



Enabling War and *Peace*

Drugs, Logs, Gems,
and Wildlife in Thailand
and Burma

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Executive Summary

This policy paper explores the relationship between conflict, peace dynamics, and drugs and other illicit economies in Thailand and Myanmar/Burma since the 1960s through the current period. In both cases, drugs and other illicit economies fueled insurgencies and ethnic separatism. Yet both Myanmar and Thailand are in different ways (controversial) exemplars of how to suppress conflict in the context of the drugs-conflict nexus. They both show that the central premise of the narcoinsurgency/narcoterrorism conventional approach—in order to defeat militants, bankrupt them by destroying the illicit drug economy on which they rely—was ineffective and counterproductive. At the same time, however, in both Thailand and Myanmar, recent anti-drug policies have either generated new hidden violent social conflict or threaten to unravel the fragile ethnic peace. The leading research finding and policy implications are: *While illicit economies fuel conflict, their suppression is often counterproductive for ending conflict and can provoke new forms of conflict. Prioritization and sequencing of government efforts to end conflict and reduce illicit economies is crucial. So is recognizing that suppressing poppy at the cost of exacerbating logging or wildlife trafficking is not an adequate policy outcome.*

Learning the right lessons is acutely important for Burma/Myanmar, which, after the overwhelming victory of the National League for Democracy (NLD), led by Aung Sang Suu Kyi in the November 2015 elections, is entering a new political order and a new phase in peace negotiations with ethnic separatist groups. Although the Myanmar military will not give up its influence on the ethnic peace processes, Aung San Suu Kyi and the

NLD will become far more involved in the negotiations, having drawn important support from the contested ethnic areas allowed to participate in the election. At the same time, the NLD and Suu Kyi (whatever her formal title in the new government will be) will need to carefully structure and calibrate their relationships with external donors and trading partners, such as China and the United States, many of which will seek to shape policies toward drugs and other extractive and illegal economies, including logging, mining, and wildlife trafficking.

Key Findings

Thailand has become a paragon of how to implement alternative livelihoods to wean local populations off of cultivating illicit crops. Yet the strategy's success was critically enabled by Thailand's suspension of the eradication of illicit crops while the ethnic insurgency among the poppy-cultivating ethnic minorities was underway. Suspending eradication and thus being able to win the population's allegiance was crucial. But well-designed, alternative livelihoods only became effective long after violent conflict had ended.

Recently, however, Thailand's drug policies have been the source of a new kind of violent conflict: In early 2003, Prime Minister Thaksin Shinawatra launched a zero-tolerance "war on drugs." In addition to many arrested, an estimated 3,000 people were killed during the "war." A new phase of the war is currently underway, resulting in the arrest of almost 285,000 people in 2015 alone. As before, this war on drugs is counterproductive when it comes to addressing the threats and harms posed by drug use

and the drug trade. It also violates human rights. It should not be seen by either Thai society or the international community as legitimizing the military junta that seized power in 2014.

Burma is yet another case where *laissez-faire* policies toward illicit economies were central to the government's ability to reduce and suspend military conflict. However, the policies adopted in Burma provide a new twist on *laissez-faire*: in that it was not used by the government to win the hearts and minds of the population, but rather to buy off and co-opt the belligerents and the traffickers themselves. Indeed the centerpiece of the ceasefires of the early 1990s was the junta's acquiescence to the belligerents' continued trade with any of the goods in their territories—including drugs, minerals, timber, and wildlife.

Renegotiating the ethnic ceasefires of the 1990s into permanent negotiated settlements is one of the essential determinants of whether lasting peace is established and Myanmar's transition from authoritarianism succeeds. Yet it is not clear whether the economic inducements à la the 1990s can any longer be available. First, the international oversight, including China's, is far more determined to not allow the perpetuation of illicit economies in Myanmar, such as a resurrected poppy economy. Second, many more actors, including Bamar groups and Chinese enterprises, are now intermeshed in a variety of Myanmar's economies, including illegal logging and land seizure, squeezing out ethnic participants. For many reasons, beyond but including the management of illicit economies and economic interests, some of the peace negotiations are breaking down, and violent conflicts are restarting. At the same time, many of the economies which have underpinned peace and sometimes replaced the opium poppy economies—including logging, mining, and wildlife trafficking—have had devastating environmental effects.

Key Policy Recommendations

Contrary to the conventional wisdom, suppressing labor-intensive illicit economies does not relieve military conflict, it exacerbates it. Accordingly, the opposite sequencing and prioritization of policy is often required:

- In order to end insurgencies, whether through a victory on the battlefield, by weaning local populations from supporting belligerent groups, or through peace deals that give insurgent groups an economic stake in the peace, governments may have temporarily to tolerate labor-intensive illicit economies, such as drug cultivation.
- However, for such a peace to be both sustainable and satisfactory from a public goods perspective, the social and economic development of former conflict areas will be necessary to prevent undesirable unregulated and illegal economies, such as logging and wildlife trafficking.
- Conversely, for alternative livelihoods programs to be effective in reducing such undesirable economies in a lasting way, good security needs to be established in the rural regions. This means that the ending of military conflict needs to be given priority.
- Alternative livelihoods must address all the structural drivers of illicit economies. They must encompass generation of sufficient employment opportunities, such as through the promotion of high-value high-labor-intensive crops as well as through off-farm income, infrastructure building, distribution of new technologies, marketing help and the development of value-added chains, facilitation of local microcredit, establishment of access to land without the need to

participate in the illicit economy, and development of off-farm income opportunities—to name a few of the most prominent components. A combination of purposeful village-level rural development and broad job-generating economic development is necessary.

- They also need to be integrated into overall development strategies, with attention paid to whether overall economic growth produces job creation or capital accumulation while exacerbating inequality. Macroeconomic policies, such as fiscal policies that tax labor heavily and land lightly, might have pronounced, if indirect, effects on the effectiveness of alternative livelihoods policies, and may be expressions of persisting social exclusion.
- Policing and rule of law are indispensable elements of suppressing illegal economies and regulating the legal ones so they are not socially or environmentally destructive. However, for policing and law enforcement to be effective, they often require that local populations do not fundamentally see them

as contrary to their human security and hence can be internalized. Thus, providing desirable legal economic alternatives facilitates policing and rule of law.

- However, alternative livelihoods strategies must become far more sensitive to their environmental impacts. Underpinning a peace deal with unrestrained destruction of forests produces at best a highly problematic reduction in conflict. Replacing the drug trade with wildlife trafficking is equally not a good deal. Both can turn an unstable peace into unrestrained plunder.
- Policies addressing drug use should not become new forms of war. Mass incarceration of users and low-level, non-violent pushers does little to suppress—and can exacerbate—the use of illicit drugs. Stigmatizing and punishing users undermines efforts to stem the spread of HIV/AIDS and other communicable diseases. Public health approaches, such as needle-exchanges and safe-injection sites, produce far better policy outcomes and should be adopted.

Introduction

In November 2015, Myanmar (also known as Burma) likely entered a new phase in the country's history and political development. After decades of authoritarianism and rule by a military junta, the pro-democracy National League for Democracy (NLD), led by the Nobel Peace Prize winner Aung Sang Suu Kyi, overwhelmingly won in a national election against a political party representing the Myanmar military and affiliated crony capitalists. Unlike in the 1990 elections, the military and the quasi-civilian regime created in 2011 when Burma embarked on democratization are expected to cede power. Barred from becoming president of the country by a pro-junta legislative clause in the constitution, Suu Kyi has already declared herself "above the president"¹; though it is not yet clear what her formal title and post will be. But both she and the NLD will have large influence on the policies and future of the country: In the new parliament to be formed in 2016, the NLD will occupy 387 of the 664 seats in the two houses, while the pro-military Union Solidarity

Development Party (USDP) will retain only 42 seats out of the 360 it now holds.² Another 166 seats are reserved for the military.

The change in governance also ushers in a new phase in the peace process with ethnic separatist groups that have been at war with the Burmese government for decades. Although the Myanmar military will not give up its influence on the peace processes or control over the ongoing and intensified fighting in large parts of the country, Aung San Suu Kyi and the NLD will become far more involved in the negotiations and decision-making, having drawn important support from the contested ethnic areas that participated in the elections. Large areas undergoing active conflict and other contested ethnic areas were disqualified from the elections for a lack of security.

In responding to the ethnic peace processes and the fighting, the NLD and Suu Kyi will also confront the many problematic and illegal economies

¹ Andrew R.C. Marshall and Timothy McLaughlin, "Myanmar's Suu Kyi Says Will Be Above President in New Government," *Reuters*, November 5, 2015.

² "Elections Losers Can Still Make Laws in Myanmar for 2 ½ Months," *Associated Press*, November 16, 2015, <http://news.yahoo.com/election-losers-still-laws-myanmar-2-months-104102827.html>.

that have been intertwined in both the conflict *and* the peace processes for decades: drugs, timber, wildlife, and gems. Yet many of the conventional policy prescriptions—based on the assumption that suppressing illegal economies, such as drugs, is necessary for ending military conflict—will likely be counterproductive for achieving peace. At the same time, a (narco-) peace that recapitulates economic deals à la the 1990s, will further exacerbate the environmental destruction that Myanmar has been experiencing over the past three decades. The peace will turn into plunder. Even as Suu Kyi and the NLD will have to carefully calibrate their relationships with Myanmar’s key trading partners and donors, such as China, Thailand, and the United States, they should not just swallow the ineffective and counterproductive conventional wisdom about how to deal with the nexus of conflict and illegality. Instead, they—as well as the outside partners and donors—would do well to learn from the policy outcomes of Myanmar’s own history as well as the successes and failures of its neighbor Thailand, both of which run counter to the conventional wisdom.

The conventional view holds that illegal drugs, as well as exploitation of resources such as timber or wildlife, fuel violent conflict. Militant groups that penetrate the drug trade and other illegal economies often derive large financial profits from it and grow powerful. Hence it is often argued that in order to defeat the insurgents, it is necessary to take away their money by suppressing the illegal economy, such as by eradicating the poppy fields. Yet, this view is wrong-headed. Not only does the siren song of eradication rarely actually produce the promised suppression of financial flows to belligerents as both they and the illicit crop farmers find ways to adapt, but it is counterproductive. It alienates rural populations from the government and thrusts them into the hands of the insurgents. Winning the military conflict or negotiating peace

often requires that suppression actions against labor-intensive illicit economies be halted. Tacitly or explicitly permitting the illicit economies, condemned as it may be by external actors, is often crucial for winning hearts and minds and ending conflict. It may also be crucial for giving belligerent groups a stake in peace. But such a narcopeace may come at the cost of severely negative public-goods side-effects, such as extensive drug production and unrestrained environmental destruction due to logging and wildlife trafficking. Development-based policies toward reducing illicit drug production are crucial for avoiding such negative side-effects while maximizing the chance for peace and social justice, but they must equally focus on preventing the emergence of unrestrained logging and wildlife trafficking and other environmentally-destructive replacement economies.

In this policy paper, I analyze two cases of the complex interactions of drugs and conflict and drugs and peace: Thailand and Burma/Myanmar. In both cases, I examine how drug policy has evolved since the 1960s and influenced conflict and peace dynamics. Thailand’s engagement with drugs is full of complexities and contradictions. On the one hand, Thailand is widely and deservedly recognized as the model of how to reduce illicit crop cultivation through comprehensive alternative livelihoods programs. It is also among the first countries to learn in the 1960s and 1970s that in order to defeat insurgencies, punitive suppression policies toward drug cultivation needed to be halted. However, over the last two decades, Thailand’s policies toward domestic drug consumption have been both ineffective and brutal, causing the deaths of users, dealers, and innocent bystanders swept up in ill-conceived zeal against drug use. This tough-on-use approach failed to reduce drug use and exacerbated the spread of drug-use-related infectious diseases. The ethnic, insurgency, and social peace that Thailand

achieved in the early 1990s after several decades of progressively enlightened policies toward drug cultivation has slipped into a bloody and ineffective new form of war against drug use.

