

# Feeding the Beast:

## The Role of Myanmar's Illicit Economies in Continued State Instability

*Lizzette Marrero*

*Lizzette completed her Masters of Security Policy Studies from the George Washington University, Elliott School of International Affairs in May 2018, with a concentration in transnational security and U.S. National Security and Defense Programs. She holds two bachelor's degrees from the University of Texas at Austin in Government and International Relations and Global Studies, a minor in Latin American Studies, and a certificate in Eastern European and Russian Studies. She serves on the Graduate Admissions Advisory Board at GWU and works as an associate at Vasa Strategies, focusing her efforts on violent extremist movements and conflict resolution.*

### ABSTRACT

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This paper examines the role of Myanmar's military junta, the Tatmadaw, in the expansive transnational organized crime network of the country. These criminal activities facilitated by the Tatmadaw contribute to the ongoing humanitarian crisis in Myanmar. Illicit finance fuels the hostile power of the military junta, undermines democracy, and exploits Myanmar's Muslim community. As acts of violence, genocide, and torture continue to plague the country's ethnic minorities, this paper seeks to explore the dismantling of organized crime networks as a means of mitigating violence and incentivizing the Tatmadaw to end its reign of terror against the Rohingya and other innocent civilians. This paper will provide a series of policy recommendations that promote transparency and cohesive efforts between the United States government and the National League for Democracy. Ending genocide and empowering democracy in Myanmar requires a new approach that emboldens democratic institutions, undermines illicit activities, and mobilizes the legitimate economy.

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### INTRODUCTION

The word genocide rings across the international community as Myanmar continues to spiral into political crisis. Despite the election of State Counselor Aung San Suu Kyi in 2015, the country's long-standing and influential military junta, also known as the Tatmadaw, maintains a firm, constitutionally-protected grip on power, committing atrocities with impunity. Driven by an extremist Buddhist ideology, the Tatmadaw has and continues to perpetrate acts of ethnic cleansing against Rohingya Muslims in the Rakhine state. Meanwhile,

discussions continue between U.S. and international policymakers on how to bring an end to the crisis in Myanmar.

However, this dialogue does not address the primary source of the junta's power, transnational organized crime. From wildlife and human trafficking to drug cultivation and illegal logging, Myanmar's informal economy is expansive and often facilitated by the Tatmadaw. Therefore, it is timely to examine the history and origins of Myanmar's informal economy, the three major organized crime activities, local/regional implications, and current policy responses. Through this analysis, I develop brief policy recommendations that provide a sequential, guided, and informed approach that can incentivize good actors within the Tatmadaw, empower the movement towards democracy, and target low hanging fruit in the illicit economy while avoiding disruption to Myanmar's economy. By implementing policy recommendations to thwart organized crime in Myanmar, the National League for Democracy (NLD) and the U.S. can promote an end to these activities and, subsequently, the military establishment's murderous behavior.

## **HISTORY**

To adequately assess the threat landscape of transnational crime in Myanmar (formerly known as Burma), it is essential to understand the country's troubled past. Two points are worth noting as particularly pivotal to the junta's merger with transnational organized crime. The first is the reign of Buddhist Marxism beginning in 1962, and the second is the series of ceasefire agreements in the 1990s.

Myanmar has long struggled with instability driven by enduring political and ethnic conflict. These tensions erupted in 1962 when General Ne Win led a coup d'état, dismantling democracy, abolishing the constitution, and enforcing harsh military rule in Myanmar. Ne Win instituted a form of socialism that incorporated radical elements of nationalism, Marxism, and Buddhism, and his economic policies tore the Burmese economy apart.

Financial devastation affected the rice-based economy of Myanmar, forcing farmers into the "upland areas" of the Shan State where opium was the only viable crop at a time where demand for drugs was on the rise.<sup>1</sup> As one junta replaced another, the military establishment became more powerful, aggressive, and corrupt. Human rights abuses escalated, violence became more pervasive, the black market began to thrive, and extrajudicial killings, torture, and displacement spread across the country.<sup>2</sup>

