

Chapter 5

Adaptive Strategies of the Kokang Chinese in the Special Region

5.1 Introduction

Following the previous chapter on the social and political changes that have taken place in the Kokang Special Region (KSR) and the impact these have had upon the lives of the Kokang Chinese living along the border area of Myanmar/China, in this chapter I will investigate the changes that have occurred in the Kokang people's lives, through the use of their narratives. This represents an attempt to examine how the Kokang Chinese have adapted to their new lives and as a result, what kinds of strategies they have applied to their daily life in the border area of Myanmar and China. In addition, this chapter will draw attention to the way of life of the Kokang Chinese living in this special region of Myanmar and their everyday lived experiences. By depicting their everyday life practices, I aim to explore the various tactics that the border-landers utilize to carry out cross-border trade along the porous border that runs between Myanmar and China.

5.2 Livelihoods of the Kokang Chinese since the Opium Ban

In 2002, the Kokang region successfully declared itself an opium-free zone to the world, and at that point the centuries-long tradition of Kokang people growing opium poppies stopped. As a result; however, many people faced severe food

shortages as they did not earn enough income to purchase food. In addition, the local authorities also faced many problems when trying to implement its opium eradication project. At first, the local authorities guaranteed that by the end of the year 2000, the Kokang region would be completely free of poppy cultivation. In reality, the plan was only completed in 2002, and as one local authority member said:

“It was really a difficult task for us to carry out the opium eradication plan, as most of the people here had been growing opium for many centuries and it was the only traditional economy for the people. I also grew up in a poppy growing family, and I am sure, nobody, include myself, would wish to break up their own rice bowl. What to do?

There was no choice for us, as the international community and central government had placed lots of pressure on us, so we had to carry out the plan. Although we knew that there were lots of social problems, that livelihood problems would occur as the consequences of the opium eradication project, we had to force the villagers to stop growing. We ordered them to grow paddy, maize and potatoes in their opium fields, as an emergency relief effort; we did not think about the yield or whether the farmers had enough knowledge to grow these crops. There was no voice for farmers to bargain, and they were forced to do everything we said at that time. From the local authority’s side, we also could not think about the people’s future lives; we only focused on carrying out our plan, even though the farmers faced hunger, we had to do it”

On the issue of whether some farmers did not follow the order and continued growing opium, the local authority representative continued:

“Many people continued growing the opium secretly, in the hills far from the villages; we had to stop them by force. Some were jailed, some were fined and in serious cases, if they kept breaking the rules, they were given life imprisonment or the death penalty. Even though we used such force, the eradication plan could not have been completed in the target year of 2000. Only 60% to 70% of the total area had stopped growing opium poppies at this time; the remaining 20% to 30% of the region was still cultivating poppies. We had a planning review meeting and decided to stop cultivation by 2002, despite facing problems and constraints. Finally, we can now declare to the world that our region is an opium free zone”.

Even though the region was declared an opium free zone, on the ground there were many livelihood problems for the ex-poppy farmers. Moreover, the administrative system in Kokang also affected local people's lives. In Kokang, a top-down administrative system had been implemented since the BCP's time, and lower village level cadres had to follow the orders coming from the higher or central authorities, even though they may have been irrelevant to the people's lives. Many alternative crops, such as sugar cane, paddy and maize were introduced to the villagers, but were unable to meet the villagers' basic needs.

In early 2004, an assessment conducted in the Kokang region by the Japanese aid agency JICA, identified that without sufficient alternatives, most opium farmers would lose their primary source of income. In the KSR, many households left the area

in search of income and food, and from an estimated total population of 200,000 in the year 2000, only 140,000 remained in 2004. Two out of three private Chinese clinics and pharmacies closed and more than one in three community-schools stopped operating. About 6,000 children left school, effectively halving the enrolment rate compared to the previous year (Lu Cheng Wang 2009).

After the opium ban, only 10% of families were able to produce enough food by themselves for the whole year round, while 30% had sufficient food for about six months of the year. The remaining 60% of the households faced food shortages, as the paddy they grew was only enough for three to four months¹. The local authorities developed many new areas on the plains around Laukkai in order to encourage those living in the mountains to move down to there, while many ex-poppy farmers participated in developing sugarcane plantations but could not succeed, as the cost of shipping the sugar cane from the remote, mountain areas was higher than what they received from the sugar mills. The ex-poppy farmers tried to grow several other cash crops with the help of the local authorities, but failed due to technical issues and the weather. JICA also introduced the farmers to buckwheat, as a substitute crop for poppies in 1998, and the market demand for buckwheat in Japan is very high. As a result, many farmers established buckwheat plantations in order to replace opium; for example 83.6 ha (hectares) of buckwheat was established near Tar Shwe Tang village² (Kyodo News International, Inc, 1st December 1998), where the yield was quite good, but due to the long transportation route, the quality of the buckwheat and

¹ Sukunet.com

² <http://www.thefreelibrary.com/Buckwheat+substituted+for+opium+poppies+in+Myanmar.-a053364121>

also the price was not good when it arrived Japan. In the meantime, farmers tried to plant other cash crops but they all failed, causing many social problems in the region; for example, theft and robberies by drug addicts occurred, as did divorces, as a consequence of the opium ban. Many young, adult men joined the local armed troops, as there were no other job opportunities for them, where they received a salary of twenty Yuan a month, which was not enough to support their families. As a result, many chose to migrate or became involved in illegal businesses to solve their family's daily need problems.

5.3 Adaptive Strategies of the Kokang Chinese

According to my field observations, most of the Kokang Chinese had relied on crossing the border for their livelihood needs, since their ancestor's time. They were not involved in the large-scale import and export trade which was carried out by the Chinese, but undertook petty trade - selling agricultural and forest products. Some of these activities might have been defined by the state as 'illegal', but those who were directly involved did not recognize them as illicit activities.