Burma's policies toward drugs and other illegal or problematic extractive economies have also been in the eye of the international community—and indeed, in the eye of an international storm—for a long time. For decades, Burma has been one of the world's epicenters of opiate and methamphetamine production. Cultivation of poppy and production of opium have coincided with five decades of complex and fragmented civil war and counterinsurgency policies. Waves of poppy eradication in the 1970s and 1980s, motivated by both external pressures to reduce illicit crops and internal desires to defund the insurgencies, failed on both counts. An early 1990s *laissez-faire* policy of allowing the insurgencies in designated semi-autonomous regions to trade any products—including drugs, timber, jade, and wildlife—and also the incorporation of key drug traffickers and their assets into the state structures enabled conflict to subside. The Burmese junta negotiated ceasefires with the insurgencies and underpinned the agreements by giving the insurgent groups economic stakes in resource exploitation and illegal economies. Under pressure, including from China, opium poppy cultivation was suppressed in the late 1990s and early 2000s, even as unregulated and often illegal trade in timber, jade, and wildlife continued. Although local populations suffered major economic deprivation, the ceasefires lasted. Since the middle of the 2000s decade, however, the ceasefires have started breaking down, and violent conflict has escalated. There are multiple reasons for this conflict escalation and for the difficulties of transforming the ceasefires into a lasting, just, and inclusive peace. One of them is the current efforts of the Myanmar government and military as well as powerful Bamar and Chinese businessmen and

powerbrokers to restructure the 1990s economic underpinnings of the ceasefires so their economic profits increase. Meanwhile, however, illegal and unregulated resource economies, including the drug trade, logging, mining, and wildlife trafficking, continue to thrive and devastate Burma's ecosystems even as the plunder-underpinned peace has slid into war again.

The paper proceeds as follows:

- First, I outline the conventional view of the narcoinsurgency/narcoterrorism theories and their deficiencies and offer an alternative approach that focuses on the political capital of illicit economies.
- Second, I trace the evolution of drug policies in Thailand and their impact on insurgency and conflict dynamics. I examine the emergence of poppy cultivation early in the 20th century, the poppy eradication policies of the 1960s and their suspension, and the defeat of the Communist and ethnic insurgencies through a toleration of the illegal poppy economy. I also analyze the design and growing effectiveness of alternative livelihoods efforts since the 1980s. Finally, I explore how Thailand's war on drug use since 2002 has produced new social conflict dynamics. Thailand has thus become both the model of humane and effective alternative livelihoods efforts (albeit amidst highly auspicious circumstances) and an example of far more problematic and ineffective policies toward drug use.
- Third, I trace the evolution of drug policies and their impact on insurgency and conflict dynamics in Burma since the 1960s. I explore the involvement of both Communist and ethnic insurgencies and anti-insurgent militias in the drug trade. I also analyze the

laissez-faire policy toward drugs and other resource extraction that crucially underpinned the 1990s ceasefires as well as the unsustainable suppression of opium poppy in the late 1990s and early 2000s when military conflict was not active. At the same time, these economically-based ceasefires have contributed to the devastation of Burma's ecosystems through logging, wildlife trafficking, and poppy eradication. I also analyze how current efforts by the Myanmar government and other political and economic actors, including China, shape the ceasefires and their transformation into lasting peace.

- In the last part of the paper, I draw detailed policy implications for conflict-mitigation strategies, peace negotiations and their sequencing with policies toward drugs, timber, wildlife, and gems. I provide recommendations for how to avoid both undermining the peace processes and settling for an undesirable narcopeace and the emergence of destructive replacement economies, such as wildlife trafficking and illegal logging.

Narcoterrorism and Its Fallacies, Narcopeace and Its Limitations

The conventional view of the nexus between illicit economies and military conflicts— informed by various strands of academic literature, such as works on narcoterrorism, the “greed” literature on civil wars, works on the crime-terror nexus, and “*guerre révolutionnaire*” plus “the cost-benefit analysis of counterinsurgency,” and the dominant thinking in the administration of President George W. Bush—holds that belligerent groups derive large financial profits from illegal activities.³ Presumably these profits critically fund increases in the military capabilities of terrorists, warlords, and insurgents and a

corresponding decrease in the relative capability of government forces. Consequently, governments should focus on eliminating the belligerents’ physical resources by eliminating the illicit economies on which they rely.

The conventional view also frequently maintains that whether or not the belligerent groups ever had any ideological goals, once they interact with the illicit economy, they lose all but pecuniary motivations and become indistinguishable from pure criminals. In many cases, they partner or merge with drug trafficking organizations. Profiting

³ For government analyses exemplifying the conventional view, see, for example, Rand Beers, Assistant Secretary for International Narcotics and Law Enforcement Affairs, “Narco-Terror: The Worldwide Connection Between Drugs and Terrorism,” a hearing before the U.S. Senate Judiciary Committee, Subcommittee on Technology, Terrorism, and Government Information,” March 13, 2002, <http://judiciary.senate.gov/hearing.cfm?id=196>; and Robert Charles, U.S. Policy and Colombia, Testimony before the House Committee on Government Reform, June 17, 2004, <http://reform.house.gov/UploadedFiles/State%20-%20Charles%20Testimony.pdf>.

The academic narcoterrorism works emphasize the financial benefits of belligerents and ignore other gains belligerents derive from illicit economies, thus arguing for suppression of the illicit economy as critical for defeating the belligerents. See for example, Rachel Ehrenfeld, *How Terrorism Is Financed and How to Stop It* (Chicago: Bonus Books, 2005); Douglas J. Davids, *Narco-terrorism* (Ardsley: Transnational Publishers, 2002); James Adams, *The Financing of Terror* (London: New English Library, 1986); Grant Wardlaw, “Linkages between the Illegal Drugs Traffic and Terrorism,” *Conflict Quarterly*, VIII (3), Summer 1988: 5-26; Stefan Leader and David Wiencek, “Drug Money: The Fuel for Global Terrorism,” *Jane’s Intelligence Review*, February 2000: 49-54; Gabriela Tarazona-Sevillano, with John B. Reuter, *Sendero Luminoso and the Threat of Narcoterrorism* (Washington, DC: Center for Strategic and International Studies, 1990); Paul Collier and Anke Hoefler, “Greed and Grievance in Civil Wars,” October 21, 2001, http://econ.worldbank.org/files/12205_greedgrievance_23oct.pdf; Mats Berdal and David Keen, “Violence and Economic Agendas in Civil Wars: Some Policy Implications,” *Millennium: Journal of International Studies*, 26 (3), 1997: 795-818; Mats Berdal and David Malone eds., *Greed and Grievance: Economic Agendas in Civil War* (Boulder: Lynne Rienner, 2000); David Keen, *The Economic Functions of Violence in Civil Wars*, Adelphi Paper No. 320 (Oxford: IISS/Oxford University Press, 1998); Chris Dishman, “Terrorism, Crime, and Transformation,” *Studies in Conflict and Terrorism*, 42 (1), 2001: 43-58; Tamara Makarenko, “The Crime-Terror Continuum: Tracing the Interplay Between Transnational Crime and Terrorism,” *Global Crime*, 1 (1), 2004: 129-145; and Svante Cornell, “Crime Without Borders,” *Axess Magazine* No. 6, 2004: 18-21, http://www.silkroadstudies.org/pub/0408Axess_EN.htm.

immensely from the illicit economy, they have no motivation to achieve a negotiated settlement with the government.⁴ Aggressive law enforcement—principally through eradication of the illicit economy—thus becomes the government’s preferred option.

An additional benefit of eradication, according to its advocates, is that it will reduce drug consumption in market-destination countries, such as the United States. Thus the International Narcotics Control Strategy Report issued by the Department of State, states:

The closer we can attack to the source, the greater the likelihood of halting the flow of drugs altogether. Crop control is by far the most cost-effective means of cutting supply. If we destroy crops or force them to remain unharvested, no drug will enter the system... Theoretically, with no drug crops to harvest, no cocaine or heroin could enter the distribution chain; nor would there be any need for costly enforcement and interdiction operations.⁵

In short, the conventional view is based on three key premises: 1) Belligerents make money from illicit economies. 2) The destruction of the illicit economy is both necessary and optimal for defeating the belligerents because it will critically eliminate their resources. 3) The belligerents who participate in the illicit economy must no longer be treated as different from the criminals who also participate in the illicit economy.

I argue that the conventional narcoguerrilla view is strikingly incomplete and leads to ineffective

and even counterproductive policy recommendations.⁶ It fails critically to recognize that belligerents derive much more than simply large financial profits from their sponsorship of illicit economies. They also obtain freedom of action and, crucially, legitimacy and support from the local population—what I call *political capital*. By supporting the illicit economy, belligerents both increase their military capability and build political support. Belligerents who attempt to destroy the illicit economy suffer on both accounts.

Four factors largely determine the extent to which belligerents can benefit from their involvement in the illicit economy: the state of the overall economy; the character of the illicit economy; the presence (or absence) of thuggish traffickers; and the government response to the illicit economy.

- The state of the overall economy—poor or rich—determines the availability of alternative sources of income and the number of people in a region who depend on the illicit economy for their livelihood.
- The character of the illicit economy—labor-intensive or not—determines the extent to which the illicit economy provides employment for the local population.
- The presence (or absence) of thuggish traffickers and the government response to the illicit economy (which can range from suppression to *laissez-faire* to legalization) determine the extent to which the population depends on the belligerents to preserve and regulate the illicit economy.

⁴ Collier and Hoeffler (2001).

⁵ U.S. Department of State, *The 2003 International Narcotics Control Strategy Report*, <http://www.state.gov/p/inl/rls/nrcrpt/2003/vol1/html/29828.htm>.

⁶ I detail the theory of “The Political Capital Model of Illicit Economies” and test it against conventional wisdom in case studies from Asia, Latin America, and Northern Ireland in my book *Shooting Up: Counterinsurgency and the War on Drugs* (Washington, DC: The Brookings Institution Press, 2010).

In a nutshell, supporting the illicit economy will generate the most political capital for belligerents when the state of the overall economy is poor, the illicit economy is labor-intensive, thuggish traffickers are active in the illicit economy, and the government has adopted a harsh strategy, such as eradication.

This theory has direct implications for the policy options facing governments. It suggests not only that *eradication* is unlikely to weaken belligerents severely, but also that this strategy frequently is counterproductive, particularly under the conditions outlined above. Eradication will alienate the local population from the government and reduce their willingness to provide intelligence on the belligerents. Thus, eradication increases the political capital of the belligerents without accomplishing its promised goal of significantly weakening their military capabilities. *Laissez-faire*, on the other hand—tolerating the cultivation of illicit crops during conflict—will leave the belligerents’ resources unaffected but will decrease their political capital. *Interdiction*—interception of illicit shipments, destruction of labs, and capture of traffickers—may be even more effective, as it can decrease both the belligerents’ financial resources and their political capital (since the population’s

livelihood is not threatened directly and visibly). But as in the case of eradication, interdiction is extremely unlikely to bankrupt the belligerents to the point of defeating them. Finally, when feasible, *licensing* the illicit economy—India and Turkey, for example, license opium poppy cultivation for the production of medical opiates—can both reduce the belligerents’ financial resources and the political capital of the belligerents and increase the government’s physical resources and political capital.

Nonetheless, while tolerating illicit economies, such as drug production, facilitates ending violent conflict, it can leave behind a *peace that is unstable*. International actors may disapprove of such a peace and demand a destabilizing destruction of the illicit economy, perhaps once again triggering new violence. A festering illicit economy without effective extension of state presence and the establishment and internalization of rule of law—through social integration and the provision of legal economic alternatives—can generate new violent competition over the illicit economy and perpetuate unhealthy separation between citizens and the state. For a narcopeace to be transformed into a lasting and socially just peace, social inclusion and effective state presence must be extended.

Thailand

Thailand's engagement with drugs is full of complexities and contradictions. On the one hand, Thailand is widely and deservedly recognized as the model of how to reduce illicit crop cultivation through comprehensive alternative livelihoods programs. It is also among the first countries to learn in the 1960s and 1970s that in order to defeat insurgencies, punitive suppression policies toward drug cultivation needed to be halted. However, over the last two decades, Thailand's policies toward domestic drug consumption have been both ineffective and brutal, causing the deaths of users, dealers, and innocent bystanders swept up in an ill-conceived zeal against drug use. This tough-on-use approach has failed to reduce drug use and exacerbated the spread of drug-use-related infectious diseases. The ethnic, insurgency, and social peace that Thailand achieved in the early 1990s after several decades of progressively enlightened policies toward drug cultivation has slipped into a bloody and ineffective new form of war.