In 1990, democracy nearly took hold in Myanmar. Motivated by substantial international and domestic pressure, the military junta arranged and conducted free and fair elections for the first time in 30 years. The NLD, led by Aung San Suu Kyi won the elections in a landslide victory. The Tatmadaw, however,

refused to accept the outcome. The junta initiated a campaign to detain, abuse, and torture all political dissidents including Suu Kyi herself. Additionally, they tightened laws which governed the rights of freedom of speech and assembly. With the Tatmadaw at the center of Myanmar's politics and economy, it took an active role in the black market, began expanding its network into the regional organized crime systems, and, most notably, turned Thailand into a "willing drug-trafficking partner".<sup>3</sup>

Inspired by extremist elements of Buddhist nationalism, the military establishment sought to repress all ideas not in line with its own. While there is a history of tension between Myanmar's different ethnicities and religions, the level of discrimination increased through the 1990s, with the Karen and Rohingya people the worst affected. Within this same decade, the military junta also increased its cooperation with various insurgent groups in the region. In exchange for a cease-fire, the Burmese government placed insurgent groups' territory beyond the reach of Burmese law. The agreement allowed insurgents and the military junta to create partnerships to increase trade in illegal goods, including drugs, gems, and timber.<sup>4</sup> These illicit economies became particularly appealing to the military dictatorship after 1997, when the U.S. imposed sanctions and embargoes against Myanmar.

Conditions in Myanmar remain highly repressive. Despite the recognition of democratically elected leader Aung San Suu Kyi, the Tatmadaw continue to hold and abuse political power in Myanmar. The country remains a center for trade in illicit goods in the region, ranging from wildlife and natural resources to the drugs and human trafficking, all with the help of the Tatmadaw.<sup>5</sup> The junta's targeting of ethnic minorities, especially the Rohingya, has U.N. officials considering classifying these acts of mass murder as genocide. A comprehensive strategy to end this militarily-sanctioned atrocity requires sensible policies aimed at combatting the Tatmadaw's engagement in the illicit economy. In cutting off the military junta's finances, policymakers can thwart their primary source of power and influence.

## **THE MOTIVES**

Before assessing how to address the problem of transnational organized crime in Myanmar, it is vital to identify its primary motivators. Understanding why Myanmar's political leaders, insurgent groups, and citizens have turned to illicit economies can grant policymakers the tools to eradicate it.

First, it can be strongly argued that illicit economies have kept Myanmar from entering another civil war. While conditions within Myanmar are very fragile, illegal economies prevent devastating ethnic insurgency clashes. In some ways, transnational organized crime acts as a stabilizing practice that keeps the peace between rivaling ethnic groups. Given Myanmar's long history

with war and internal conflict, the government often accepts this compromise. Ethnic insurgency groups run organized crime in Myanmar and remain largely immune from government interference. The Tatmadaw facilitates the movement and production of illicit goods and offers protection to the insurgent groups from legal recourse. However, it is important to note that this symbiotic relationship has not always existed. The Tatmadaw and ethnic insurgency groups have a long history of armed conflict that has significantly contributed to Myanmar's economic and political instability. Therefore, to avoid inflaming tensions between these two parties, Myanmar's formal government does little to intercept the movement and production of illegal goods and services.<sup>6</sup>

Second, political officials and the military establishment of the Tatmadaw benefit financially from the earnings of transnational organized crime.<sup>7</sup> In wildlife trafficking, illegal mining, illegal logging, human trafficking, and drug trafficking, it is easy to trace Tatmadaw engagement and political oversight. The Burmese government views the informal economy as a necessary evil to respond to the severe economic sanctions implemented against them by the U.S. and other international actors. State officials and intelligence officials in Myanmar, therefore, found transnational organized crime attractive and became heavily involved in the practice.<sup>8</sup> While these sanctions were removed by the Obama administration in 2016, the U.S. State Department and Congress are once again weighing the option to re-impose sanctions against Myanmar in response to the human rights abuses taking place in the country.<sup>9</sup>

Third, there is a high demand in Southeast Asia for the goods that Myanmar's informal economy produces, such as opium, methamphetamine, illegal timber, endangered wildlife, and trafficked humans.<sup>10</sup> Countries including China, Thailand, India, Laos, Bangladesh, Vietnam, Indonesia, Malaysia, Brunei Darussalam, South Korea, and Cambodia are frequent buyers of these goods. Though Myanmar is rich in natural resources, it suffers from the exploitation of these resources by the military establishment, which has contributed to corruption. Rapid development in states such as China, where per capita GDP and consumption are rising, has led to increased demand for illegal goods from Myanmar. Given these lucrative trade relationships, it is unlikely that there will be a reduction in the country's illegal informal economy.