Within the context of cross-border trade development and the setting up of an official border gate on both sides of the border, the issue of illegal activities, such as smuggling and undocumented cross-border activities, are a relatively common phenomena for border people and the respective authorities. In Donnan and Wilson (1999), three types of illicit activities are explored in terms of border economies: smuggling, prostitution and undocumented cross-border labour – all of which are labelled as illegal by the state because of their relative and inherent 'invisibility'. Regarding illicit border activities, Donnan and Wilson refer to these practices as

falling within the subversive economy, which fails to contribute to the nation. The Kokang Chinese who live along the border and their livelihood strategies usually engage with what Donnan and Wilson (1999) would call the “subversive economy”. The nature of borderlands and the experiences of the people who carry out cross-border business show the various ways and strategies used to make a living through illegal crossing, smuggling and trafficking. The illegal economy in the Kokang border area is large, and the biggest contributor to this economy is drug trafficking, followed by gambling, smuggling and trade in illegal goods and services.

5.3.1 Drug Trafficking

“... Over the past few decades, drug trafficking between Myanmar and China has evolved in several ways. Shipments of drugs in large quantities have largely disappeared (or perhaps are better concealed) and most drugs are moved in small quantities by large numbers of individuals, or ‘mules’, who know little about the organizers behind the scene. Between drug manufacturers and end users are multiple and often overlapping layers of transportation and distribution networks, each involving only a few people. These groups of ‘mules’ and their organizers work much like ants moving the contraband piece by piece successively from one location to another” (Ko-lin Chin; Sheldon X.Zhang, April 2007).

Border zones have been widely reported as providing opportunities for illicit activities. Many reports and research projects have found that large numbers of drug

trafficking activities are mainly carried out along the porous borders between China and Myanmar, and Thailand and Myanmar. The reasons for the trafficking taking place in these areas are that they are far from central government administration, being located at the periphery of nation states, plus these areas are often under the control of ethnic minority armed forces, those which rely on opium and the taxation applied to it as their main source of income and for the survival of their troops. In addition, there is loose or even no law enforcement with regard to the production of opium or drugs in these border areas.

For the Kokang Chinese, opium was central to their traditional economy and a major cash-generating activity over many centuries, plus was legally grown in the region throughout Tu Shi Guan's leadership and right up to the British colonial period and beyond. It was also the people's main livelihood source, though some were involved in tea and chestnut plantations also. The opium poppy was banned in many areas in Myanmar after the end of the colonial period, as an 'illicit crop', but in Kokang people continued to be involved in opium production without knowing it was illegal. Laws banning opium only started to be introduced about 100 years ago; sometimes the Burmese or Thai kings made laws against it, but the people of Kokang and other hilly areas fell outside their control. Due to the lack of law enforcement on the issue, many people continued to be involved in the opium trade, and many of the people who ruled the Kokang region were themselves famous drug lords, living as they did in the Golden Triangle, which was famous throughout the world. Moreover, in Myanmar many Kokang Chinese were believed to have become tycoons due to their involvement in drug trafficking. With regard to the reputation of these drug lords, one former local authority employee said:

“I admit that the Kokang people were involved in drug trafficking, because most of the people in the region were illiterate and did not have much opportunity to get another job except opium poppy cultivation. They needed to sell all their opium, so they could not avoid being involved in the trade also. But all this happened in the past; now our region is opium free and the local authorities and people are trying hard to create many alternative development activities. I don't understand why we still receive negative views from people on the Kokang people - instead we should get help from them.”

In order to stop these negative views about the Kokang people, the local authorities cooperated with the central government drug control committee and with China to enforce the law. Border security was tight at both checkpoints at this time and Kokang cross-border travelers were searched thoroughly in order to prevent them from carrying opium or other drugs into China. Although the poppy cultivation was banned in the region, other drugs such as Amphetamine Type Stimulants (ATS) such as *Ya Ba* ('crazy drug' in Thai), ecstasy, ice and many other drugs were traded in the region, and as a result, many drug trafficking activities continued in the border region, whether large or small in scale.

The research by Ko Lin Chin and Sheldon X. Zhang found that much of the drug trafficking market in Myanmar shifted from Thailand to China after the ceasefire agreements were put in place. After Burma gained independence from the British in 1948, a number of Burmese nationals, often minority groups in the ethnic controlled areas, became drug wholesalers, while the ethnic Chinese merchants and international syndicates located in Thailand and later in China, became the ultimate purchasers of

the opium poppy (Paul Sarno 2009). Due to its geographical proximity, most heroin and ATS trafficking activities took place along the porous Yunnan-Myanmar border. Once inside China, traffickers used three main routes to forward the drugs to the interior of the country; one to the north through Sichuan Province, one through Guizhou Province towards the heart of the interior and one through Guangxi and then Guangdong along the southern coastline heading towards Hong Kong - for export to the international market. The development of the Chinese routes can be attributed to two main facilitating factors, geographical proximity and vibrant cross-border commerce.

China and Myanmar share a more than 2,000 kilometer border, most of which is loosely guarded. Local villagers have for centuries traversed back and forth without having much regard for which country they are stepping into or out of, in order to carry out commercial, agricultural, as well as familial activities. Chinese farmers lease land from their relatives or friends on the Myanmar side to grow and harvest crops. Local women and children comb the hills straddling the two countries to gather mushrooms and herbs each year, and frequent social visits between the border-landers have been taking place for centuries. Daily border crossings occur for the purchase of daily foodstuffs as well as farm machinery (ibid).

Moreover, due to the dense vegetation in this border region, it is often difficult to tell where Chinese territory ends and Myanmar territory begins. Some of the local people use official border crossings because they are on main roads and are easier to use in terms of transporting heavy goods. However, unguarded pathways over the hills are just as convenient for those who wish to avoid the border police. In Kokang, many villages are just near the border and much cross-border cultivation of sugarcane

and maize can be seen along the border line. In some villages, the boundary post have been damaged and in some places there are no posts at all, so many people do not even know which side is China and which is Kokang. The border line is totally invisible for them, as people living on both sides of the border have the same culture, traditions, language and most of all, look the same. In this kind of situation and location, I wonder how China could possibly stop drug smugglers from crossing into the country.