Opium Smuggling and Use since the 19th Century and Money for Outside Wars

The arrival of Chinese merchants and businessmen in Thailand in the 19th century brought the spread of opium use along with an economic boom. Despite the efforts of the Thai royal family to prohibit opium distribution and use, British opium smugglers steadily delivered large quantities of the desired drug and evaded prosecution. Finally in 1852, the Thai King Mongkut yielded to British pressure and established a Royal Opium Monopoly to distribute the British-supplied drug to the opium dens spreading in the country, fueling a big rise in drug addiction.⁷ Irrespective of their impact on public health and social well-being, the Chinese-operated vice monopolies of opium, lottery, gambling, and alcohol were estimated to provide almost half of the Thai government's revenue in the latter part of the 19th century.⁸ That portion dropped to only eight percent by 1938,

⁷ Alfred McCoy, *The Politics of Heroin in Southeast Asia: CIA Complicity in the Global Drug Trade* (New York: Harper Collins, 2003).

⁸ George W. Skinner, *Chinese Society in Thailand: An Analytical History* (Cornell: Cornell University Press, 1957): 120-121.

after Thailand, in response to 20th century international pressure to suppress opium use and legal opium markets, limited both opium imports and the number of opium dens. Still, perhaps as many as 90,000 opium users were supplied daily by the government shops in the 1930s.⁹

Until the 1950s, opium poppy cultivation in Thailand remained limited. But opium, and eventually heroin, continued to be smuggled into Thailand and onward, such as to Hong Kong, from Burma. In Burma's borderlands with China and Thailand, the Chinese Nationalist Party, or Kuomintang (KMT), having been pushed there by the Chinese Maoists, encouraged poppy cultivation to fund its anti-Maoist efforts in China and against insurgent rivals in Burma itself, such as the Communist Party of Burma (CPB). And as Alfred McCoy revealed in his seminal *The Politics of Heroin in Southeast Asia*, the Thai police, under the leadership of General Phao Sriyanond, also transported opiates among the countries. With the knowledge of the U.S. Central Intelligence Agency (CIA), and using CIA-supplied planes, the Thai police would use some of their earnings from the heroin trade to fight the Communist insurgents. It also supplied with opium the shrinking Thai Royal Opium Monopoly.¹⁰ But under pressure from the United States and the international community, the Royal Opium Monopoly was formally disbanded in 1958.

As in Burma, it was the KMT that stimulated the expansion of opium production in the hilly borderlands of Thailand when it was pushed there from China in 1949. These areas were inhabited by ethnic groups (including the Hmong, Mien, Lahu,

Akha, and Lisu) different than those of central Thailand. Often having ethnic brethren in Burma and Laos and deemed by Thai authorities to be different "races," these borderland populations had not been given Thai citizenship and had to eke out meager livelihoods through swidden agriculture amidst poverty and social marginalization.¹¹ The presence of some 1,500 KMT troops of the 49th division in those areas, and later on the in-and-out movement by various Burmese insurgency groups and counterinsurgent militias, brought better knowledge of opium poppy growing methods and more importantly established smuggling chains that connected the Thai highlands to the rest of the global drug trade. Constriction of illegal opium poppy cultivation in post-independence India, and starting in the 1960s and 1970s, similar constrictions in Iran and Turkey, enabled the Golden Triangle of Burma, Laos, Vietnam, and Thailand to dominate the global illegal opiate trade for several decades.¹²

Opium, Timber, and Insurgency among Thailand's Hill Communities

When in the late 1950s international pressure on Thailand to counter the expanding drug cultivation intensified, the borderland areas came to be seen by the Thai government as a source of three problems: environmental destruction through slash-and-burn swidden agriculture, opium cultivation, and national insecurity. Thus in 1959 when the Central Hill Tribe Committee, the principal authority for dealing with the hill minorities, was formed, four priorities were identified: 1) to

⁹ League of Nations, *Commission of Enquiry into the Control of Opium Smoking in the Far East, Report to the Council*, Vol. 1, 1930: 42 and 78-79.

¹⁰ See, McCoy; D. Inso, *Thailand: A Political, Social, and Economic Analysis* (London: George Allen and Unwin, 1963); and Eric Haanstad, *Constructing Order through Chaos: A State Ethnography of the Thai Police*, Ph.D. dissertation, University of Wisconsin-Madison, 2008.

¹¹ See, for example, Nicholas Tapp, *Sovereignty and Rebellion: The White Hmong of Northern Thailand* (Singapore: Oxford University Press, 1989); Janet Sturgeon, *Border Landscapes: The Politics of Akha Land Use in China and Thailand* (Seattle: University of Washington Press, 2007): 55-59.

¹² For a history of Southeast Asia's opium poppy cultivation and trade, see Pierre-Arnaud Chouvy, *Opium: Uncovering the Politics of Poppy* (London: I.B. Taurus, 2009).

prevent forest and river degradation by ending swidden practices;¹³ 2) to eradicate opium poppy cultivation; 3) to integrate hill tribes into Thailand to increase their contribution to the country; and 4) to increase national security by making the tribes loyal to Thailand.¹⁴ Combining counterinsurgency goals with ending opium poppy cultivation proved particularly difficult. Indeed, the two objectives turned out to stand in contradiction to each other. Counterinsurgency and counter-narcotics efforts thus evolved through different phases and shifted among approaches.

Although the KMT operated in the borderlands and sponsored the opium trade there, the Thai government came to be progressively concerned about the mobilization of Thai communists in those areas. The fears increased when in the early 1960s the Laotian communist insurrection also spilled into those areas. The Laos communist insurgents recruited local volunteers, sending them for training to Laotian and Chinese camps. As the 1960s progressed, political assassinations by Thai communists increased, as did guerrilla attacks on the Thai security forces, with 90 percent of insurgency-related attacks taking place in the northeast of the country. Repressive responses by Thai authorities also escalated. With broad brush strokes, entire minority groups were unfairly painted as disloyal and pro-Communist, with references to Red Hmong made frequently.

Similarly, at the same time that the hill minorities were blamed for forest destruction through swidden agriculture, the Royal Forestry Department was issuing logging licenses, covering more than 50% of Thailand's land area, to Thailand's growing domestic industry.¹⁵ Far more so than swidden agriculture, which was often combatted through forced relocation of the minority groups, it was the Thai logging industry that ultimately decimated the forests of Thailand and Southeast Asia.¹⁶

Fears that the Communist insurgency could capture the opium trade in the hill areas escalated particularly in 1967. In July of that year, some of the opium growers rebelled and refused to pay taxes to the Kuomintang. Perceiving the protest through the anti-Communist lens, the Thai military forces became quickly involved, destroying a number of villages, arresting suspected communists, and resettling villages. The newly transferred populations often provided new recruits for the Communist Party of Thailand (CPT). Waves of forced opium poppy eradication also followed, further alienating the hill population from the government. The Communists tapped into the intensified resentment, promising to protect the opium crops and prevent eradication. Moreover, despite eradication, opium poppy cultivation continued to expand, peaking in 1970 with an estimated opium poppy production of

¹³ See, for example, Peter Kundstadter, "Swiddeners at the End of the Frontier: Fifty Years of Globalization in Northern Thailand, 1963-2013," in Malcolm Cairns, ed. *Shifting Cultivation and Environmental Change: Indigenous People, Agriculture, and Forest Conservation* (New York: Routledge, Earthscan, 2015): 134-178.

¹⁴ Tapp: 31; and Eric Wakin, *Anthropology Goes to War: Professional Ethics and Counterinsurgency in Thailand* (Center for Southeast Asian Studies, 1998).

¹⁵ Kamon Pragtong and David Thomas, "Evolving Management Systems in Thailand," in Mark Poffenberger (ed.), *Keepers of the Forest, Land Management Alternatives in Southeast Asia* (West Hartford: Kumarian Press, 1990): 167-186.

¹⁶ See, Vanda Felbab-Brown, "Not as Easy as Falling off a Log: The Illegal Timber Trade in the Asia-Pacific Region and Possible Mitigation Strategies," *Brookings Foreign Policy Working Paper No. 5*, Brookings Institution, March 2011, http://www.brookings.edu/~media/research/files/papers/2011/3/illegal%20logging%20felbabbrown/03_illegal_logging_felbabbrown; Minna Hares, "Forest Conflict in Thailand: Northern Minorities in Focus," *Environmental Management*, 43, 2009: 381-395; Sureeratna Lakanavichian, *Forest Policy and History in Thailand*, Working Paper No. 9, Research Centre on Forest and People in Thailand, 2001; and Mark Poffenberger, ed., *Communities and Forest Management in Southeast Asia: Forests, People, Policies, and a Regional Profile WG-CIFM* (Gland, Switzerland: IUCN; 2000); and Mark Poffenberger, Rowena Soriaga, and Peter Walpole, eds., *Communities and Forest Stewardship: Regional Transitions in Southeast Asia* (Honolulu: University of Hawaii Press, 2007).

200 metric tons and cultivation of over 10,000 hectares of poppy.¹⁷

Even the deployment of over 12,000 troops to the country's northern provinces in January 1972 did not quell the insurgency, as memories of forced opium poppy eradication continued to push the marginalized opium poppy farmers into the hands of the insurgents and Communist forces. Already in 1968 and 1969, Thai politicians began perceiving forced eradication as counterproductive and called for its suspension, emphasizing the extension of the state and social-economic development instead. With the agreement of the Thai king who sought to present a humane approach to the suppression of opium poppy, the Thai military and government ultimately decided to suspend forced eradication and reached out to the poppy communities, promising alternative livelihoods and better social and economic opportunities. The effectiveness of the counterinsurgency campaign significantly improved, culminating in a general amnesty being declared in April 1980.¹⁸ By 1983, the insurgency had come to an end.

Becoming the Model of Humane and Effective Alternative Livelihoods Efforts

Not coincidentally, it was also in 1983 when conflict had ended and state presence was effectively established that alternative livelihoods efforts robustly took off. In a more limited way, Thailand started delivering developmental aid to the poppy-growing hill areas already at the end of the 1960s, by

constructing roads connecting the hills with the rest of the country. In 1969, King Bhumibol Adulyadej sponsored a highland development project to improve the welfare of the opium farmers. Another developmental project jointly administered with the United Nations followed in 1971.¹⁹

Like the larger counternarcotics strategy, including the suspension of forced eradication, the alternative livelihoods efforts went through extensive evolution and learning. The original simplistic approaches of looking for a replacement crop, such as onions, garlic, cabbage, or more valuable crops, such as apricots, were gradually supplemented by a focus on broader socio-economic and human capital development. This included improving infrastructure connectivity, building value-added chains, and extending health care and schools to opium poppy villages.

Several additional policies and factors were crucial:

First, the alternative livelihoods efforts were well-funded and ultimately lasted over thirty years. They involved a strong and steadfast backing from the royal family and some key international partners, such as the German development agency Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ, previously GTZ). Such a long-term approach was envisioned and built into the policy from the early 1980s.

Second, during the 1980s, Thailand became one of the East Asian tigers, rapidly expanding economically. This growth generated not only sufficient funding for the alternative development efforts,

¹⁷ Although estimated opium production was lower, the largest poppy cultivation occurred in 1965, with about 18,000 hectares cultivated with opium poppy. See, Ronald D. Renard, *Opium Reduction in Thailand, 1970-2000: A Thirty-Year Journey* (Bangkok: UNDCP Silkworm Books, 2001): 38; and United Nations Office on Drugs and Crime (UNODC), *Opium Poppy Cultivation in Southeast Asia*, December 2008, https://www.unodc.org/documents/crop-monitoring/East_Asia_Opium_report_2008.pdf: 1.

¹⁸ Suchit Bunbongkarn, "The Military and Democracy in Thailand," in R.J. May & Viberto Selochan, eds. *The Military and Democracy in Asia and the Pacific* (Canberra: Australian National University Press, 2004): 47-58.

¹⁹ See, for example, Renard and James Windle, *Suppressing the Poppy: A Comparative Historical Analysis of Successful Drug Control* (London: I.B. Taurus, 2016, forthcoming).

but perhaps even more crucially, created off-farm jobs and income. Thai farmers in the lowlands moved to work in factories in the cities, liberating opportunities in legal agriculture for opium-growing minorities in the highlands. A burgeoning tourist trade, including in the highland areas, created more off-farm opportunities, while growing population density further encouraged the highland population to explore non-farming opportunities.

Third, the fact that citizenship was also extended to those minorities was essential for their ability to take advantage of new economic opportunities.

