishment of many large mono-plantations in the Wa region has severely limited access to land for food crops and grazing, further destabilising local livelihoods. Farmers are not involved in any decision-making processes regarding the establishment of these plantations in the Wa region. They never see a contract, which is made between the Wa authorities and Chinese businessmen.

In northern Shan state, from the area around the town of Lashio to the Yunnan border, local militias, ceasefire groups and the Burma Army are making deals with Chinese businessmen to establish various agricultural plantations, most notably rubber. The old Burma Road leading towards the border has become a gateway for the crop, with rubber trees stretching along the hillsides on both sides of the route.

In Kachin state, particularly in the western part along the Yunnan border, plantations, mostly rubber but also watermelon, sugarcane and cassava are proliferating along government-controlled roads and around towns and roadside villages. Ceasefire groups, such as the KIO and NDA-K, are also making deals for concessions in territory under their control. Companies rely on labour migration from central Burma rather than hiring local villagers. Farmers are forcibly dispossessed of their land, be it their house, orchard or swidden plot. With no compensation and no opportunity to work as plantation labourers, they are left with few viable choices.

Farmers could potentially make a good profit from their own tea or rubber plantations if they had access to land and capital. The trees produce rubber only after about

seven years and require significant investment before then, which ordinary farmers in these regions cannot afford. The commercial plantations have decreased land available for farming to the poor communities, while at the same time increasing competition for labour during the peak season, making it difficult for the few farmers left with land to find workers. So the poorest of the poor, who are in most need of alternative sources of income following the opium bans, hardly profit from it.

THE LATEX BOOM IN LAOS

Rubber plantations became established in Laos a decade earlier than in northern Burma. The socio-economic and political differences between Burma and Laos translate into dramatically different types of organisation and who benefits from it. The new influx of Chinese overseas investment in agricultural commodity production in Laos has promoted a concessionary development model at the cost of smallholder farms. Only villagers with connections to their ethnic relatives across the Yunnan border in Xishuangbanna prefecture have the capacity to maintain the latter form.

In the mid-1990s two concurrent processes, one supported by the Laos and Chinese governments and the other by villagers' own initiatives, spearheaded rubber development in northern Laos. The first project in Ban Had Ngao village in Luang Namtha province, backed by the local government, began in 1994. Other villages in the province soon engaged in rubber cultivation through informal cross-border contacts with Chinese entrepreneurs, often from the same ethnic group.

From about 2000 to 2005, the Luang Namtha provincial government encouraged rubber development through business and bilateral government linkages with neighbouring Chinese county governments. In addition, the Lao government passed a new law promoting foreign investment. Many contingent factors converged during this

time (as they did in Burma), such as a spike in rubber prices, bad weather destroying rubber crops in southern China and government curtailment of rubber expansion in Xishuangbanna. But (as was the case in northern Burma), it was the implementation of China's opium crop substitution policy that provided the main impetus and capital to subsidize the Chinese agricultural development boom in northern Laos. Nearly all large-scale official Chinese rubber investments in northern Laos are part of China's opium replacement policy.²⁷

Formalisation through bilateral agricultural development agreements has led to a recent surge in large-scale rubber establishment in northern Laos. The availability of official Chinese investment through provincial government channels has also influenced the business model, regarding both small-holder contract farming and large-scale concessions.

The confusing mixture of informal and formal rubber contracts, both smallholder and concession, has led to a jump in planned and already planted rubber, which appear to far out-pace the earmarked total by national government authorities. The Lao central government seems to have lost control over local authorities allotting concessions. These dramatic and rapid changes raise serious concern about the future of the upland communities.

In Luang Namtha province, where the rubber boom had encouraged heavy investment, 16,000 hectares of rubber were planted in November 2007, only 4,000 hectares less than 20,000-hectare cap set in the province for 2010. In just Muang Sing district alone, 6,500 hectares were planted by the end of 2007, with over 75 percent of the villages growing rubber. Muang Long district had planted 1,700 hectares by 2007. In Oudomxai province, by mid-2008 4,600 hectares of a planned total 34,000 were growing. Actual planted area is higher than official totals because many villagers are making deals with informal investors for

contract farming arrangements without reporting to their local government agencies to avoid government oversight and taxes.²⁸

LAOS RUBBER DEVELOPMENT MODELS

A variety of arrangements are currently being implemented following national and local government mandates, villager preferences and Chinese business practices. Provincial governments usually promote a '2+3' contract-farming model, by which villagers provide land and labour (the '2') and investors contribute capital, technique and market access (the '3'). The profit-sharing arrangement is 70 percent for the villagers, and 30 percent for the companies, which pay various taxes to the government. This 'cooperative' arrangement between farmers and investors is intended to lessen coercion. But confusion remains regarding how villagers 'provide' land and labour.²⁹

While provincial governments promote this model as an exemplary form of development, what often develops is a concession-type arrangement. In reality, more of a '1+4' scheme is implemented, in which villagers only provide the land, in exchange for only about 30 percent of any future profits (reversing the shares of the '2+3' model). Villagers may opt to provide wage labour for the plantations, but sometimes labour comes from outside the village.