Finally, organized crime offers a financial remedy for the many in Myanmar that live in extreme poverty. There is an overall lack of government investment in the development of rural areas. The income generated by these illicit activities is an important source of income in a country where food prices are rising, and farmers remain concerned about feeding their families. Farmers often engage in opium poppy cultivation to afford food, basic healthcare, and education services.<sup>11</sup> Often, Burmese farmers and city dwellers that make up the country's poor engage in the informal economy to survive, not to prosper. In fact, many officials are concerned that "purging the illicit economies" in Myanmar could

have pronounced detrimental effects on “GDP growth, poverty alleviation, and income redistribution.”<sup>12</sup>

## **THE THREE INFORMAL ECONOMIES**

Myanmar’s contribution to the black market is both diverse and expansive. The country’s porous borders and conveniently located markets make the illegal movement of goods into other countries very easy. The three major informal economies thriving in Myanmar are natural resources/wildlife, drugs, and human trafficking.

### *NATURAL RESOURCES/WILDLIFE*

Wildlife and natural resource trafficking are among the most consequential of Myanmar’s illicit economies.<sup>13</sup> Myanmar enjoys a wealth of natural resources. In January 1948, it stood as the world’s largest rice exporter and the “most prosperous Southeast Asian country.”<sup>14</sup> Unfortunately, the countries’ natural resources were exploited by numerous actors, and Myanmar’s subsequent regimes misused the wealth produced from large mineral and energy reserves. As such, legitimate markets in resources such as jade, gem, rubies, and sapphires were driven underground to exploit and misappropriate profits. Myanmar became one of the world’s poorest countries, currently standing at number eleven with a current GDP per capita at \$1,275.02.<sup>15</sup> From rare wildlife to abundant timber and precious gems, these actors have exploited vast resources to generate profits for the Tatmadaw and other nefarious actors in a well-networked, robust black market.

The most common wild animals sold on the black market are Asiatic black bears, clouded leopards, Asian elephants, reptiles, and turtles.<sup>16</sup> The black market demands these animals in many forms, both alive and stuffed, with some buyers seeking specific body parts. Many individuals engage in the trafficking of wildlife because it is a low-risk, high-reward trade. For example, in just one sale of tiger skin, a trafficker can make up to \$200,000 in profits. Because these exotic animals are so valuable, they are also often used as currency in other illicit economies operating in Myanmar, such as the drug trade. In such scenarios, drugs are sold within and across borders in exchange for trafficked wildlife.<sup>17</sup>

Additionally, forests cover close to half of Myanmar’s land area, of which only ten percent remains untouched. With weak law enforcement unable to combat illegal logging, the practice has become a significant problem for Myanmar. Criminal loggers have stifled the formal timber economy and exacerbated the problem of deforestation in the country.<sup>18</sup>

Myanmar also has an abundance of rubies, sapphires, jade, and other gems, with Myanmar jade being the most valuable in the world.<sup>19</sup> Military elites

are heavily involved in the illegal trade of gemstones and enjoy the financial benefits of this lucrative trade at the expense of the rest of the population. These precious gems are smuggled into China to avoid tariffs and sold at exorbitant prices to consumers in countries like the U.S, producing significant profits for the illicit traders. Furthermore, smugglers will accept these precious materials as non-cash currency equivalents for trans-border smuggling.<sup>20</sup> Like wildlife smuggling, the trafficking and sale of illegally mined jade and gemstones are low-risk and high-reward, producing benefits of up to \$31 billion in one year alone.<sup>21</sup>

## *DRUGS*

Myanmar has long been a leading cultivator and trafficker of illicit drugs, with drug exports generating \$1 to \$2 billion annually.<sup>22</sup> While China and India profit from producing and selling the base materials for illicit drugs, Myanmar is the “epicenter of the drug trade in the Mekong region.”<sup>23</sup> In a country currently suffering an economic crisis, many understandably argue that these revenues are vital to curbing poverty. Additionally, Myanmar’s military establishment has stimulated drug production and consumption across the region by institutionalizing the practice within and beyond its borders. Not only does the military willingly permit the production and movement of illicit drugs, but many have been caught smuggling drugs into neighboring countries themselves.<sup>24</sup>