Fourth, eradication was suspended until after alternative livelihood efforts generated sufficient income for opium poppy farmers—not before or concurrently, as was the mantra of international counternarcotics efforts then, and often still is today. Thus eradication of opium crops often took place only after several years of alternative livelihoods efforts and was mostly negotiated with local communities, often via a joint government-village committee which determined whether sufficient legal income was available.²⁰ Throughout this period, Thailand also managed to resist U.S. pressures to adopt forced eradication early on.²¹ In short, in order to bring peace, eradication was suspended during conflict. Only after the insurgencies were defeated and alternative livelihoods programs were in place for about fifteen years did the Thai government reinstitute eradication. Even

then, the focus was on voluntary compliance and broad socio-economic development of the opium-growing communities and their integration into Thai citizenry. The defeat of the insurgents was crucial for the success of the well-designed, well-funded, and decades-sustained alternative livelihoods programs.²² And the strategy paid off: in 2002, Thailand was declared free of drugs and became the only country worldwide to eliminate illicit crop cultivation through predominantly alternative livelihoods approaches.

Taking Lives: A New Thai War on Drugs

But then Thailand did an about-face. Instead of embracing its humane and effective approach to drugs more broadly, Thailand declared a new war on drugs in 2003 that immediately cost the lives of several thousand people and contributed to the increased morbidity and mortality of countless others.

In response to the growing use of drugs, predominantly methamphetamines known locally as *yaa baa* (literally “madness drug”), Thai Prime Minister Thaksin Shinawatra launched an effort to make Thailand drug free by December 2003. Law enforcement officials and the military were issued quotas of users, dealers, and traffickers to arrest. Those who surpassed their quotas were given special rewards.²³ Similarly, villages were rewarded for achieving a drug-free status.²⁴ Community

²⁰ See, for example, Renard.

²¹ See, for example Barbara Crossette, “In Thai War on Opium, Poppies Yield to Potatoes,” *New York Times*, October 18, 1984.

²² For lessons on how to make alternative livelihoods effective, drawn from the Thai case and beyond, see Vanda Felbab-Brown, “Improving Supply Side Policies: Smarter Eradication, Interdiction, and Alternative Livelihoods and the Possibility of Licensing,” *LSE Drug Reform Series*, May 2014, <http://www.brookings.edu/~media/research/files/reports/2014/05/07%20improving%20supply%20side%20policies%20felbabbrown/improving-supply-side-policies-felbabbrown.pdf>.

²³ Human Rights Watch, *Not Enough Graves: The War on Drugs, HIV/AIDS, and Violations of Human Rights*, 2004, <http://www.hrw.org/report/2004/07/07/not-enough-graves/war-drugs-hiv/aids-and-violations-human-rights>.

²⁴ See, for example, Mark Tyndal, *Harm Reduction Policies and Interventions for Injecting Drug Users in Thailand* (Bangkok: World Bank, 2010), http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2011/11/04/000333038_20111104035757/Rendered/PDF/646420Revised00ion0for0IDUs00final0.pdf; and Human Rights Watch and Thai AIDS Treatment Action Group, *Deadly Denial* 19(17) 2007, <http://www.hrw.org/sites/default/files/reports/thailand1107.pdf>.

leaders were ordered to provide the police with lists of users and dealers. Drug users were ordered into drug treatment. If they failed to comply, they were imprisoned in ineffective and abusive compulsory detention centers run by the military.²⁵

Overall, some 73,231 people were arrested that year and over 320,000 drug users “surrendered” to authorities for treatment. At least 2,819 people were killed in the first phase of the war in the first half of the 2000s decade. Although the Thai police claimed that most killings were the result of drug dealers silencing potential informants, human rights groups argued that extrajudicial killings by the police or military caused the majority of the deaths.²⁶ A 2007 investigation by the interim military government suggested that half of the killings had no connection to drugs.²⁷ The repression pushed drug users further underground and exacerbated dangerous use patterns, such as needle sharing and discouraging those infected from seeking treatment for HIV/AIDS.²⁸ The availability and effectiveness of drug treatment in Thailand remains limited, and harm reduction policies such as needle exchange remain mostly taboo. Beyond the killings, the overall effects thus included

also indirect increases in mortality and morbidity and an acceleration in the spread of communicable diseases, such as HIV/AIDS. Yet the Thai government refused to change its approach, with then Minister of Interior Chalerm Yubamrung declaring in 2008, despite the international criticism, that the war on drugs would continue even if “thousands of people have to die.”²⁹

Despite the opprobrium from the international human rights community and the counterproductive outcomes of the policies, the military junta that seized power in Thailand in 2014 again committed itself to another wave of the war on drugs even as it recognized that the distribution of narcotics in Thailand continues to be rampant and the production of drugs in the Golden Triangle (which includes Thailand and Burma) remains intense. According to the secretary-general of Thailand’s Office of Narcotics Control Board (ONCB), Narong Rattananukul, “more than 200 villages are now heavily infested with drugs [and the] ONCB will try to concentrate more on the suppression [of drugs] in communities and villages.”³⁰ In 2015 alone, some 284,499 suspects were arrested on drug charges, including 144 state officials, and

²⁵ For the detrimental public health results and the overall poor quality of drug treatment in Thailand and only a limited adoption of drug treatment strategies, see, James Windle, “Drugs and Drug Policy in Thailand,” *Improving Global Drug Policy: Comparative Perspectives and UNGASS 2016*, The Brookings Institution, April 2015, <http://www.brookings.edu/~media/Research/Files/Papers/2015/04/global-drug-policy/WindleThailand-final.pdf?la=en>; Richard Pearshouse, *Compulsory Drug Treatment in Thailand: Observations on the Narcotic Addict Rehabilitation Act I B.E. 2545 (2002)* (Toronto: Canadian HIV/AIDS Legal Network, 2009), <http://www.aidslaw.ca/publications/interfaces/downloadFile.php?ref=1429>; Joanne Csete et al., “Compulsory Drug Detention Center Experiences Among a Community-Based Sample of Injection Drug Users in Bangkok, Thailand,” *BMC International Health and Human Rights* 11(12) 2011, <http://www.biomedcentral.com/1472-698X/11/12>; Kanna Hayashi, *Policing and Public Health: Experiences of People who Inject Drugs in Bangkok, Thailand*, Ph.D. dissertation, University of British Columbia, 2013, <http://journals.plos.org/plosmedicine/article?id=10.1371/journal.pmed.1001570>; Human Rights Watch, “Thailand’s ‘War on Drugs,’” March 12, 2008, <http://www.hrw.org/news/2008/03/12/thailand-s-war-drugs>; and Tassanai Vongchak et al., “The Influence of Thailand’s 2003 ‘War on Drugs’ Policy on Self-Reported Drug Use Among Injection Drug Users in Chiang Mai, Thailand,” *International Journal of Drug Policy* 16(2), 2005: 115-121, <http://www.biomedcentral.com/1472-698X/11/12>.

²⁶ Human Rights Watch, *Thailand: Not Enough Graves*; and Human Rights Watch, “Thailand’s ‘War on Drugs.’”

²⁷ Human Rights Watch and Thai AIDS Treatment Action Group, *Deadly Denial*; Human Rights Watch, “Thailand: Convictions of Police in Drug Campaign Abuse a ‘First Step,’” December 14, 2009, <http://www.hrw.org/news/2009/12/14/thailand-convictions-police-drug-campaign-abuse-first-step>.

²⁸ Human Rights Watch, *Thailand: Not Enough Graves*; Human Rights Watch, “Thailand’s ‘War on Drugs’”; Pajongsil Perngmark, Suphak Vanichseni, and David D. Celentano, “The Thai HIV/AIDS Epidemic at 15 Years: Sustained Needle Sharing Among Southern Thai Drug Injectors,” *Drug and Alcohol Dependence* 92(1-3) 2008: 183-190; and Vongchak et al., “The Influence of Thailand’s 2003 ‘War on Drugs.’”

²⁹ Nopporn Wong-Anan, “Thai PM Vows ‘Rigorous’ War on Drugs Despite Outcry,” *Reuters*, February 22, 2008, <http://www.reuters.com/article/2008/02/22/us-thailand-drugwar-idUSBKK14639420080222>.

³⁰ King-Oua Laohong, “Drug-Free Communities An Elusive Goal, ONCB Chief Admits,” *Bangkok Post*, November 16, 2015.

207,281 drug users were sent into treatment centers.³¹ Thai authorities seized 87 million methamphetamine pills, 179 kilograms of heroin, 1,422 kilograms of crystal meth, and 22,927 kilograms of marijuana.³² Thailand is also preparing a new three-year regional plan (“Safe Mekong”) with Cambodia, China, Laos, Vietnam, and Myanmar to suppress the drug trade.

Yet these numbers betray failure. As before, this war on drugs is counterproductive from the perspective of addressing the threats and harms posed by drug use and the drug trade. It also violates human rights. It should not be seen by either Thai society or the international community as legitimizing the rule of the junta.

³¹ Ibid.

³² Ibid.

Burma

Opium poppy has been grown in Burma for centuries. Cultivation greatly increased after independence in 1948, with the Kokang, Wa, and Mong-La regions as epicenters. During the following five decades, Burma was the dominant supplier of opiates for the international drug market. Cultivation of poppy and production of opium thus coincided with five decades of complex military conflict, while almost simultaneously with independence several ethnonationalist insurgencies broke out, demanding rights and autonomy for frequently marginalized ethnic minorities. These included various ethnonationalist insurgencies, a communist insurgency, and a potent invasion force. Waves of poppy eradication in the 1970s and 1980s, motivated by both external pressures to reduce illicit crops and internal desires to defund the insurgencies, failed on both counts. An early 1990s *laissez-faire* policy of allowing the insurgencies in designated semi-autonomous regions to trade anything, particularly drugs, timber, jade, and wildlife, and the incorporation of key drug traffickers and their assets into the state structures, enabled conflict to subside. The Burmese junta negotiated ceasefires

with the insurgencies and underpinned them by giving the insurgent groups economic stakes in resource exploitation and illegal economies. Under pressure, including from China, opium poppy cultivation was suppressed in the late 1990s and early 2000s, even as unregulated and often illegal trade in timber, jade, and wildlife continued. Although local populations suffered major economic deprivation, the ceasefires lasted. Since the middle of the 2000s decade, however, the ceasefires have started breaking down, and violent conflict has escalated. There are multiple reasons for this conflict escalation and for the difficulties of transforming the ceasefires into a lasting, just, and inclusive peace. One of them is the current efforts of the Myanmar government and military as well as powerful Bamar and Chinese businessmen and powerbrokers to restructure the 1990s economic underpinnings of the ceasefires so their economic profits increase. Meanwhile, however, illegal and unregulated resource economies, including the drug trade, logging, mining, and wildlife trafficking, continue to thrive and devastate Burma's ecosystems even as the plunder-underpinned peace has slid into war again.

Insurgencies, Militias, and Drugs

The ethnonationalist insurgencies, such as those of the Shan, Karen, and Kachin, have at various times sought independence, autonomy, and the reconfiguration of administrative boundaries. The now-defunct communist insurgency was led by the Communist Party of Burma (CPB) and composed mostly of Bamar, the largest and most politically and economically dominant ethnic group in the country. The CPB sought to change the political order in Burma and was supported until the 1980s by China. Also long dissipated, the Chinese nationalist Kuomintang (KMT) invasion force was driven into the Shan State of Burma from the Yunnan Province in China after Mao's victory in China in 1949.³³ Overall, more than forty belligerent groups emerged during the fifty years of conflict. Some, such as the CPB and the Mong Tai Army (MTA) of the notorious opium warlord Khun Sa, numbered around 15,000 men. Others, such as the ethnonationalist Kayan Newland Party (KNLP), numbered just barely over a hundred.³⁴ In addition to fighting a counterinsurgency war with the official national army, the state also responded by creating various anti-insurgent militias over the decades, co-opting rebels who were willing to switch sides and co-opting armies of drug lords. Among the most notorious of these militias have been the Ka Kwe Ye (KKY) in the Shan State of the 1960s and the Panhsay People's militia of the 1990s and 2000s decades.

All of the insurgencies, as well as the government-sponsored paramilitaries, became involved in a variety of illicit economies, such as drugs, illegal logging, illegal mining and smuggling in gems, smuggling in licit luxury goods as well basic food products. Kokang's KKY, for example, was led by Lo Hsing-Han, one of the world's most successful drug traffickers.³⁵ Drugs especially deeply permeated all aspects of politics and conflict in Burma and the larger Golden Triangle, with various insurgency groups deriving both physical resources and political capital from sponsoring and participating in the illicit drug economy. Various drug traffickers—often colorful characters such as the lesbian Kokang warlord Olive Yang, a.k.a. “Miss Hairy Legs,” who dominated the Kokang drug trade and was a key figure in war and peace-making in Burma³⁶—also bought themselves armies to control land and narcotics production.