The '1+4' concessionary model arrangement has a more top-down governance approach than the '2+3', which in theory offers greater decision-making power to villagers. Under the '1+4' model, large Chinese companies approach the provincial and national authorities that subsequently exert pressure on lower government levels to procure enough land to fulfil the contract in that district.

The different development models are difficult to identify in practice. The main distinction is the type of investment: small-holder investment through familial ties and informal contracts versus large-scale,

mostly foreign, companies with top-down investment contracts. Villagers tend to favour small-scale unofficial arrangements because of the greater trust among parties, more secure financial return, better understanding of land use rights and familial ethnic social linkages.³⁰

But in some cases villagers desire the more concessionary '1+4' model because companies retain more control over their rubber production, and the concomitant business pressures. Villagers get paid every season as wage labourers, and don't have to contend with the demands and stresses that the '2+3' model often requires. If the more concessionary approach is attractive because villagers earn some compensation for their years of labour until rubber is tapped, this option is not free of problems.

Tension exists between proponents of smallholder and concession models, and between provincial/district and national government agencies on how to proceed with rubber development. For example, the provincial governments in three northern provinces, Luang Namtha, Bokeo and Oudomxai, all agreed on promoting smallholder plantation development instead of land concessions for rubber. However, the national government supported large-scale rubber concessions operated by influential Chinese companies, such as Yunnan Rubber, a Lao subsidiary of Yunnan State Farms.³¹

Although the formal bilateral concessionary model arrangements are becoming increasingly prevalent in northern Laos, the contribution of unofficial contracts establishing smallholder plantations through small investors is not insignificant. These sorts of informal, often verbal, contracts continue to play an important role in transferring technical expertise to upland villages comprising similar ethnic identities.³² This more decentralized, voluntary, smallholder process facilitated by cross-border intra-ethnic group identity is completely absent in northern Burma.

Another development model almost completely untouched by existing research is the role of the Laos Army in rubber concessions. Due to its sensitivity, the government has made any investigation difficult, if not impossible. The army has been obtaining rubber concessions relatively independently of formal government allocation and foreign investment processes. According to one report, no less than three Chinese companies hold contracts with the Luang Namtha provincial army for rubber.³³

BENEFITS AND COSTS

Serious concerns arise regarding the long-term economic benefits and costs of rubber development for poor upland villagers. Although some economic benefits are derived from rubber development, the villagers enjoying these new resource revenue streams are not the poorest.

Wealthier farmers with savings and better social networks can more easily tap benefits; hence socio-economic gaps are developing in the communities.³⁴ Households with access to land also profit more from rubber development. Some well-positioned households are able to convert communal forestland into unofficial private land, occasionally obtaining formal land titles.³⁵

Land encroachment and clearing are creating environmental problems, such as loss of forest biodiversity and increased soil erosion, not to mention villager's loss of access to forest products when forests are clear-cut. There is evidence of illegal logging occurring in order to clear land for the plantations.

The coercive nature of rubber development in Laos, even in the so-called '2+3' model, differs from northern Burma in that labour is not forced per se nor is land automatically confiscated. But as the case of Ban Homxay village in Oudomxai province illustrates, a 'use it or lose it' rule is applied to existing land rights within the concession zone. If villagers there refused to participate in the rubber project they had to

give up their land use rights.³⁶ Only wealthier villagers with land access rights to the demarcated concession area had the privilege of deciding whether or not to sell their land (even if technically against national laws), receive compensation, or to opt for rubber tree management with the company.

Without access to capital and land to become involved in rubber concessions, upland farmers practicing swidden cultivation (many of whom are (ex-) poppy growers) have few alternatives but to work as wage labourers on agricultural concessions. They are forced to accede to government relocation programmes or to economic factors, as they have no other means of income.