The issue of illicit drugs in Myanmar is difficult to resolve. The range of drugs produced and exported out of the country is expansive and diverse. Myanmar mainly produces heroin, opium, methamphetamines, and synthetic drugs. The country is the world’s second-largest producer of opium after Afghanistan and smugglers have continued to expand their market quite rapidly. To contextualize, 49% of households in the villages of the Shan state cultivate opium poppy.<sup>25</sup> The country experienced a steady increase in the hectares of poppy it produced between 2005 and 2015, when 55,000 hectares of opium poppy were cultivated.<sup>26</sup> Cultivation primarily occurs in the highland areas of the Shan State because traffickers can easily transport drugs across the border into its markets in China, Thailand, and Laos. The Tatmadaw encourages poppy cultivation in the Shan state by issuing heavy taxes on other traditional crops that forces farmers to grow poppy because they cannot produce enough food to feed their families. Additionally, they control the borders across which poppy is exported.<sup>27</sup>

The region saw methamphetamine and other amphetamine-type stimulants production begin in Thailand in the 1990s. Today, its production and consumption have created a growing and important market in Myanmar.<sup>28</sup> This rapid increase occurred during a time when the production of opium

and heroin was falling. Although there is overlap between the markets, the methamphetamine market operates separately.<sup>29</sup> While opium production funds the rural poor of Myanmar, methamphetamine production provides an illicit economy for the urban, industrial population. While suppliers in Myanmar produce significantly more opium, the country currently stands as the most significant producer of methamphetamines and other synthetic drugs in the region.<sup>30</sup>

## *HUMAN TRAFFICKING*

Despite being a party to the UN Convention against Transnational Organized Crime and the UN protocol on migrant smuggling, Myanmar is currently a tier two Watch List state on the United States' 2017 Trafficking in Persons Report. This designation is reserved for countries that do not fully meet the minimum standards for preventing human trafficking. Despite efforts made to bring their policies into compliance, tier two watchlist states have a high number of victims of severe forms of trafficking, and there is a failure to provide evidence of increasing efforts to combat the problem. Myanmar has a long history of slavery and debt-bondage, with many justifying the practice as an essential socio-economic practice predating the colonial era. Amongst other transnational organized crime networks in Myanmar, human trafficking most aggressively targets Myanmar's minority groups, such as the Rohingya people of the Rakhine state. Unfortunately, Myanmar's government does not comply with even the minimum standards against human trafficking and often facilitates these illicit movements. Minorities are frequently trafficked for labor, unlawful conscription and, for women and girls, sexual exploitation.<sup>31</sup> The Tatmadaw espouse an ideology that views Myanmar's ethnic minorities and other religious groups as compromising their Buddhist identity. Therefore, they help facilitate "border smuggling operations" and, in some cases, "Tatmadaw officers operate fiefdoms," or, control territories for the operation of human trafficking.<sup>32</sup>

Human traffickers in Southeast Asia take advantage of political instability and conflict in the region. The current acts of genocide against Rohingya Muslims in the Rakhine state caused hundreds of thousands of Rohingya to flee the country. Criminals have taken advantage of many who have escaped the country, exploiting their fear and vulnerability. These refugees, especially women, are offered opportunities in bordering countries like Thailand to work in "restaurants, factories, and as domestic servants," only to arrive at a much different reality. Many often end up in the northern town of Mae Sai in Thailand to fill a high demand for sex slaves.<sup>33</sup>

## THE FEATURES OF TRANSNATIONAL ORGANIZED CRIME

Myanmar has several geographic, political, and social features that facilitate its role as a hub for transnational organized crime. These features mimic those of ungoverned spaces, despite the fact that the country maintains an official governing body. Four elements of ungoverned spaces prove especially advantageous to Myanmar's illicit economies: physical terrain, poorly written ceasefire agreements, practices of ethnic cleansing, and a perfect balance of political chaos and structure.

Myanmar's physical terrain makes it easy for transnational organized groups to run their operations. The country has long borders that are ideal for smuggling contraband.<sup>34</sup> Its abundance of hills and mountains along the border makes movement virtually untraceable. Furthermore, Myanmar receives the main "chemical precursors for methamphetamine production" from its neighbors China and India, facilitating the transfer of these supplies across the border.<sup>35</sup> Similarly, Myanmar geographically surrounds the countries that most often purchase its illicit goods, which further eases the cross-border flow of illicit goods.