The current legal and illegal trade between Yunnan and Myanmar represents about half of all Sino-Myanmar commercial exchanges (Ko lin Chin and Sheldon X. Zhang 2007). The trade between China and Kokang also expanded soon after Chin Shwe Haw, the special economic town in Kokang, was made an official border checkpoint by both central governments in 1989. With economic development has come a greater movement of goods and people, and China's rapid economic growth over the past two decades has opened-up avenues for the drug traffickers to exploit. Drugs are now transported into China through several means. In most cases, traffickers on the Chinese side, upon receiving orders, arrange for the drugs to move across the border to a safe location somewhere close by, and crossing the border undetected is relatively easy if one knows the terrain (Ko Lin Chin and Sheldon X.Zhang 2007).

However, many Kokang Chinese have been arrested by the Chinese government for transporting drugs into China; some of them simple, poor and illiterate farmers unaware of the laws or the harm that drugs do to people. Most of them lost their livelihood when poppy growing was banned and were left with no alternative but to risk joining the drug trafficking groups. Trafficking is considered a

good way to make money, although earnings vary tremendously according to the roles individuals play in the trafficking operation. Ko Chin Lin and Sheldon X. Zhang mention that the drug transportation system used by the traffickers is very much like ants moving items piece by piece, with many different personnel involved. Many of the carriers in the process do not know who the buyer is and for who they are carrying and transporting the drugs, they are only interested in the money they will receive and the way in which to transport the opium or drugs to the destination. For some of the people involved in the drug trafficking operations, they do not even know they are carrying drugs.

One Chinese agent, Mr. Fu Yan Kun, who worked as a military advisor to some of the local armed groups in the special regions of Myanmar for ten years, reveals his experiences of working in the Golden Triangle in his book, in which he mentions some of the drug trafficking methods used by the Kokang Chinese to transport drugs into China. Most of the transaction were led by Chinese nationals from Sichuan, Guizhou and Guanxi, and the drugs or heroin were transported to southern China and Hong Kong for use in markets around the world. He helped uncover the many ways used by the different groups of drug traffickers, with most of them subsequently arrested in China or in the Kokang region as a result of cooperation between the local authorities and central government drug control committee. The author claims that some of the methods used by the traffickers to transport drugs had never been used in any other parts of the world; for example, they mixed heroin with the powder of raw minerals and then transported it to China (Fu Yan Kun 2007).

The Kokang region possesses many mineral resources, and many Chinese businessmen have invested in the mining sector there. The extracted ore is loaded on to big trucks for transportation to China and for further refining, because Kokang has no refining plants. Many traffickers take the opportunity to transport drugs with the truck drivers, due to the relatively low transportation charge. Normally, five tons of minerals mixed with ten packs (7500 grams) of heroin costs only 1000 CNY to transport. Some of the heroin is packed into empty oxygen cylinders, as the Chinese border security guards cannot open the gas cylinders to search them. Some use the dead bodies of children by cutting the baby's stomach and hiding the heroin inside, and others swallow the packages. In 1997, a law in China was passed banning the police from searching pregnant women, so of course, pregnant women are now used to smuggle opium. Financial and other resources on the border are not sufficient; for example, at the Guizhou and Yunnan Province border checkpoint there is simply a little hut housing about five officials. Every day hundreds of trucks pass by this checkpoint, but the officials have little in the way of equipment to search them with (Dr. Ronald D. Renard). Almost all the people involved in the trade are poor ex-opium farmers, while most of the profits go to the dealers; the smugglers receive only a little though they take a big risk.

One of my informants shared his and his sister's drug trafficking experiences with me during my field work. His house is situated in the hills around Zha Zhi Shu village, and is an old one built in the Chinese style with tile roofing. He and his wife work on their own walnut and tea plantation, though they do not know how many *mu* it covers. They own 100 *mu* of plantation and they are quite well-off among the villagers. They have two daughters, one of whom is studying in Taiwan and the other

in Hong Kong, plus two younger sons studying in Lashio. Before the opium ban, they cultivated opium and it was their main source of income. I was surprised at and could not believe the drug trafficking experiences he told me about. He said that most of his clients were from Hong Kong and so they transported the drug to Hong Kong using his sister who moved to Yangon a long time ago. He packed and prepared the heroin (they did not tell me the source) and sent to Yangon by a normal over-land route from Kokang via Lashio. His sister then took the packages as carry-on luggage through Yangon International Airport, just like any normal traveler. The packages went through the scanning machines and customs check at Hong Kong airport also, but the drug packages were normally not discovered. He said they transported the drugs this way several times, but in the end his sister was arrested at Yangon International Airport, but her detention lasted only a couple of months - in Yangon's Insein Prison. The family spoke to a local Kokang authority official who had a close relationship with the Myanmar officials, so his sister got out on bail. He also told me that the drug traffickers have their own ways of packing the drugs so as to avoid detection by the police. My informant owns many businesses in the Kokang region which are ran by his relatives, and has invested many business activities such as a poultry farm, an import/export company, and several trucks which provide a transportation service throughout Myanmar. Almost all of his businesses are run with the help of his relatives and he rarely travels outside of the Kokang region. Similar to him, many Kokang Chinese have invested in businesses in Myanmar with the money derived from their drug trafficking activities, investing in different sectors such as logging, mining, import/export, transportation services, banking, agriculture and livestock farming.

International pressure, pressure from the Chinese and Myanmar's own anti-drugs policy have significantly reduced the scale of poppy cultivation in Myanmar, and also reduced the supply of heroin across the region. Harsh punishments and the totalitarian political regimes appear to have hindered the development of large trafficking organizations in China and Myanmar; with drug trafficking on a steady and slow decline for years. It is mainly China's pressure that led to the opium bans, for China has its own 'war on drugs' and blames Myanmar for many of its drug problems, so they put pressure on the local people in Kokang, on Wa leaders and on the government to try and eliminate drugs in the region.