Starting in the late 1960s, the military government adopted a counterinsurgency policy designed to cut off the belligerents from resources. This so-called “Four Cuts” policy was meant to cut off the rebels' supplies of food, funding, recruits, and intelligence. It included both forced relocation of the population and eradication of opium, carried out by the government and by the United States via aerial spraying.³⁷ But this counterinsurgency policy systematically failed to limit the resources available to the belligerents. In fact, the main insurgencies kept steadily growing.

³³ See, for example, Martin Smith, *Burma and the Politics of Insurgency* (New York: Zed Books, 1999); and Richard Gibson, *The Secret Army: Chiang Kai-Shek and the Drug Warlords of the Golden Triangle* (Singapore: John Wiley and Sons, 2011).

³⁴ For an introduction to the many insurgencies, see, for example, Lawrence Cline, “Insurgency in Amber: Ethnic Opposition Groups in Myanmar,” *Small Wars and Insurgencies*, 20(3-4): 574-591.

³⁵ For details on Lo Hsing-Han, see “Adrian Cowell, “Anarchy in the Shan State of Burma,” in Martin Jelsma, Thomas Kramer, and Pietje Vervest, eds., *Trouble in the Triangle: Opium and Conflict in Burma* (Chiang Mai: Silkworm Books, 2005): 1-21.

³⁶ For details on Olive Yang and other drug traffickers and warlords, see Thant Myint-U, *The River of Lost Footsteps: Histories of Burma* (New York: Farrar, Straus and Giroux, 2006); Bertil Lintner, *Burma in Revolt: Opium and Insurgency Since 1948* (Bangkok: Silkworm Press, 1999); and Bertil Lintner and Michael Black, *Merchants of Madness: The Methamphetamine Explosion in the Golden Triangle* (Chiang Mai: Silkworm Books, 2009).

³⁷ Lintner, *Burma in Revolt*.

It is important to note that all along, however, the Burmese military government deployed eradication selectively, as a method to weaken and punish opponents and strengthen and pay off supporters. The poppy fields of pro-government militias or insurgencies and druglords who reduced their military activities against the government and agreed to battle opponents were not subject to eradication, at least until the rebels switched sides again. Nonetheless, for over forty years, the government was unable to defeat the insurgencies and establish territorial control.

In the late 1980s, two crucial changes took place. First in 1988, anti-government protests, fuelled by a collapsing economy and desire for democracy, broke out throughout the country, including, crucially, in the central part of Burma and in the then-capital and biggest city, Yangon. As a result, the military government of Ne Win was replaced by a new junta, the State Law and Order Restoration Council (SLORC),³⁸ which brutally put down the demonstrations. Second, the Communist Party of Burma, which since 1981 no longer received support from China, splintered in 1989 along ethnic lines into five major factions: the 12,000-strong United Wa State Army (USWA), the 2,000-strong Kokang Myanmar National Democratic Alliance (MNDAA) led by Peng Jiasheng, and three smaller groups in the Kachin and Shan states.

The Grand Ceasefire Bargains: Trade in Anything, But Don't Fight

Fearing that the new insurgencies would join forces with the pro-democratic movement and

protesters in the country's center, the junta, primarily through the intelligence chief Lieutenant General Khin Nyunt, proceeded to negotiate cease-fires with the various insurgencies. It did so by *de facto* giving them licenses to trade whatever products they wanted, including drugs, as an incentive to agree to the ceasefire. Lo Hsing-Han, having previously met with key insurgent commanders such as Peng Jiasheng, was crucially instrumental in negotiating the deals, breaking off various ethnonationalist commanders from the CPB through the promise of drug riches, of which he himself was a good demonstration. In April 1989, Peng Jiasheng of the MNDAA was one of the first to buy into the ceasefire deal and its profits, obtaining semi-autonomy in the area of his operation and its designation of Special Region Number 1. The USWA then struck a similar deal, obtaining Special Region No. 2, as did the National Democratic Alliance (NDAA), with its Mong-La-based Special Region No. 4.

Despite U.S. protests and U.S. drug de-certification and economic sanctions, the junta also suspended eradication of opium poppy.³⁹ In the background of the ceasefire negotiations was a major push by the junta for the modernization of the armed forces and improvements in their counterinsurgency skills and force structure. This military reform did result in improved logistics and mobility and greater government presence throughout the territory. It significantly enhanced the efficacy of the government's counterinsurgency operations, adding further pressure on the insurgencies to agree to the proposed ceasefires and their economic benefits.⁴⁰

³⁸ To improve its image, SLORC was renamed in the mid-1990s to the State Peace and Development Council (SPDC).

³⁹ Robert S. Gelbard, "Burma: The Booming Drug Trade," in Robert I. Rotberg, ed., *Burma: Prospects for a Democratic Future* (Washington, DC: Brookings Institution Press, 1998): 185-197.

⁴⁰ Frank S. Jannuzi, "The New Burma Road (Paved by Polytechnologies?)" in Robert I. Rotberg, ed. *Burma: Prospects for a Democratic Future* (Washington, DC: Brookings Institution Press, 1998): 197-208.

Indeed, the centerpiece of the ceasefires was the junta's acquiescence to the belligerents' continued trade with any goods in their territories. In the Kachin State, the various rebel groups—the Kachin Defense Army (KDA), the New Democratic Army Kachin (NDAK), and the Kachin Independence Army (KIA)—were allowed to harvest timber and opium poppy and mine gems and gold. In the Karen State, the Democratic Karen Buddhist Army (DKBA) also taxed opium poppy cultivation and trafficked with opium and timber. In the Shan State, the UWSA, the Shan State National Army (SSNA), the MNDA, and the MTA were given similar *laissez-faire* toward the trade of drugs.⁴¹ In what Kevin Wood termed “ceasefire capitalism,”⁴² the junta *de facto* legalized all manner of cross-border trade with China, Thailand, and India on condition that government checkpoints be established and taxes collected for the central government. Drugs were officially not taxed, but also not interdicted. Indeed, local Tatmadaw (Myanmar military) units not only taxed drug traffickers informally, but sometimes also opium farmers directly.⁴³ Various local government officials nonetheless cut large profits on the drug trade. In some cases, such as in the case of insurgent leader and drug trafficker Sai Lin and his special region No. 3 bordering the Yunnan province of China, these harvesting and trading licenses were complemented by various degrees of autonomy.

The junta also struck similar bargains with the most prominent drug lords, including Khun Sa and Lo Hsing-Han, allowing them to invest their profits in legitimate businesses, such as construction, paper mills, beer factories, banking, and food supermarkets.⁴⁴ Lo Hsing-Han, for example, founded the business empire of the Asia World Company, building dams, pipelines, and highways in Myanmar.⁴⁵ By 1998, more than half of Singapore's investments in Myanmar, worth \$1.3 billion, were made with Asia World.⁴⁶ For example, Khun Sa, Lo, and other drug traffickers operated major legal companies, including Good Shan Brothers, Asia World, Asia Wealth, and Kokang Import Export Co. When the country's economy continued to crumble as a result of decades of mismanagement and the economic sanctions imposed on Burma by the United States and Europe, the significance of these illicit profits for the overall economy continued to grow and became more and more officially sanctioned. The regime absorbed the illicit money to keep the overall economy afloat. The traffickers-turned-businessmen also provided repairs to ports and construction of major roads, such as between the cities of Lashio and Muse and even in central Myanmar, making them grow not only fabulously rich but also politically powerful and friendly with the regime.⁴⁷ MNDA's Peng Ji-asheng also developed close personal ties to the

⁴¹ Jake Sherman, “Burma: Lessons from the Cease-fires,” in Karen Ballentine and Jake Sherman, eds., *The Political Economy of Armed Conflict: Beyond Greed and Grievance* (Boulder: Lynne Rienner, 2003): 225-255.

⁴² Kevin Wood, “Ceasefire Capitalism: Military-Private Partnerships, Resource Concessions and Military-State Building in Burma-China Borderlands,” *Journal of Peasant Studies* 38(4): 747-770.

⁴³ Patrick Meehan, “Fortifying or Fragmenting the State? The Political Economy of the Opium/Heroin Trade in Shan State, Myanmar, 1988-2013,” *Critical Asian Studies* 47(2), June 2015: 253-282; and Patrick Meehan, “Drugs, Insurgency and State-Building in Burma: Why the Drugs Trade Is Central to Burma's Changing Political Order,” *Journal of Southeast Asian Studies* 42(3), October 2011: 376-404.

⁴⁴ For details, see, Robert S. Gelbard, “SLOC's Drug Links,” *Far Eastern Economic Review*, November 21, 1996; Anthony Davis and Bruce Hawke, “Burma – the country that won't kick the habit,” *Jane's Intelligence Review*, March 1998; and Bertil Linter, “Drugs and Economic Growth: Ethnicity and Exports,” in Robert I. Rotberg, ed., *Burma: Prospects for a Democratic Future* (Washington, DC: Brookings Institution Press, 1998): 165-183.

⁴⁵ See, for example, “Myanmar's Heroin King: Lo Hsing Han,” *The Economist* July 27, 2013.

⁴⁶ *Ibid.*

⁴⁷ These roads not only facilitated the spread of state presence and the increase of overall economic activities, but also efficiency of drug trafficking. Author's fieldwork and interviews with licit and illicit goods traders in Kentung, Shan State, and Pyin U Lwin, Mandalay Division, December 2005 and January 2006.

SLORC, and his MNDA essentially refrained from making political demands for almost two decades.⁴⁸ Both the traffickers and the insurgent groups used the illicit proceeds to build political capital. The insurgent groups, such as the USWA, sponsored various public goods and social services in their regions, including roads and overall local economic activities, as well as schools, hospitals, courts, and prisons. The traffickers indulged local populations with lavish handouts.

The case of Burma thus represents a twist on *laissez-faire* toward illicit economies as a mechanism to reduce violence. The junta did not use *laissez-faire* to win the hearts and minds of the population, decrease the population's support for the rebels, and provide the government with intelligence. Rather, the junta used *laissez-faire* toward illicit economies and unregulated natural resource exploitation to buy off the insurgents and their leadership and make it materially advantageous for them to stop their armed struggle. It thus created a complex system of overlapping and shifting economic and political authorities, coexistence, and competitions among the ceasefire groups, national military units, local entrepreneurs, state-owned enterprises, and Chinese economic and political interests.⁴⁹

After fifty-years of war, this political-economic bargain held for almost two decades. As the cease-fires went on, the government successfully pressured some of belligerent groups into disarming

and handing over their weapons, making it less viable for them to return to conflict.⁵⁰ While exercising autonomy in special designated regions, other rebel groups and their leaders however maintained large standing armies. Throughout the 2000 decade, the United Wa State Army, for example, boasted 20,000 soldiers, while the Kachin Independence Army claimed to have 4,000 men under arms. Both armies and others retained the capacity to raise soldiers anew and return to violent conflict, should the grand ceasefire bargain fall through.⁵¹ And in fact the bargain has been under pressure since 2009, with new violent conflicts erupting.

Surprisingly, the *laissez-faire* policy toward drugs and other illicit and unrelated economies did not result in a massive increase in poppy cultivation. Between 1991 and 1996, cultivation and production levels stayed at about the same level (160,000 hectares or 2,350 tons in 1991, and 163,100 hectares or 2,560 tons in 1996).⁵² Nonetheless, under pressure from the United States and also China—whose addiction rates were growing, and whose increasingly powerful drug traffickers began to pose a threat to the authority of the Chinese Communist Party in the border regions—the Burmese junta finally undertook large-scale eradication of poppy in the late 1990s and early 2000s.⁵³ It also forced the rebels in their autonomous territories, such as Sai Lin in his Special Region No. 3 and the United Wa State Army in its area, to carry out similar eradication.⁵⁴ The NDAA in Mong-La formally banned

⁴⁸ Kramer, "Military Confrontation or Political Dialogue": 6.

⁴⁹ For these "mosaics of control," see Ken McLean, "Sovereignty after the Entrepreneurial Turn: Mosaics of Control, Commodified Spaces, and Regulated Violence in Contemporary Burma," in Joseph Nevins and Nancy Lee Peluso, eds. *Taking Southeast Asia to the Market: Commodities, Nature, and the Neoliberal Age* (Ithaca: Cornell University Press, 2008): 185-213.

⁵⁰ Author's interviews with UNODC representatives in Yangon, Myanmar, December 2006 and independent local authorities in special region No. 4 of the Shan State, January 2006.