This pattern of development in the uplands matches very closely the national government plan to eradicate shifting cultivation and resettle villagers into the lowlands along roads. The scenario is similar in northern Burma and Laos, although through somewhat different processes of dispossession and governance frameworks. The primary role of Chinese investment, and specifically China's opium crop substitution policy for agricultural development, is undisputed.

NOTES

1. In 1989 the military government changed the official international name of the country from 'Burma' to 'Myanmar'. Using either has since become a highly politicised issue. The UN uses the latter, but it is not commonly used elsewhere in material written in English about the country. Therefore 'Burma' will be used throughout this publication. This is not meant to be a political statement.

2. Former UNODC Executive Director Antonio Maria Costa for instance wrote: 'The Golden Triangle is closing a dramatic period of opium reduction. A decade-long process of drugs control is clearly paying off.' UNODC, *Opium Poppy Cultivation in Southeast Asia: Lao PDR, Myanmar, Thailand*. October 2007.

3. UNODC, *Opium Poppy Cultivation in Southeast Asia: Lao PDR, Myanmar, Thailand*. December 2009.

4. TNI research 2009-2010.

5. UNODC, 2009 *op. cit.*

6. Tom Kramer, *An Assessment of the Impact of the Global Financial Crisis on Sustainable Alternative Development Key Determinant Factors for Opium Poppy Re-cultivation in Southeast Asia*, UNODC Global

Partnership on Alternative Development Project (GLO/I44), May 2010.

7. EU Presidency Paper, *Key points identified by EU experts to be included in the conclusion of the open-ended intergovernmental expert working group on international cooperation on the eradication of illicit drug and on alternative development*, 4 July 2008, UNODC/CND/2008/WG.3/CRP.4.

8. See, Tom Kramer, Martin Jelsma and Tom Blickman, *Withdrawal Symptoms in the Golden Triangle, A Drugs Market in Disarray*, TNI, January 2009; HIV/AIDS Asia Regional Program Yunnan (HAARP Project), *First Year Project Progress Report*, HAARP Yunnan Office 02/07/2009.

9. Qu Jianwen, *Summary Report of the Development of Poppy Substitution in the Peripheries of Yunnan Province*, presented at TNI-GTZ Second Southeast Asia Informal Drugs Policy Dialogue, Bangkok, 19-21 April 2010.

10. Ibid; *Yunnan Provincial Document No.6 (2005)*, issued in May 2005.

11. Yunnan State Council, *The Approval of the State Council for the Poppy Substitution Development Programme carried out in Myanmar and Northern Laos*, State Document No.22, issued on April 3, 2006.

12. Qu Jianwen, *op. cit.*

13. Baird and Shoemaker, 'Unsettling Experiences: Internal resettlement and international aid agencies in Laos,' *Development and Change*, 38(5): 865-888, 2007.

14. Interview with Chinese businessman, December 2009.

15. China's 'Tenth Five-Year Plan for National Economic and Social Development' for the period 2006-2010, aims to invest US\$60 billion overseas. See Weiyi Shi, *Rubber Boom in Luang Namtha: A Transnational Perspective*, GTZ, February 2008, Page 24.

16. Weiyi Shi *op. cit.*; Li Chenyang and Lye Liang Fook, 'China's Policies Towards Myanmar: A Successful Model for Dealing with the Myanmar Issue?' In: Li Chenyang and Wilhelm Hofmeister (Eds.), *Myanmar, Prospects for Change*, Singapore 2010.

17. Tom Kramer, *Burma's Cease-fires at Risk; Consequences of the Kokang Crisis for Peace and Democracy*, TNI September 2009.

18. Tom Kramer, *From Golden Triangle to Rubber Belt? The Future of Opium Bans in the Kokang and Wa Regions*, TNI Drug Policy Briefing No. 29, July 2009.

19. Ministry of Agriculture and Irrigation, *Myanmar Long Term Implementation of Project*, First Quarterly Report of Implementation, December 3, 2009.

20. The planned targeted areas amount to about 145,000 hectares in Shan state and 56,000 hectares in Kachin state, Myanmar Perennial Crop Enterprise (MPCE).

21. Hla Myint, *The Role of Myanmar Rubber Planters and Producers Association (MRPPA) in Natural Rubber Development and its Recent Activities*, International Rubber Conference, Siem Reap, Cambodia, 2007.

22. Interview with UWSA Vice-Chairman Xiao Min Liang, 23 February 2009; *From Golden Triangle to Rubber Belt op. cit.*

23. Interviews, June 2009.
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