The traders in amphetamines *Ya Ma* (Ya Ba in Thai) or heroin at different levels of the network are commonly people who have social and economic power in their locality. In May 1994, the police in Yunnan caught Yang Maoxian (the brother of Yang Maoliang - chairman of the local administration committee), a notorious drug lord who had methodically controlled the trafficking of drugs into China, and sentenced him to death (National Narcotics Control Commission 1999). A year later, Lee Guoting, a Kokang leader and a well-known heroin kingpin, was arrested and executed by the Chinese authorities. Nevertheless, the Chinese route remained popular for drug traffickers. For example, in March 1996, 221 kg of heroin from the Golden Triangle was confiscated in Guangzhou, the capital city of Guangdong Province, which borders Hong Kong. From 1991 to 1997, law enforcement agencies across China arrested 568,000 people for drug trafficking and seized about 30 tons of heroin and 14.4 tons of opium (National Narcotics Control Commission 1999). On January 28th 2002, Liu Min, a man alleged to have exported more than 510 kg of heroin into China, was shot and killed by Kokang and Burmese authorities in Kokang,

under pressure from the Chinese government (Zhao and Ke 2003). Liu Min, a Chinese national from Yunnan Province, migrated to Kokang in 1992 and was believed to control many drug trades and to have strong economic power in the region - initiating many infrastructure projects in Kokang; for example, a new residential quarter east of Laukkai called 'Dong Cheng' was established by Liu Min. Many modern buildings and a Chinese high school were also constructed in the area. The crowded Dong Cheng quarter is famous for its casinos and night life activities. Liu Min also got involved in the local administration committee on area development activities, due to his economic power. In the end he was shot for his drug trafficking exploits, and his death slowed the drug trade in the region, but a small-scale trafficking operation is still ongoing. In 2002 the Chinese authorities continued to seize thousands of kilograms of heroin in Yunnan and Guangzhou, and arrested drug traffickers from Myanmar.

People of diverse backgrounds participate in the business of drug trafficking and distribution. Most drug traffickers are poorly educated, with few employable skills or alternatives in terms of making a living. Drug traffickers in general do not belong to street gangs, organized crime groups or terrorist organizations; most are simply risk takers who work with family members or form alliances with friends or other social contacts (Ko Lin Chin and Sheldon X. Zhang 2007). Due to the strict anti-drug policy implemented by both state governments, Myanmar and China, many of the drug lords have shifted their livelihoods from being based upon drug trafficking to gambling activities in the Kokang region, where casinos and gambling activities are legal business. As a result, Laukkai, the capital of Kokang, is full of both small- and large-scale casinos.

5.3.2 Gambling

Casinos or gambling dens are illegal in Myanmar, yet they exist everywhere in Laukkai and in many villages across KSR and in the other two former BCP controlled areas of Wa and Mong Lar Special Regions on the Chinese border. They range from large casinos through to small neighbourhood gambling dens. Many small mobile casinos, which shift from place to place, can be seen in the streets of towns every five days on market day, at wedding ceremonies, funerals and at many events in the region. Some of the local people, especially the poor households, depend on the income they receive from gambling, as they do not have enough capital or skills to develop other businesses. Some household members stay in casinos all day and night in the hope of having some good luck and the chance to earn more cash money. Due to the levels of gambling addiction, many social problems occur as a consequence; for example, many school age children are not able to attend school as their gambler-parents cannot take care their education or health. Some couples have divorced due to the gambling debt, plus thefts, robberies and suicides are common. Some young local girls have eloped with foreign gamblers and in some cases this has led to human trafficking. Though the casinos and gambling dens have brought lots of social problems to the region, they have become the main source of tax income for the local authorities, and almost all the big and small casinos or gambling dens in the region are full of locals and outsiders, especially Chinese gamblers.

With the heavy Chinese influence in Kokang, the central government is constrained with what it can do for a population in which hardly anyone speaks Burmese. Although this will change over time, at present this impedes technical and economic development across many sectors. Peng observed that “You cannot imagine

how poor the people are” in Kokang. To find a way out and to promote employment opportunities for the local people, the Kokang authorities have allowed numerous casinos and small, ‘game of chance’ operators to open, catering to the Chinese from across the nearby border checkpoints; however, the low education level among the people of Kokang has resulted in approximately 80% of the casino employees being from China. Karaoke bars, massage parlors and other nightlife businesses have been established in Laukkai and other Kokang towns, so much so that now they dominate the downtown streets (Ronald D. Renard 2003).

It is now acknowledged that casinos exist everywhere in the towns and villages of Kokang. bit data on the number, turnover, profits and payoffs generated by these establishments is not easily available. Estimating is also difficult, for it is risky, dangerous, and difficult to collect data directly from the casinos, just by observing. There is no official record of how many casinos operate in Kokang, and many big hotels and small guesthouses also operate gambling activities. All the data and estimates I have made relied on my key informants. Most of the casinos are joint-ventures between local, higher officials and Chinese investors, and some are owned by recent Chinese migrants, and Chinese businessmen are responsible for the entire initial set-up costs for these big casinos. Furthermore, they have agreements with the local authorities or landowners to be able to control and operate the casinos for ten to twenty years. After the agreements end, all administration rights and the properties (building, furniture etc.) will be handed over to the local business partner. Not more than five big casinos operate in Kokang; the rest are relatively small gambling dens. Many casinos were already operating when the August 2009 crisis hit, with some Chinese gamblers fleeing Kokang to China, as refugees. However, gambling was the

first business activity to return to normal after the clashes stopped (personal interview with a Kokang Chinese in 2010).