The ceasefire agreements of the early 1990s gave insurgent groups an economic stake in illegal resource exploitation. In exchange for a ceasefire, the Tatmadaw granted insurgent groups licenses to trade in any product or resource, including drugs, gems, and timber. Burmese law enforcement cannot reach areas under the ceasefire agreement because of these licenses, making them epicenters for Myanmar's transnational organized crime networks. These ceasefire agreements are deemed necessary to avoid another civil war between insurgent groups and the Burmese military junta. Even outside of the corrupt Tatmadaw, the formal government led by Aung San Suu Kyi is often unwilling to intervene in an illegal economy that keeps insurgent groups and the Burmese military working together. To avoid the risk of spurring another civil war, political officials turn a blind eye to illicit economies facilitated by the ceasefire agreement.<sup>36</sup>

Transnational organized criminal groups exploit ungoverned areas subject to ethnic cleansing to operate largely under the radar. The Tatmadaw has targeted ethnic minorities and in effect, provides a supply chain for human trafficking. Millions of Rohingya Muslims and other ethnic minorities are rapidly fleeing the country. The Tatmadaw practices of burning homes, raping women, beheading men, and committing a slew of atrocities hampers the government's ability to control some regions, leading to the flourishing of these criminal groups.<sup>37</sup>

Transnational organized crime groups flourish within governance vacuums. However, a lack of infrastructure and investment in governance can be equally detrimental, as Myanmar's informal economy has a symbiotic



relationship with the government.<sup>38</sup> Organized crime requires seaports, airports, banks and legitimate businesses to prosper. Completely ungoverned spaces make the barrier to entry for organized criminal groups so low that the financial benefits diminish as the market becomes saturated with illicit actors. Myanmar's political-economic foundation is ideally constructed between informal, ungoverned space and legitimate governance, which can facilitate certain aspects of transnational organized crime.

## **LOCAL IMPLICATIONS OF MYANMAR'S ILLICIT ECONOMIES**

Transnational organized crime groups operate a lucrative multi-billion-dollar informal industry.<sup>39</sup> While Myanmar's informal economy staves off extreme poverty, it also contributes to continuing problems in the country. The illicit economy hurts local conditions in four ways: political instability, contribution to discrimination and violence against ethnic minorities, worsening of environmental concerns, and the stifling of the country's potential for sustainable economic development.

Illicit economies undermine democracy in Myanmar. Criminal activity is "controlled by the Tatmadaw and their allies."<sup>40</sup> From human trafficking to the drug trade, and even border smuggling, Myanmar's elite politico-military class has integrated itself into the black market. Essentially, illicit economies in Myanmar sustain the junta.<sup>41</sup> Money grants this repressive military regime power, and the regime exercises that power to undermine the country's nascent democracy. In 2015, the military formally recognized the democratic election favoring the NLD and placed Aung San Suu Kyi as the state counselor and de facto leader of Myanmar. However, the army "still commands great control over government affairs."<sup>42</sup> The constitution stipulates that at least 25% of the seats in parliament must go to the military. Furthermore, it grants the Tatmadaw the right to operate independently of the government over defense, borders, and home affairs. Many have criticized Suu Kyi for not publicly denouncing the military junta for its illicit activity. Doing so, however, could undermine Myanmar's progress toward democracy by making her position untenable in the public's eye, as many of the voters who elected her rely on these informal economies to survive.<sup>43</sup>

Income from transnational crime networks also have permitted ethnic cleansing and genocide. The connection between Myanmar's illicit economy and its military is especially concerning given that the Tatmadaw is the primary actor behind the current humanitarian crisis. As such, Myanmar's illicit economy has contributed directly to the targeted killing of its Muslim population. The Rohingya crisis alone has caused devastating consequences in the region. Organized crime contributes to this despair, as even after these

individuals escape the atrocities within Myanmar's borders, many often find themselves victims of transnational human trafficking.