⁵¹ Thomas Fuller, "Ethnic Groups in Myanmar Hope for Peace, but Gird for Fight," *New York Times*, May 11, 2009.

⁵² U.S. Department of State, International Control Strategy Reports, 1984-2006, (Washington, DC: U.S. Department of State, 1984 through 2006).

⁵³ Author's interviews with UNODC officials, Yangon, Myanmar, December 2005.

⁵⁴ For a history of the USWA involvement in the drug trade, see, for example, Ko-lin Chin, *The Golden Triangle: Inside Southeast Asia's Drug Trade* (Ithaca: Cornell University Press, 2009).

cultivation in 1997, as did the MNDA in 2003, and the USWA in 2005. Dependent on wider trade with China, the former belligerents found it hard to resist the counternarcotics pressures. Under DEA supervision, Special Region No. 3, for example, once a hotspot of opium, was essentially cleared of poppy.⁵⁵ Overall, production fell to 30,800 hectares (and 312 metric tons) in 2005⁵⁶ and 28,500 hectares (and 410 metric tons) in 2008, with the Shan State being the dominant locus of the remaining poppy cultivation.⁵⁷

The Toll on People and Ecosystems

Although the ceasefires survived the eradication drives, the rural population was drastically immiserated. Grinding poverty and disease became rampant. As coping mechanisms, former opium farmers turned to unrestrained logging, forest foraging, and illicit trade in wildlife for subsistence and profit. A rampant, escalating, and increasingly systematically-organized trade in timber and wildlife into China devastated Burma's ecosystems, until then some of the best-preserved in Southeast Asia, with their great and unique biodiversity.

The most marginalized former opium farmers, not capable of switching to the unregulated natural resources exploitation and destruction, had

food security for only eight months. For the remainder of the year, they had to rely on foreign food aid.⁵⁸ As basic social services collapsed, those unable to join the rampant logging and poaching left the hill regions where poppy cultivation used to be the dominant activity. Because eradication drives were now tolerated or even implemented by the former insurgents themselves, the insurgents' political capital greatly decreased.⁵⁹ But as the ceasefires suspended military conflict and the central government was no longer in competition for the hearts and minds of the population at the time when the former belligerents and the central government carried out large-scale poppy eradication, the population had no recourse—either militarily or via nonviolent accountability channels—to their leaders.⁶⁰

Meanwhile, the belligerents-cum-leaders of their autonomous regions and prominent drug traffickers did not go bankrupt. In addition to trading in timber, gems, and wildlife, they also maintained their income by switching to the production of synthetic drugs, mainly methamphetamines. Sai Lin, Khun Sa, the United Wa State Army, MNDA, and others became fully involved in the production and trafficking of meth. In the Shan State alone, over 50 meth factories began operating.⁶¹ Unlike opium poppy fields, such factories were easy to hide, and consequently difficult to destroy.

⁵⁵ With a good sense of humor, U Sai Lin, once one of the world's biggest drug traffickers, even opened a large drug eradication museum in Mong La, the "capital" of his autonomous region near the border with China, where local law enforcement officers were eager to describe their suppression efforts to the author.

⁵⁶ United Nations Office on Drugs and Crime, *Myanmar – Opium Survey 2005*, http://www.unodc.org/pdf/Myanmar_opium-survey-2005.pdf.

⁵⁷ United Nations Office on Drugs and Crime, *Opium Poppy Cultivation in South East Asia: Lao PDR, Myanmar, and Thailand*, December 2008, http://www.unodc.org/documents/crop-monitoring/East_Asia_Opium_report_2008.pdf.

⁵⁸ The leadership of these regions, such as the UWSA, is itself engaged in the forcible relocation of the population from the unproductive hill regions into more agriculturally productive lower-altitude regions, within the territory it controls, to maintain eradication. See, for example, Transnational Institute, *Downward Spiral: Banning Opium in Afghanistan and Burma*, TNI Briefing Paper Series, No. 12, June 2005, <http://www.tni.org/reports/drugs/debate12.pdf>.

⁵⁹ This only compounded the decline of the belligerents' political capital as the belligerents became synonymous with the traffickers and failed to perform regulatory functions on behalf of the population. For details on the eradication policy and the resulting effects on the population, see Transnational Institute, *Drugs and Conflict in Burma (Myanmar): Dilemmas for Policy Responses*, TNI Briefing Series, No. 9, December 2003, <http://www.tni.org/reports/drugs/debate9.pdf>. See also, International Crisis Group, *Myanmar: Aid to Border Areas*, Asia Report No. 82, September 9, 2004, http://www.crisisgroup.org/library/documents/asia/burma_myanmar/082_myanmar_aid_to_the_border_areas.pdf.

⁶⁰ Author's interviews with poppy farmers and ex-poppy farmers in the hill regions of the Shan State, Burma, January 2006.

⁶¹ Sherman: 251. See also Lintner and Black.

But since the production of synthetic drugs is not labor-intensive, this illicit economy provided minimum relief to the economic destitution of the former opium farmers.

The Ceasefires Start Breaking Down

Starting in the middle of the 2000s decade, many of the ceasefires began breaking down, however. In 2004, the architect of the ceasefires, Lieutenant General Khin Nyunt, lost power in an internal power struggle and was arrested. Several key insurgent leaders who had bought into the ceasefires were also arrested between 2004 and 2005. The Myanmar military further upended the key elements of the ceasefire constructed in 2009 when it issued a demand that the standing insurgent armies be transformed and absorbed into a Border Guard Force (BGF) under the control of the Tatmadaw. As if to add injury to insult, anti-insurgent militias constituted a core of the BGF. Thus if the insurgent groups agreed to be incorporated into the Force, they could be substantially defanged and lose the ability to return to violence even though no final political settlement for autonomy and political participation for the rebel groups had been reached. Repeating its time-tested approach, the Tatmadaw also used the BGF ploy to splinter and co-opt the rebel groups, provoking divisions and in-fighting within them over political goals as well as economic spoils. The post-2009 divisions and in-fighting among the Karen provides one example of this divide-and-rule strategy.⁶² Many of the Karen groups, including the main Karen National Union (KNU), did

not sign a ceasefire with the Myanmar government during the 1990s and 2000s decade, while others did. The BGF scheme further exacerbated the fragmentation among them.

Similarly, in 2009 the Myanmar military junta pushed out Peng Jiashang from the leadership of the Kokang MNDA and forced him into exile in China. The Myanmar government replaced Peng with a former Kokang police chief accused of drug trafficking, Bai Xuoqian, who had agreed to integrate his militias into the BGF.⁶³ Other pro-government militia leaders who agreed to integrate into the BGF and otherwise cooperated with the junta were rewarded not only with drug trade allocations, but with parliament positions.

Most of the ethnonationalist groups, including the UWSA, KIA, and MNDA, however, refused the BGF demand. Fighting between some of the groups and the military broke out, setting off violence in areas which had been quiet for two decades. Some 37,000 people, mostly Kokang, fled into China.

Following 2011, the post-junta liberalization regime of President Thein Sein sought to negotiate a final formal peace deal. As a first step, the government demanded that all the insurgent groups sign a “nationwide ceasefire agreement.” Within 60 days of the nationwide ceasefire, a framework for political dialogue was to be adopted followed by a 90-day actual dialogue, culminating in a Union Accord to be submitted to the Myanmar parliament.⁶⁴ Yet many groups fear that they would lose bargaining power without knowing the actual

⁶² For a comprehensive review of the history of the insurgencies, counterinsurgencies, and peace negotiations in the Karen areas, see Mikael Gravers, “Ethno-nationalism and Violence in Burma/Myanmar – The Long Karen Struggle for Autonomy,” in Mikael Gravers and Flemming Ytzen, eds. *Burma/Myanmar: Where Now?* (Copenhagen: NIAS Press, 2014): 173-197.

⁶³ “Druglords in Parliament,” *Shan Drug Watch Newsletter*, Issue 4, October 2011, http://english.panglong.org/wp-content/uploads/2011/11/independence_shan-drug-watch-2011.pdf.

⁶⁴ For details on the political negotiations and processes, see Transnational Institute, “Political Reform and Ethnic Peace in Burma/Myanmar: The Need for Clarity and Achievement,” *Myanmar Policy Briefing* No. 14, April 2015, <https://www.tni.org/files/download/bpb14-web-042015.pdf>.

terms of the deal, be subject to very tight deadlines, and be at the mercy of the political moves of other ethnonationalist groups.⁶⁵ Thus, some have signed the new post-2011 ceasefires, while others are refusing.

Claiming between 4,000 and 10,000 soldiers and one of the largest ethnonationalist insurgencies, the Kachin Independence Army (KIA) has been among the groups which have refused to join the BGF. KIA and its political branch the Kachin Independence Organization had signed a written ceasefire agreement with the military junta in 1994 and abided by it until 2011. In fact, it was the only one of the ceasefire groups that had a written agreement. Nonetheless, in 2011, the quasi-civilian government of President Thein Sein broke the deal and in June of that year, the Tatmadaw launched an offensive against the KIA. Conflict escalated in 2012 and 2013, displacing some 100,000 Kachin.⁶⁶ In March 2015, the KIA, along with 15 other ethnic groups, signed a draft nationwide ceasefire. Other crucial groups, however, continued to refuse, some fighting the government, others teetering on the verge of fighting. Even the groups which signed insisted that they would have to go back to their headquarters for confirmation of the draft March declaration. Some of those who refused to sign did so also because of the unresolved issue of who had authority to sign and how inclusive the ceasefire would be. As discussed below, these issues came to head in the next round of

the negotiations in October 2015, causing a withdrawal of some of the groups, including the KIA, from the October deal.

Among the group that did not sign either in March or in October 2015 is the Kokang MNDAA. Its long-time insurgent leader, Peng Jiasheng, reemerged in February 2015 after several years in exile in China where the Kokang, being ethnic Chinese, maintain support networks, and his MNDAA upped the violence.⁶⁷ A large offensive by the Tatmadaw in the spring of 2015, displacing some 80,000 people, ultimately pushed the MNDAA to declare a unilateral ceasefire. China also pressured both parties into the ceasefire after the violence repeatedly spilled into China and resulted in the death of Chinese citizens—even as rising Buddhist nationalism in Burma decried China as a foreign intruder and continued to stoke anti-Chinese sentiment that has been growing in Burma for several years.⁶⁸ China has in fact maintained good relations with many of the ethnic insurgencies, such as the MNDAA, USWA, KIA, and NDAA, and particularly those who emerged out of the Burmese Communist Party. At the same time, association with Chinese influence has hurt the political cause of the groups with the Bamar majority.

Before the November 2015 elections, Aung San Suu Kyi was also reluctant to engage with the ethnonationalist groups and refrained from

⁶⁵ See, for example, Bertil Lintner, “The Nationwide Ceasefire Agreement – for What?,” *Irrawaddy*, April 30, 2014.

⁶⁶ For an overview of the Kachin conflict, see, Yun Sun, “The Conflict in Northern Myanmar: Another American Anti-China Conspiracy?” *Asia Pacific Bulletin* No. 302, February 20, 2015, <http://www.eastwestcenter.org/publications/the-conflict-in-northern-myanmar-another-american-anti-china-conspiracy>; Charles Petrie and Ashley South, “Peace-Building in Myanmar,” in Mikael Gravers and Flemming Ytzen, eds. *Burma/Myanmar: Where Now?* (Copenhagen: NIAS Press, 2014): 223-249; and Mandy Sadan, “Ongoing Conflict in the Kachin State,” *Southeast Asian Affairs*, 2015: 246-259.

⁶⁷ For a detailed analysis of the Kokang crisis, see Transnational Institute, “Military Confrontation or Political Dialogue: Consequences of the Kokang Crisis for Peace and Democracy in Myanmar,” *Myanmar Policy Brief* Nr. 15, July 2015, https://www.tni.org/files/publication-downloads/military_confrontation_or_political_dialogue_w.pdf; and Yun Sun, “The Kokang Conflict: How Will China Respond?” *The Irrawaddy*, February 18, 2015.