Many kinds of casino games are played in the Kokang region, and among them baccarat³ (百家乐) is played by most of the gamblers. Card room rules and the basic bet levels vary from casino to casino, and clients include housewives, wage earners, office workers, teenagers, unemployed workers and soldiers. The majority are women, but the men tend to play for larger stakes and are more addicted. The bets range from five to thousands of Chinese Yuan, and some gamblers play for hundreds of thousands of Yuan during one single hour. I saw one local, female gambler lose 300,000 Yuan within a short period of time and she did not seem so bothered by the loss. There are also special rooms for the really big gamblers, and according to my informant, the gamblers here are regular clients of the casinos and always play in a revolving win/lose cycle. Most of them are Kokang Chinese from well-off families who have no other significant job during their daily lives other than gambling. The casinos operate 24 hours a day, seven days a week.

The daily turnover of the casinos is huge, and the monthly expenses of a mid-range casino, one with around 200 staff, are at least 600,000 Yuan in terms of staff salaries alone. The minimum wage for staff who works at the casinos is around 2000 CNY per month, so the casinos have become an ideal place for local, young people to work at. In the period after the casino boom started in the Kokang region, most of the casino staff were recruited from China, as local, young adults lacked the appropriate level of knowledge and most were illiterate (Ronald D. Renard 2003). However, the

³ A card game played in casinos, in which two or more people gamble against the banker; the player wins who holds the two or three cards closest to nine

situation has changed since the casino owners came under pressure from the local authorities. In order to develop and increase the job opportunities for local adults, the local authorities pressured the casino owners to recruit local Kokang people. For the casino owners, local wages were cheaper than in China, but the local Kokang people were mostly illiterate. As a result, they set a requirement that anyone who had finished middle school could qualify to work as casino staff. Moreover, they established one or two month training classes in order to train local, young people on how to work in the casinos. Now, many young Kokang who have completed their middle school education drop-out from school and join a casino; they do not go for further education or to university. More girls work than boys, as the girls work as cleaners as well as card dealers, supervisors and managers in the casino, while the men are normally recruited as security guards.

As the number of casinos increased in Kokang year on year from 2000 to 2009, the demand for casino staff also increased. Many young Kokang who had completed Chinese middle school started working in the casinos as staff members, but the numbers were still insufficient to fill the casinos. However, the casino's high pay levels also attracted many young people from the Myanmar government controlled areas where job opportunities were few, so now many ethnic young people from Lashio, Muse, Kyaukme and many other places in Shan State who can speak Chinese work as casino staff in Kokang. As one of the Burmese officials posted in Laukkai said to me:

“When I first came I could not believe that their monthly salary is higher than ours, DG level officials. I get just one- third of their pay, so it is not a surprise to see many young girls from outside Kokang, such

as Lashio, Kyaukme and sometimes from central Myanmar, working in the casinos. They get really good pay.”

From most Burmese people’s point of view, especially from a Buddhism point of view, gambling is a kind of sin. Both the casino owners and gamblers are viewed as criminals, as the Myanmar government does not allow gambling activities in the country, except at some funerals and events, and even these activities have to apply for a permit from the relevant government department or the police beforehand. In contrast, gambling is legal in Kokang, and for the local people, working in a casino has the same status as a white collar job in an office in the city - they can dress up in a nice uniform and the work is not ‘heavy’, physically. Also, the casinos are also nice places for work when compared to working on the sugar cane or tea plantation, or in the paddy fields. Except for children from the rich families, almost every young person in Kokang wants to get a job in a casino, where a good salary is paid. Almost all the families from the villages have one or two children who work in a casino nowadays, and the total number could be around 3000 (personal interview with a Kokang Chinese in 2010). The minimum salary for one month can support a family of three or four, as one casino member of staff from Dong Shang village told me:

“I have two daughters working in the casino in Laukkai. My elder daughter gets a pretty good salary, as she now has some years work experience. My second daughter recently joined a casino as she had just finished her middle school. Her pay started at 2000 CNY a month, as she is a new member of staff with no work experience. My younger boy will also join the casino after his schooling, as his sisters can look

after him. Our lives have improved a lot when compared to the time we grew opium poppies.”

However, not everyone can work as a staff member in the casinos; you have to have a social network there. As one local authority employee told me:

“Casinos seem to solve the jobless problem for Kokang people, but in another way it has created a headache for the local authorities. Many young people who work in the casinos become drug addicts because they have to stand for a long time, and some people take Ya Ba to reduce the stress and to keep them awake on their night shifts. Now, drug addiction among young people is an urgent issue. You might ask: are we are going to close down the casinos? In answer to this I would say probably 'no', because it is the only revenue we get to support the area's development.”

The casinos have created many job opportunities for the local young people and for many young people from outside Kokang region as well, though only those with at least a middle school education can work there. In Kokang, there are still many uneducated people, particularly from the upland areas, and very few of them get the opportunity to work as a cleaner or security guard at the casinos, and only then if they have connections with the local authorities or know the manager or another authorized person at the casino. Many young people from the remote, upland villages still work as wage labours on the cash crop plantations, or have migrated to other, big cities or to China in search of a better job.

Laukai has become a casino town and so many people there now enjoy gambling to varying degrees. Nobody can predict whether this situation will continue

or not, as the political situation is always changing in this border region; nevertheless, local people lives will go on and they are applying a variety of strategies to overcome the changing policies.



Figure 5.1: Casinos in Laukkai



Figure 5.2: Card Dealing Trainees in one of Laukkai's Casinos



Figure 5.3: Gambling in the Laukkai Casinos



Figure 5.4: Village Gambling Activities

5.3.3 Smuggling

Oscar J. Martinez states that all international boundaries have the same basic function; to delimit one nation from another and to control the movement of people and goods from one side of the boundary to the other. Normally, states set-up borders to control over the movement of people, goods, wealth and information from crossing freely, and as a result, at many international borders, illegal activities known as smuggling are carried out in order to avoid taxation and law enforcement, such as when illegal substances that are not taxed are traded. The cross-border activities carried out by border-landers and other cross-border traders differ in terms of the scale of their businesses. Borders and smuggling always go together; where there is a border, there is smuggling, but smuggling deprives governments of revenue in all countries.