The environmental consequences of these networks and their activities are also outsized. The killing and smuggling of exotic animals are pushing already endangered native creatures towards extinction. Illegal logging contributes to rapidly growing deforestation rates in Myanmar. The country already holds the third-worst deforestation rate in the world, leaving the nation vulnerable to flooding, drought, and disease.<sup>44</sup> Furthermore, illegal resource exploitation of precious gems and jade has ravaged the environment in Myanmar and has led to "deadly landslides" and several "environmental disasters."<sup>45</sup>

Additionally, these informal economies stifle economic growth. Myanmar turned heavily to illicit trade in response to economic crisis. While, admittedly, cultivating opium allows many to avert starvation and disaster, it does not contribute to sustainable economic development. This means escaping current impoverished conditions is nearly impossible for those engaging in the illicit economy to survive.<sup>46</sup> The government has historically ensured that the informal economy remains prevalent by making opium the only viable crop in the country. The Tatmadaw continues to engage in land-grabbing, leaving the poor without official titles to the land, and therefore no authority to determine what they cultivate on it.<sup>47</sup> Limiting alternative options for farmers stifles any opportunity for economic innovation, expansion of new markets, and sustainable GDP growth.

## **REGIONAL/INTERNATIONAL IMPLICATIONS**

Myanmar's illicit economies exist in part because there is a significant demand for these goods. The informal economy in Myanmar is part of a regional network of illegal activity in Southeast Asia and some of the most significant buyers of drugs, human slaves, and illegal wildlife are neighboring countries. Additionally, Myanmar's informal economy frequently finds willing customers in the U.S. As the U.S. engages in dialogue about shifting its strategic focus towards Asia, it is crucial to understand how transnational crime originating in Myanmar promotes regional instability and undermines development.

### *CHINA*

The drug trade is a critical component of Myanmar's strategy to foster an economic gateway to China.<sup>48</sup> In the past, China was willing to crack down on drug trafficking in Myanmar because it flowed into other markets, allowing the Chinese to take a cut of the profits. However, given the increase in disposable income in China, many now have the means and desire to buy drugs produced in Myanmar. While China has the political will, it lacks the financial capital to

stop drug trafficking.<sup>49</sup> It is also important to remember that China supplies Myanmar with the resources to produce methamphetamines. Myanmar's markets are quickly spreading their influence into parts of the Chinese economy and society in a way that is dangerous to public health and stability.

## *THAILAND*

Myanmar contributes and promotes organized crime in Thailand. In fact, the boundaries between organized crime and governance are similarly blurred in Thailand similarly to Myanmar. The city of Mae Sai, in the northernmost part of Thailand, is notorious for its large sex industry and its economy reaps the benefits of legal and regulated prostitution laws. Despite international efforts to combat sex slavery, Mae Sai is an accessible location for Burmese gang members. Burmese traffickers sell so many of its women and children to this popular destination spot that they make up most of the industry's sex workers.<sup>50</sup>

## *U.S.*

Myanmar has exploited a number of opportunities in the U.S. markets. Smugglers have averted U.S. sanctions against the import of the country's gems by obscuring their origin from potential buyers. The smuggling of gems to U.S. markets has been so successful that while Myanmar holds an estimated 90% of the world's rubies, only 3% of rubies entering the U.S. are traced to the country. The U.S.'s inability to successfully enforce its sanctions undermines its credibility and border security. Additionally, the United States is amongst the "world's largest importers of illegal wildlife." Aside from wildlife and precious gems, it is also worth noting that reports have found that on several occasions the DEA intercepted trafficked methamphetamine pills traced back to Myanmar.<sup>51</sup>

## **CURRENT POLICY RESPONSES**

The U.S. government and allies, as well as the official Burmese government, have been cautious in generating a response to the illicit economy in Myanmar. Policy responses are difficult because they can "undermine democratization, exacerbate ethnic conflict, and fail to suppress illicit economies" if implemented incorrectly.<sup>52</sup> It is important to consider that illicit economies are embedded in the poor populations of Myanmar, and untangling these markets could lead to a loss of support for the NLD. Conversely, sanctions only justify the need for continued involvement in illicit markets and undermine long-term development. The complex political environment in Myanmar has resulted in the failure of previous domestic and international policy responses.