⁶⁸ For how Chinese economic activities have fueled the anti-Chinese sentiment, see, for example, J. Buchanan, Tom Kramer, and Kevin Woods, “Developing Disparity: Regional Investment in Burma’s Borderlands,” *Transnational Institute*, 2013, <https://www.tni.org/files/download/tni-2013-burmasborderlands-def-klein-def.pdf>.

significantly furthering their cause.⁶⁹ Yet even so, the NLD won considerable support in the ethnic areas that were deemed secure enough and were allowed to vote. Now that they have a parliamentary majority and therefore will have substantial executive influence on the peace negotiations and counterinsurgency policy, Suu Kyi and the NLD will be forced to confront the peace processes and ethnic fighting and the entanglement of the drug and other illegal and extractive economies in conflict and peace. That does not mean that the Tatmadaw will give up its decision-making authority on these issues. But Suu Kyi and the NLD will be called on to take positions on these issues and engage more robustly with the ethnonationalist groups as well as interested outside actors, such as China, Thailand, and the United States.

The Kokang violence also destabilized other previous Burmese insurgent areas of Kachin, Shan, and Ta-ang. And fighting has broken out in the Rakhine State where the Arakan Army (AA) has become the main militant group. Some of the groups, such as the Ta-ang State Liberation Army (TNLA) and the AA, came to the MNDAA's help. The Tatmadaw repeatedly responded with force. Others have not crossed the line into violence, but have many sympathies for the MNDAA. Among the most important supporters is the 25,000-strong USWA, which also has family connections to the MNDAA. It fears that the Tatmadaw seeks to weaken and trick it by encircling it with defectors and enemies and cutting off its financial and resupply lines. It thus remains poised on the verge of violence.⁷⁰ Some of these groups have also upped their political demands that their special regions become full-fledged states.

The official ceremony for the March 2015 “nationwide” ceasefire took place in Naypyidaw in October 2015. However, the pool of the groups that then re-signed the deal shrunk considerably from the time of the March draft. Predictably, the groups that renewed their signatures were those along the border with Thailand, most notably the KNU (This was the first time this major group agreed to a ceasefire). Like others that signed, the KNU is not required to disarm, and the political settlement is yet to be negotiated. Insurgents along the border with China, however, did not sign, including the very powerful Kokang and Wa groups, such as the USWA, the Shan State Army-North (SSA-North), AA, NDAA, and TNLA. Other groups withdrew from the March deal in solidarity with the Kokang groups and in protest against the limited inclusiveness of the deal. Among those that withdrew was KIA. Thus, only eight groups ended up as signatories of the ceasefire deal at the October 2015 formal ceremony, down from 16 groups in March.

Moreover, the two-decade-old economic underpinnings of the ceasefire deals are also shaking. An increase in Bamar and Chinese economic activities in the areas of the ethnonationalist, including land-grabbing and usurpation of timber and the gem trade, has reduced economic profits for the former insurgent elites. Although many of the ethnonationalist leaders have engaged in intense legal and illegal trade with China (and Thailand) over the past two decades, they now fear they are being cut out by the Tatmadaw and Bamar businessmen. The military as well as BGF units have taken advantage of the new conflict to seize areas with profitable logging, mining, and the drug

⁶⁹ For details on Aung San Suu Kyi, her National Democratic League (NDL), ethnic issues, and elections in Myanmar, see, for example, Transnational Institute, “Ethnic Politics and the 2015 Elections in Myanmar,” *Myanmar Policy Brief*, No. 16, September 2015, <https://www.tni.org/en/publication/ethnic-politics-and-the-2015-elections-in-myanmar>.

⁷⁰ See, for example, “Myanmar: The United Wa State Army’s Uncertain Future,” *Stratfor Analysis*, July 2013: 59.

trade. Resenting such encroachment, local ethnic populations have also come to demand their economic share, no longer simply relegating decisions to the ethnic political leaders and militant commanders and often resenting China's activities.⁷¹ At the same time, new economic deals, including with potential rebel ethnic leaders, are also being struck with little transparency.⁷²

In 2006, facing intense international criticism from international environmental groups for the razing of forests in Burma, China and Myanmar struck a new timber trade deal.⁷³ Supported by the environmental NGO and logging policies adopted elsewhere in Southeast Asia, the deal banned export of unprocessed logs from Burma, unless through Yangon and under the auspices of the state-run Myanmar Timber Enterprise. In April 2014, the Myanmar government further imposed a timber export ban. Although also meant to reduce environmental destruction, improve the sustainability of the timber industry in Burma, and increase state revenues, these policies also undercut economic profits for the Kachin ethn nationalists and their businesses, thus reducing their economic incentives for peace. Similarly, in the spring of 2015, a standoff over the control of logging areas in the Wa region brought the USWA and the Myanmar military to the edge of fighting. The Tatmadaw's crackdown on the ethn nationalist groups' illegal timber business in the spring of 2015 also resulted in the arrest of over 100 low-level and mostly Chinese illegal loggers

and stirred an outcry in China. Many Chinese companies maintained that they have valid licenses from local ethnic groups.⁷⁴

In Peace or War, Illegal Economies Thrive

Yet illegal logging and trade by all parties have thrived, both undermining the intent of the government policy and reducing economic incentives for a peace deal. Although logging was also formally banned in the Kachin areas by the KIA, illegal logging and massive environmental degradation have persisted, with participation by all: the insurgents, the military, Bamar businessmen, and Chinese companies.⁷⁵ The illegal trade violates the 2006 timber deal between China and Myanmar as well as the 2014 Myanmar national log export ban. However, the illegal timber trade is economically very significant for Yunnan, amounting to 24% of its trade.⁷⁶ Overall, legally and illegally, China imported 37% of Myanmar's timber exports in 2013, second to India's imports, which amounted to 45%.⁷⁷ Many economic and political stakeholders thus have an interest in violating formal policies, and Yunnan authorities have been loath to block the entry of illegal timber (as well as illegal wildlife products and gems). Possibly as much as 94% of Yunnan's timber imports from Myanmar were illegal in 2013.⁷⁸ An unregulated trade in charcoal, often produced from illegal timber, has also boomed since 2006. Supplying China's silicon

⁷¹ See, for example, Sun Yun, "The Conflict in Northern Myanmar."

⁷² Buchanan, Kramer, and Woods.

⁷³ See, for example, Environmental Investigative Agency, "Appetite for Destruction: China's Trade in Illegal Timber," November 2012, <https://eia-international.org/wp-content/uploads/EIA-Appetite-for-Destruction-lo-res.pdf>.

⁷⁴ Yun Sun, "The Guilty and the Innocent: China and Illegal Logging in Myanmar," *The Irrawaddy*, January 22, 2015.

⁷⁵ See, for example, Wai Moe, "The Struggle for Peace in Northern Myanmar," in Mikael Gravers and Flemming Ytzen, eds. *Burma-Myanmar: Where Now?* (Copenhagen: NIAS Press, 2014): 262-278; and Vanda Felbab-Brown, "Not as Easy as Falling off a Log: The Illegal Timber Trade in the Asia-Pacific Region and Possible Mitigation Strategies," *Brookings Foreign Policy Working Paper No. 5*, Brookings Institution, March 2011, http://www.brookings.edu/~media/research/files/papers/2011/3/illegal-logging-felbabbrown/03_illegal_logging_felbabbrown.pdf.

⁷⁶ "The Han that Rock the Cradle: Myanmar and China," *The Economist*, March 14, 2015.

⁷⁷ "Analysis of the China-Myanmar Timber Trade," *Forest Trends Policy Brief*, December 2014, http://www.forest-trends.org/documents/files/doc_4775.pdf.

⁷⁸ *Ibid.*

smelting industry, charcoal now represents a third of Myanmar's timber exports, though charcoal production was almost non-existent in Myanmar before 2007.⁷⁹

Overall, between 1990 and 2010, the estimated area of dense forest cover in Myanmar fell from 45% of land mass to less than 20%.⁸⁰ At least a third of the remaining forest is under threat over the next 20 years unless better controls are established and implemented. Illegally harvested and overharvested timber species include teak, rosewoods, and *lagerstroemia*.⁸¹ Commercial-size trees have been logged out in much of the Kachin State, with some species on the verge of commercial extinction.⁸² Similarly, although profitable jade mines in the Kachin area were temporarily formally closed in 2012 and official jade production plummeted by 50%, the illegal trade thrived before and has since.⁸³ In 2011, 21,000 tons of the estimated 43,000 tons of raw jade disappeared into the black market.⁸⁴ The overall value of Myanmar's jade industry was then estimated to be between \$6 billion to \$8 billion, amounting to 15% of Burma's GDP.⁸⁵ In October 2015, the NGO Global Witness released a new report, *Jade: Myanmar's "Big State Secret,"* assessing the jade trade to amount to a much higher number, \$31 billion in 2014 alone,

almost half of Myanmar's formally estimated GDP⁸⁶ (which may in fact significantly underestimate not only mining profits, but also profits from other extractive economies in Myanmar, and which does not include outright illegal economies, such as drugs and wildlife smuggling).

However, profits are predominantly captured by a narrow group of KIA leaders, Tatmadaw commanders, and Chinese and international traders. Little trickles down to local communities. The conditions for miners are mostly awful, with a lack of health, safety, and labor standards prevailing. Mining towns feature gambling dens, brothels, and open-air shooting drug galleries. Many miners use heroin, and the spread of infectious diseases, such as HIV/AIDS (often the result of needle-sharing), is high.⁸⁷ Illegal (as well as licensed) mining have also exacerbated environmental destruction, forcible eviction, and land theft.⁸⁸

Wildlife poaching and trafficking also continue to be rampant and fuel a ferociously expanding appetite for wildlife products in China and East Asia.⁸⁹ Mong La is likely Asia's largest hub for illegal ivory, tiger products, pangolins, and many other species, and another border town of Tachilek does not lag far behind.⁹⁰ Many of the local populations

⁷⁹ Ibid.

⁸⁰ Scott Wallace, "In-Depth: Myanmar," *World Wildlife Magazine*, Spring 2014, <https://www.worldwildlife.org/magazine/issues/spring-2014/articles/myanmar>.

⁸¹ See, for example, Environmental Investigation Agency, "The End for One of the Last Giants Still Standing in Asia's Forests?" <https://eia-international.org/the-end-for-one-of-the-last-giants-still-standing-in-asias-forests>; and Environmental Investigation Agency, "Myanmar's Rosewood Crisis," <https://eia-international.org/wp-content/uploads/Myanmars-rosewood-crisis-FINAL.pdf>.

⁸² International Tropical Timber Organization (ITTO), "Tropical Timber Market Report," ITTO TTM Report 18(3), February 2014, http://www.itto.int/direct/topics/topics_pdf_downloads/topics_id=3885&no=1; and ITTO, "Tropical Timber Market Report," ITTO TTM Report 18(4), February 2014, http://www.itto.int/direct/topics/topics_pdf_downloads/topics_id=3885&no=1.

⁸³ Andrew Marshall and Min Zayar Oo, "Myanmar's Old Guard Clings to \$8 Billion Jade Empire," *The Globe and Mail*, October 4, 2013.

⁸⁴ David Dapice and Nguyen Xuan Thanh, "Creating a Future: Using Natural Resources for New Federalism and Unity," Economics Department Working Paper, Tufts University, July 2013, <http://ase.tufts.edu/economics/documents/papers/2013/dapiceCreatingFuture.pdf>: 28.

⁸⁵ Ibid.

⁸⁶ Global Witness, *Jade: Myanmar's "Big State Secret"*, October 2015, https://www.globalwitness.org/documents/18112/jade_full_report_online_hi_res_twEcXTO.pdf.

⁸⁷ "A Road to Hell, Lined with Gemstones," *Toronto Star*, January 11, 2014.

⁸⁸ Amnesty International, "Myanmar: Foreign Mining Companies Colluding in Serious Abuses and Illegality," February 11, 2015.

⁸⁹ For background, see Vanda Felbab-Brown, "The Disappearing Act: Species Conservation and the Illicit Trade in Wildlife in Asia," *Brookings Foreign Policy Working Paper No. 6*, Brookings Institution, June 2011, http://www.brookings.edu/papers/2011/06_illegal_wildlife_trade_felbabbrown.aspx.

are readily complicit in illegal logging, mining, and wildlife trafficking, resenting their displacement from these illegal economies by the Bamar, Chinese, and other foreign companies, but themselves not economically able or willing to curtail natural resource extraction to sustainable levels. After years of deprivation and the absence of economic alternatives, the profits, however small a percentage of the global illegal trade, are simply too tempting.