Apart from illegal trading, the border-landers in Kokang cross borders for different purposes. Some of them cross the border just to visit family or relatives on the other side, to receive medical treatment, avoid criminal charges, buy daily necessities, participate in traditional and cultural festivals, or for gambling, and border crossing activities happen as an everyday practice for many of the border-landers. Daily cross-border activities occur, not only at the official border checkpoints, but also at other points along the border between the two countries. There are altogether 44 boundary posts set up along the porous border between Kokang and Yunnan Province, since the border was officially delineated between the governments of Myanmar and China in 1962. Some of these boundary posts have been damaged and at some points no boundary posts can be seen at all, so people just cross the border

without knowing which country they are in at a given time. These kinds of border crossing may be recognized as illegal activities in accordance with state policy, but are normal for the local border-landers, as the border line is totally invisible to them.

The state has set up many policies to control the movement of people and goods along its border; however, sometimes the imposition of regulations and limitations on border activities does not fully control the border crossing activities, and so are modified by the local authorities in accordance with the local context. Some commodities are considered illegal under the laws of the central government, but the local authorities in the special region nevertheless allow them to pass, as legal items. For instance, items not allowed to be exported from Myanmar by the central government include rice, sugar, brown slab-sugar, sesame seeds, sesame oil, ground nuts, ground nut oil, yellow beans and cotton; petroleum, gems, gold, jade, pearls, diamonds, lead, tin and charcoal. Moreover the government also prohibits the export of wildlife, elephant tusks, buffalo, cattle, horses and other endangered wildlife, as well as aquaculture products and other items such as dynamite, antiques, teak, hardwood and rubber (Roi Ag 2009).

In Kokang, after the opium ban, sugar cane became the key alternative cash crops for the ex-poppy farmers. As a result, hundreds of trucks transporting sugar cane from Kokang to Nan San, a Chinese border town, pass every day via the official checkpoint at harvesting time. Moreover, other agricultural products such as maize, chestnuts, walnuts and tea are transported into China freely, without any controls imposed from the local or Chinese authorities. These crops are listed as illegal items by the central government, but are legal from the perspective of the local authorities. In contrast, these agricultural products cannot be transported from Kokang to

Myanmar government controlled areas, as they are on the banned export items list.

One of the local authority staff said to me:

“I do not understand our country’s export/import policies. Why are our agricultural products not allowed to be sold in Lashio, Muse or other places? If there is no market for our alternative crops, then many people will go back to growing opium again. Is Kokang not a part of Myanmar?”

There are no official policies from the central government as to which products can be transported out from the region to central government controlled areas or not, but many Kokang Chinese have faced the same issues as my informant – being unable to transport their agricultural products out of the region. Moreover, they cannot even purchase rice from Kunlong or elsewhere for import into the Kokang region in order to reduce the people’s food shortage problems. As a result, Kokang people have to rely on the Chinese market for their export/import activities.

Throughout the country, the central government has banned some items for import, such as monosodium glutamate (MSG), different kinds of canned juice and canned products, noodles, alcohol, beer, cigarettes, all kinds of fruit, cookies and many foodstuffs. However, many Kokang Chinese have relied on Chinese products, from rice to other daily necessities, for a long time. Since the ceasefire agreement, some Thai products can be seen in the Kokang region - imported from Thailand via A Mong Lar Special region (4), and commodity exports and imports to and from China have continued on a regular basis, based on the demand from consumers in both countries. The local authorities and Chinese government have not placed many

restrictions on this commodity export/import process, except for some drugs and heroin, which are listed as illegal at the China/Kokang border checkpoints.

There is no fixed commodity tax collection activity for the cross border trade activities. Most of the petty trade in the Kokang region is conducted by Chinese people, and almost 90% of the shop owners in Laukkai are new Chinese migrants, the remaining 10% being descendents of the first and second wave of Chinese migrants. Around 1968, many Kokang Chinese were forced to migrate out of the region by wars or conflicts, and many of them moved to Lashio, Muse and elsewhere outside the Kokang region (see Chapter I for the mobility patterns of the Kokang Chinese). Since the ceasefire agreement and with the recent economic growth in the Kokang region, many Kokang Chinese who migrated out from Kokang have returned to Kokang to catch up with the economic growth taking place there. The Kokang returnees mostly carry out petty trade in the region, with 10% of the shops in the area run by these Kokang Chinese. The local Kokang people are mainly consumers rather than sellers, and only a few local Kokang Chinese can be seen in the five day market⁴ selling backyard vegetables, eggs, traditional herbs and some forest products such as mushrooms and bamboo shoots. As a result, local Kokang people are rarely involved in the cross-border smuggling activities, as most of this is done by the Chinese. They also only need to pay a small amount of tax at the local checkpoints, and sometimes they can negotiate with the checkpoint soldiers over the payment.

⁴ The 'five day' market is a market organized every five days in Laukkai or other big villages. On that day, many local villagers from around the region come to buy their daily necessities, and Chinese petty traders also cross the border into the region to sell piglets, fish and various Chinese products – to satisfy the Kokang people's daily requirements.

There are two official border checkpoints between Kokang and China; one between Nan San and Laukkai and the other main one between Gengma and Chin Shwe Haw. The cross-border trade activities that take place at the Chin Shwe Haw border checkpoint are more formal than at Laukkai. The Chin Shwe Haw border checkpoint is officially recognized as a border trade point by both the Chinese and Myanmar governments, and is one of the busiest checkpoints in Myanmar in terms of trade with China. It is also one of the main routes used for Chinese products to come into Myanmar, followed by the busy Muse - Shwe Li route. Many officials from the customs department and border trade department are posted in Chin Shwe Haw, to control border trade and the movement of people. In order to avoid government taxes, many smugglers use the other checkpoint of Nan San-Laukkai to transport their goods, where the control of trade is relatively lax.