Domestically, the election of Aung San Suu Kyi allowed for some progress. However, it is important to remember that the Tatmadaw continues to hold true power in the government. Following her election, Suu Kyi attempted to implement policies to curb environmental crimes in Myanmar, passing a law suspending mining licenses to curb illegal gem and jade markets. However, “regulation has been sporadic and selective” because Suu Kyi’s government lacks enforcement mechanisms.<sup>53</sup> In 2014, she invoked a ban on timber exports. However, because Myanmar’s borders are porous and the Tatmadaw oversees border security entirely, timber and illicit wildlife economies continue to thrive. Suu Kyi also faces the difficult challenge of “disentangling money made in the legal and illegal economies” while avoiding policies that further economic slowdown in the region.<sup>54</sup>

Implementing the proper policy responses presents an ongoing challenge to the U.S. government, which is simultaneously trying to bring an end to ethnic cleansing in Myanmar, as well as address the exploitation of its black market. Policy responses to date have been counterproductive. For example, the sanctions currently under consideration against top-ranking officials in Myanmar for human rights violations could fuel continued state investment in the informal economy. This is precisely what happened with the harsh sanctions and embargoes of the last decade. As the economy crumbled in response to economic sanctions imposed by the U.S., illicit economies continued to expand, and the regime absorbed the markets to stay afloat. Other measures to directly combat transnational organized crime have proved equally challenging. The U.S. State Department has designated Myanmar as a tier two state in the 2017 Trafficking in Persons report.<sup>55</sup> These responses mainly focused on sanctioning the officials involved in the illegal economy. However, these responses have yet to achieve results.

## **POLICY OPTIONS**

Policy responses to date have been misguided. Therefore, alternative policy options are worth exploring. The following recommendations strike a balance between aiding those in immediate danger, remaining sensitive to the economic needs in the region, and averting escalating tensions in the region.

### *RECOMMENDATIONS TO THE TRANSITIONAL MYANMAR LEADERSHIP*

- The NLD should adopt an organized and sequential approach to dismantling “entrenched power structures and illicit actors,” instead of trying to combat all of them at once.<sup>56</sup>
- The NLD can integrate this approach by building an engagement

strategy to facilitate formal dialogue between the National League for Democracy and members of the Tatmadaw most inclined towards political and democratic liberalization.

- The engagement strategy should foster a commitment from leaders of the military junta to comply with best practices for eliminating Myanmar's informal economy in exchange for the training programs explained below.
- The NLD should adopt a plan to rebuild institutions in Myanmar, with a focus on the judiciary and police. These reforms should establish the rule of law and credible enforcement mechanisms against organized crime
  - Reforms to the police force and judiciary should focus on permitting them to operate independently, without interference from the government, parliament or the armed forces.
- The NLD should pick “low hanging fruit” by targeting illegal economies that can exist in the formal market and wildlife trafficking.<sup>57</sup> Such economies include gems, jade, and timber.
  - The NLD should expand legal job opportunities in these markets for marginalized populations.
  - Expanding these legal job opportunities should additionally extend to farmers in rural areas to discourage them from cultivating poppy.
  - Wildlife trafficking is most likely to garner international cooperation, garner low political cost, and cause little damage to labor, given it is a labor-non-intensive economy.
- The NLD should take an indirect approach to naming and shaming the Tatmadaw by building increased transparency into the system. Transparency efforts can include disclosing beneficial ownership and clarity in contracts, as well as providing protections for investigative journalists and civil society.

### *RECOMMENDATIONS TO U.S. GOVERNMENT*

- The U.S. should work with the NLD to offer incentives only for prominent reformist commanders. The U.S. should provide reformist commanders with sponsored visits to the U.S. and specialized training opportunities.<sup>58</sup>

- Further, the State Department should extend its military/police training courses to rising young officers of Myanmar's military.
- The U.S. should increase support for its allies in the region, such as India, to ensure that Myanmar's transnational organized crime network does not become a destabilizing factor in Southeast Asia.<sup>59</sup>
- The U.S. State Department should implement targeted sanctions against Myanmar's senior military command.
  - These sanctions must not target any aspect of the formal economy or the National League for Democracy.
  - These sanctions should not include an arms embargo against the country.

## CONCLUSION

The situation in Myanmar serves as an example of a strong transnational organized crime network composed of actors from the very institutions intended to protect the people of the country itself. Myanmar's path to eliminating the egregious human rights violations that have left the international community in shock requires addressing the long-standing, embedded transnational organized crime networks within the country. These informal economies empower and sustain the reign of the Tatmadaw, contribute to the continued exploitation and torture of ethnic minorities, and undermine Myanmar's development towards a stable democracy. Eliminating the control of the Tatmadaw and bringing an end to these informal economies will require cautious, patient, and persistent policies by the National League for Democracy, aided by the United States and its allies.

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