Throughout the borderlands and areas of ethnonationalist movements, as well as elsewhere in Burma, land rights have been non-existent and land grabs not only undermine justice and inclusion, but also fuel social strife.⁹¹ Crony capitalists (as they are known) with extensive links to the pre-2011 regime often dominate the upper chains of these illegal and legal economic activities. Declaring poverty reduction as a key element of its post-2011 economic reforms, the Myanmar government has promoted industrial agro-production of rubber, palm oil, and rice through foreign, such as Chinese, investment. Yet often those policies have not only trampled on rights (that are rarely formally specified, and further undermined by new laws), but also exacerbated poverty.⁹²

Top drug traffickers have not been purged from the new political system or economic transformation. Even though Lo Hsing-Han has been dead for two years, his roads, dams, hotels, and ports dominate Myanmar's infrastructure. New drug-

linked businesses also operate, including the Shwe Taung Group, which emerged from the famous drug-laundering Asia Wealth Bank, and one of the country's largest real estate developers, Jewelry Luck.⁹³

And of course opium poppy cultivation, never replaced with adequate legal livelihoods, has returned. Once repression eased, the ethnic populations were simply no longer willing to suffer the economic hardships. The return to poppy has not been uniform throughout Burma, however. At least some suppression of poppy continues to hold, for example, in the Wa areas where the USWA has enough grip on the local population. Whether the groups, now under new military pressure, will be willing and able to maintain such repressive policies in the absence of effective replacement economies remains to be seen.

Overall, alternative livelihoods have been slow to take off and remain severely underfunded.⁹⁴ For many ethnic farmers, opium poppy cultivation provides for basic necessities, including food, medicine, housing, and education, as well as remains the only source of microcredit. In times and areas of conflict, poppy is also superior to other crops for other reasons: its opium can be harvested as fast as four months after planting. Thus since 2009, the area of poppy cultivation has almost tripled to 57,600 ha in 2014, from 21,600 ha in 2006 (even though Afghanistan continues to dominate the global opiate market, vastly surpassing Burma

⁹⁰ See, for example, "Thousand of Pieces of Ivory Found for Sale on Myanmar's Border with China," *TRAFFIC*, January 13, 2014; "Myanmar Gateway for Illegal Trade in Tigers and Other Wild Cats to China," *TRAFFIC*, December 22, 2014; and Steve Finch, "Burma's 'Wild East' Is a Debauched Land of Drugs and Vice That Reforms Forgot," *Time*, March 10, 2014.

⁹¹ See, for example, Marie Ditlevsen, "Economic Fundamentals, Ongoing Challenges," in Mikael Gravers and Flemming Ytzen, eds. *Burma-Myanmar: Where Now?* (Copenhagen: NIAS Press, 2014): 341-363.

⁹² See, for example, Tom Kramer, "Ethnic Conflict and Land Rights in Myanmar," *Social Research* 82(2), Summer 2015: 355-374; Kevin Woods, *Agribusiness Investments in Myanmar: Opportunities and Challenges for Poverty Reduction* (Kunming, China: Yunnan University Press, 2013); and Global Witness, "Guns, Cronies, and Crops," March 26, 2015, <https://www.globalwitness.org/campaigns/land-deals/guns-cronies-and-crops>.

⁹³ Thomas Fuller, "The Illicit Seeds behind Myanmar's Building Boom," *New York Times*, June 6, 2015.

⁹⁴ For a recent alternative livelihoods program effort, see, for example, "Thomas Fuller, "Myanmar Returns to What Sells: Heroin," *New York Times*, January 4, 2015.

in area of cultivation and opium yields and production).⁹⁵ Encouraged by China, whose demand for illegal drugs is expanding, the Myanmar government continues to call for poppy eradication.

Nor are alternative livelihoods often well-designed. China, for example, emphasizes development at the regional level as sufficient and rejects the concept of village-based development in its alternative livelihoods policies in Burma.⁹⁶ Some of its economic policies in Burma, such as monocropping of rubber, may in fact exacerbate the return to opium poppy when global rubber

prices decrease. Yet as the Thailand model shows, the combination of broad economic growth and off-farm income as well as purposeful rural, village-level development is necessary to reduce the economic dependence on poppy and increase the sustainability of poppy suppression efforts. In the absence of effective alternative livelihoods, eradication will once again increase misery, further complicate ethnic ceasefires, and would not be sustained. Meanwhile, the *use* of opiates in Myanmar is also increasing, while effective prevention and treatment continue to be lacking.

⁹⁵ UNODC, *Southeast Asia Opium Survey 2014*, <http://www.unodc.org/documents/crop-monitoring/sea/SE-ASIA-opium-poppy-2014-web.pdf>: 13.

⁹⁶ Author's interviews with Chinese counternarcotics officials, including those responsible for alternative livelihoods efforts in Myanmar, Beijing, October 2015.

Conclusions

Since the 1960s, drugs and other illicit economies, including logging, mining, and wildlife trafficking, have been intertwined with both peace and conflict dynamics in Thailand and Myanmar/Burma. In both cases, the drug trade fueled insurgencies and ethnic separatism. Yet both Myanmar and Thailand turned out in different ways to be (controversial) exemplars of how to suppress conflict in the context of the drugs-conflict nexus. They both show that the central premise of narcoinsurgency/narco-terrorism conventional wisdom—that they way to defeat the militants is to bankrupt them by destroying the illicit drug economy on which they rely – was ineffective and counterproductive. At the same time, however, in both Thailand and Myanmar, recent anti-drug policies either have generated new violent social conflict or threaten to unravel the fragile ethnic peace. *While illicit economies fuel conflict, their suppression is often counterproductive for ending existing conflicts and can provoke new animosities and grievances and forms of conflict. Prioritization and sequencing of government efforts to end conflict and reduce illicit economies is crucial.*

Thailand has become a paragon of how to implement alternative livelihoods to wean local populations off of cultivating illicit crops. Yet the strategy's success was critically enabled by Thailand's suspension of the eradication of illicit crops while the ethnic insurgency among the poppy-cultivating ethnic minorities was underway. Suspending eradication and thus being able to win the population's allegiance was crucial. While no-doubt well-designed, alternative livelihoods only became effective long after violent conflict had ended.

Recently, however, Thailand's drug policies have been the source of an undisclosed conflict: In early 2003, Prime Minister Thaksin launched a zero tolerance "war on drugs." In addition to many being arrested, an estimated 3,000 people were killed during the "war." A new phase of the war is currently under way.

Burma is yet another case where *laissez-faire* policies toward illicit economies were central to the government's ability to reduce and suspend military conflict. However, the policies adopted in Burma provide a new twist on the *laissez-faire*

approach: *laissez-faire* was not used by the government to win the hearts and minds of the population, but rather to buy off and co-opt the belligerents and the traffickers themselves. Indeed the centerpiece of the ceasefires of the early 1990s was the junta's acquiescence to the belligerents' continued trade with any of the goods in their territories—including drugs, minerals, timber, and wildlife.

Renegotiating the ethnic ceasefires of the 1990s into permanent negotiated settlements is one of the essential determinants of whether lasting peace is established and Myanmar's transition from authoritarianism succeeds. Yet it is not clear whether the economic inducements à la the 1990s can any longer be available. First, the international oversight, including China's, is far more

determined to disallow the perpetuation of illicit economies in Myanmar, such as a resurrected poppy economy. Second, many more actors, including Bamar groups and Chinese enterprises, are now intermeshed in a variety of Myanmar's economies, including illegal logging and land seizure, squeezing out ethnic participants. For many reasons, beyond but including the management of illicit economies and economic interests, some of the peace negotiations are breaking down and violent conflicts are restarting. At the same time, many of the economies which have underpinned peace and sometimes replaced the opium poppy economies, including logging, mining, and wildlife trafficking, have had devastating environmental effects. The peace has turned into plunder and remains unstable.

Policy Recommendations

Contrary to the conventional wisdom, suppressing labor-intensive illicit economies does not relieve military conflict, it exacerbates it. Accordingly, the opposite sequencing and prioritization of policy is often required:

- In order to end insurgencies, whether through a victory on the battlefield, by weaning local populations from supporting belligerent groups, or through peace deals that give insurgent groups an economic stake in the peace, governments may have to tolerate the persistence of and not interfere with labor-intensive illicit economies, such as drug cultivation.
- However, for such a peace to be both sustainable and satisfactory from a public goods perspective, the social and economic development of former conflict areas will be necessary to prevent undesirable unregulated and illegal economies, such as logging and wildlife trafficking.
- Conversely, for alternative livelihoods programs to be effective in reducing such undesirable economies in a lasting way, good security needs to be established in the rural regions. This means that the ending of military conflict needs to be given priority.
- Moreover, alternative livelihoods programs cannot be construed as merely crop substitution. Even if the replacement crop is lucrative, price profitability is only one factor driving the cultivation of illicit crops, with other structural economic conditions playing crucial roles.⁹⁷
- For alternative livelihoods to have any chance of taking off and being sustained, they must address all the structural drivers of illicit economies. They must encompass generation of sufficient employment opportunities, such as through the promotion of

⁹⁷ David Mansfield, “The Economic Superiority of Illicit Drug Production: Myth and Reality – Opium Poppy Cultivation in Afghanistan,” paper prepared for the International Conference on Alternative Development in Drug Control and Cooperation, Feldafing (Munich), January 7–12, 2002; and David Mansfield and Adam Pain, “Alternative Livelihoods: Substance or Slogan?” AREU Briefing Paper, October 2005, <http://areu.org.af/Uploads/EditionPdfs/524E-Substance%20or%20Slogan%20BP.pdf>.

high-value, high-labor-intensive crops as well as through off-farm income, infrastructure building, distribution of new technologies, marketing help and the development of value-added chains, facilitation of local microcredit, and establishment of access to land without the need to participate in the illicit economy, to name a few of the most prominent components.

- Alternative livelihoods efforts should not be designed as discreet handouts and isolated interventions, or else they will be ineffective.⁹⁸ Incorporating broader human development aspects, including improving access to health and education, and reducing social and ethnic marginalization, is crucial. Nor should they mask new forms of land theft and marginalization, even if officially billed as rural development.
- Alternative livelihoods really mean comprehensive rural and overall economic and social development. As such, the programs require a lot of time, the politically-difficult willingness to concentrate resources, as well as the availability of sufficient resources, and—importantly—lasting security in the area where they are undertaken.
- Alternative livelihoods also need to be integrated into overall development strategies, with attention paid to whether overall economic growth produces job creation or capital accumulation while exacerbating inequality. Macroeconomic policies, such as fiscal policies that tax labor heavily and land lightly, might have pronounced, if indirect,

effects on the effectiveness of alternative livelihoods policies, but may be expressions of persisting social exclusion.

- Policing and rule of law are indispensable elements of suppressing illegal economies and regulating the legal ones so they are not socially or environmentally destructive. However, for policing and law enforcement to be effective, they often require that local populations do not fundamentally see them as contrary to their human security and hence can be internalized. Thus, providing desirable legal economic alternatives facilitates policing and rule of law.
- However, alternative livelihoods strategies must become far more sensitive to their environmental impacts. Underpinning a peace deal with unrestrained destruction of forests produces at best a highly problematic reduction in conflict. Replacing the drug trade with wildlife trafficking is equally not a good deal. Both can turn an unstable peace into unrestrained plunder.
- Policies addressing drug use should not become new forms of war.⁹⁹ Mass incarceration of users and low-level, non-violent pushers does little to suppress—and can exacerbate—the use of illicit drugs. It may also increase drug market violence and turn prisons into recruiting grounds. Stigmatizing and punishing users undermines efforts to stem the spread of HIV/AIDS and other communicable diseases. Public health approaches, such as needle-exchanges and safe-injection sites, produce far better policy outcomes and should be adopted.

⁹⁸ Vanda Felbab-Brown, “Bringing the State to the Slum: Confronting Organized Crime and Urban Violence in Latin America,” *Brookings Latin America Initiative Paper Series*, December 2011, http://www.brookings.edu/~media/research/files/papers/2011/12/05%20latin%20america%20slums%20felbabbrown/1205_latin_america_slums_felbabbrown.pdf.

⁹⁹ These last three recommendations draw extensively on Vanda Felbab-Brown and Harold Trinkunas, “UNGASS 2016 in Comparative Perspective: Improving the Prospects for Success,” The Brookings Institution, April 29, 2015, <http://www.brookings.edu/~media/research/files/papers/2015/04/global-drug-policy/felbabbrown-trinkunasungass-2016-final-2.pdf>.

- Public health approaches to drug treatment should acknowledge addiction as an illness-requiring medical treatment. Casual users under community supervision can be effectively targeted through mild, short, swift, and reliable penalties.

Drug prevention should focus on early-age interventions and confidence-building, such as peer pressure resistance.

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