Cross-border trade activities changed along with the changes in policy on border crossing. The official border gates were manned by both the Kokang local authorities and Chinese authorities during the MNDAA control period, and until the 2009 crisis. Border crossers need to show their identity to be able to cross to the other side, but no fees are payable when crossing. Many border-landers from both sides, and their vehicles, pass through the border gate without facing too many procedures, and the border gates are open 24 hours a day. Only those border-landers who reside close to the official checkpoint cross at the gate, while those living along the border elsewhere just cross in and out of the country without going through the formalities.

Many Kokang people cross the border into China to buy their daily necessities, while children of the well-off Kokang families from Laukkai attend Chinese schools in Nan San and Geng Ma, and some even attend high school in

Kunming. To do this, the Chinese government has issued them with a student identity card in order to cross the border checkpoints. They board at the school during the week and on Friday evening return to Kokang just to cross the border. They then spend the weekend with their families and on Sunday evening cross back over to the Chinese side again. So, they cross the border as though they were visiting a neighbour's house, without any formalities.

Compare with the Kokang-based border crossers, the procedures for Chinese nationals when crossing the other way are a little bit more complicated, as they have to fill in a border pass form and submit photos to the Chinese authorities. The Chinese side strictly controls its citizens in terms of crossing the border into Kokang, in order to prevent them leaving the country for gambling purposes. As a result, many Chinese gamblers sneak into Kokang along the porous border using motorbikes and tricycle drivers, who charge the Chinese 20 Yuan per person to provide a transportation service. No checkpoints are passed along these crossing points and hundreds of Chinese gamblers are smuggled into Kokang back and forth every day.

After the August 2009 crisis between the central government and the Kokang local armed troops, the central government posted immigration officers at the Kokang Yang Long Zhai checkpoint, in order to formalize border crossing activities. Local Kokang people who want to cross the border now have to submit their Myanmar household profile to an immigration officer, as issued to Kokang families prior to the 2010 election. The officers take the person's photo for their records and the people need to pay a processing charge in order to get a Myanmar border passbook. The book is valid for one year, and every time the passbook holder crosses the border, they need to submit the book and get a stamp from the immigration officer. The government

immigration department collects two Yuan per person for crossing the border, and registers the vehicles' license plate numbers. In the same way, Chinese nationals from China also need to show their passport and pay a border pass charge to the Myanmar immigration department if they want to cross the border into Kokang. As a result, cross-border activities have become more systematic and formalized, but this has simply incentivized border crossers to use smuggling routes which avoid the procedures. One local Kokang Chinese man shared his border crossing experiences with me, as follows:

“Nowadays, crossing the border has become complicated. We need to bring our household profile and national identity card to make a border passbook. We then have to queue at the border checkpoint for some time to get the book. We do not understand what the officials are saying, so sometimes they yell at our people because none of us understand Burmese, so do not know what they want. In the past, crossing the border was very easy; you just needed to report your name at the local checkpoint. Sometimes we even did not need to get out of our cars as the checkpoint soldiers already recognized us. But now everything has changed; the border gate only opens from six a.m. to six p.m., so we have to finish all our business on the China side before the border gate closes; we have to rush in order to be able to cross the border before the checkpoint is closed”.

As a result of this, many Kokang people choose to go alternative ways to cross the border, because of the complicated procedures. They say they do not care about the payment, but the time it takes to cross, so they use illegal routes. Sometimes

Chinese policemen patrol along these illegal paths, and if security is tight on both sides people will temporarily stop crossing the border, or some find some other way to sneak across. These are indeed, powerful legitimizing discourses that reject state definitions of criminal and illicit behaviour, and in Kokang, many of the cross-border activities carried out by the people during their daily lives act as a contrast to what states consider legal and what people involved in the cross-border networks consider illicit. People use various strategies to subvert the rules and regulations of the state, when these rules clash with their livelihood activities.



Figure 5.5: Myanmar/China Boundary Post on the Invisible Borderline



Figure 5.6: A Chinese Smuggler



Figure 5.7: Damaged Boundary Post and Border Crossers

5.3.4 Money laundering

The illegal economy has grown in the border region in parallel with the economic growth in China. It had already started when the opium trade was declared illegal, and many Kokang people are believed to have become rich by laundering their drug or illegal money in the country. Money laundering is the process of transforming illegally acquired money into money which is acceptable, or which cannot be proven as having been acquired illegally. Once money has been laundered, it can be used for reinvestment in legal businesses.

Money laundering takes many forms and the methods change rapidly over time. With the development of electronic money transfers, money can be moved very quickly, and though there is no proper banking system in Kokang, (people just carry cash across the border), they set up businesses in China and invest money there. Some use the Chinese banking system and transfer money to other countries where they have social networks or family members. After that, the money can be transferred back into the legitimate financial system.

Some of the Kokang Chinese have established 'front businesses' to hide the true origin of their money. Under this scheme, they register a trading company in one of the big cities such as Yangon or Mandalay, in order to provide an explanation for the source of the funds. Most of these companies carry out import/export activities such as jade, mining, logging and the transport of construction materials. Money laundering is often carried out in conjunction with other illegal activities such as smuggling, and drug money is transferred to other countries to pay for vehicles and heavy machines which are then smuggled into Kokang.

Drug money can be laundered quite easily in various ways. Some of the new Chinese migrants migrated into Kokang region before the ceasefire agreement and became involved in the opium trade and cross-border trading. After the ceasefire agreement, they officially received a national identity card as issued by the central government, so they became legal Myanmar citizens, as ethnic Kokang Chinese, and migrated from Kokang to big cities in central government controlled areas. With the help of their Kokang Chinese friends or other ethnic friends, their drug money was laundered and invested in real estate, shops and restaurants, as well as in import/export companies. For these businesses, they sometimes do trade with Chinese from the mainland, which then gives them influence in terms of cross-border trade, and some have become business tycoons in the country.

As there is no money laundering law in Myanmar, depositing money in a private bank is the easiest way to launder. Some Kokang drug lords have laundered their money and invested in the private banking system, but a few have been discovered by the government and prosecuted for laundering drug money. Some of the private companies set up by Kokang people were confiscated by the government

after the 2009 August crisis, for the reason that they were laundering drug money. This made many Kokang Chinese shift their interest away from Myanmar and invest their money in China and Thailand, as in Myanmar government investment policies change all the time. Many Kokang Chinese set up businesses in other countries, based on their social networks. Since there is no adequate legislation to control illegal money laundering activities in Myanmar, this kind of practice is likely to continue to be practiced by drug traffickers and smugglers.

5.3.5 Migration

As already mentioned in Chapter II, the Kokang Chinese have dispersed to many parts of the globe. Most of them are transnational migrants who have moved to neighbouring countries such as China and Thailand, and some of the young Kokang people cross the border into China to work as wage labor after having plowed and planted paddy in their own villages. Some of them work in grocery shops as sales people or work at jewellery companies owned by Kokang Chinese and those from central Myanmar. The gems sold by these companies, especially jade, are smuggled from Kachin State plus some are brought from central Myanmar for sale in the jewellery shops on the Chinese side.

It is easy for the Kokang who work in China, as they can cross the border easily – going back and forth between their home villages and work. Some of them stay on the China side and work as migrant workers. After the opium ban in 2003, many Kokang people began migrating to Thailand in search of a better job, to places where their relatives had been living for many years. Those who migrate travel to Thailand via Lashio, Taunggyi and Tachileik, whereas others use an alternative route

via Lashio, Tanyang and Mine Kaing, before moving on to Tachileik, after which they cross the Mae Sai checkpoint where their relatives are waiting for them. Many Kokang Chinese have been living in Chiang Rai Province, in northern Thailand since the 1950s, having migrated to Thailand with the KMT forces, and some with the defeated Kokang revolutionary force (see Chapter I for details). Most of them survive in Thailand by growing vegetables, tea and fruit in Chiang Rai province. Some of the more recent Kokang new have got married with local Kokang people, and then send their children to Thai government schools, as well as take Chinese classes. Many of them holding Thai Highlanders Cards as issued by the Thai authorities, while some of the more recent arrivals have yet to receive an identification card, and keep migrating from Kokang to Thailand.

In Thailand, the Kokang are referred to as 'Haw Chinese', a term used to identify some of the hill tribes and ethnic people living in northern Thailand ('Haw' probably has some connection with the word 'Hui', which means Chinese Muslims, but most often refers to the Chinese from Yunnan, not just Muslims). However, the Kokang Chinese address themselves as 'Malipa Ren' instead of 'Kokang Ren'. There is a Kokang Chinese village named 'Doi Ang Khan' in Thailand which is only three hours drive from Chiang Mai, on the way to Chiang Rai province. Many Kokang Chinese from Laukkai and Tar Moe Nye have migrated to that village over the years.

In Thailand, most of them are involved in growing vegetables and selling them in Chiang Mai, while some of them work in Bangkok. Their ability to speak Thai and Chinese has helped them to work in the tourist industry as tour guides, and some work in factories invested in by Taiwanese or mainland Chinese.

Most of the new Kokang Chinese migrants initially travel to Thailand for a family visit, but then do not go back to Kokang; they stay in Thailand and look for a better job with the support of their Chinese language skill and their relatives, as most of the Kokang migrations are based on family ties and networks. The Kokang Chinese may migrate to other areas outside their village or region to work as wage laborers or to invest. If they receive better pay or succeed in their work, they like to call their relatives and invite them to join in their work. With this kind of practice, the Kokang are spreading everywhere, both inside and outside the country.

5.4 The Practice and Importance of *Guanxi* for the Kokang Chinese

Many scholars have uncovered that the *guanxi* network is one of the key factors in the success of social, political and business activities in Confucian societies such as Japan, China and Hong Kong. The *guanxi* network also plays a significant role in Kokang society in Myanmar, in their daily activities as well as their trade and social activities. They are heavily reliant on their *guanxi* relationship which is based on kinship, ethnicity and friendship, in order to deal and negotiate with the authorities in order to carry out their activities as well as their transnational trade. The *guanxi* network is not only based on family ties, on an ethic of hard work, a strong ethnic identity and the pursuit of wealth, it is a social connection between peoples. Sometimes, it can be the relationship between one person and another, and others it is an indirect relationship between people; with someone's help cementing the relationship.

The concept of *guanxi* is complex and multi-faceted; is usually a multi-path process which starts with two parties. The process will then move on involving more

parties and stop only when a solution is finally found or a task is abandoned. It can refer to one of three things: (a) the existence of a relationship between people who share a group status or who are related to a common person, (b) actual connections with frequent contact between people, and (c) a contact person with little direct interaction. However, in everyday communication *guanxi* has a pejorative connotation referring to “the use of someone’s authority to obtain political or economic benefits by unethical persons” (Ying Fan 2002a).

Guanxi has been defined in various ways by different scholars; for example, Alston defines it as special relationship two persons have with each other, while Jacob define it as connectedness or particularistic ties. Gold states that *guanxi* is a power relationship – such that one’s control over a valued good or access to it gives power over others. Osland adds that it is “...a special relationship between a person who needs something and a person who has the ability to give something.” Pye regards *guanxi* as “friendship with implications of continued exchange of favours” (Ying Fan 2002a).

However, there are many different meanings to *guanxi*, and is widely used in Kokang society for their daily social, culture, political and economical activities. Many people realize that without a *guanxi* social network in place in Kokang, one cannot reside that long with people, though they might be rich enough. Money is not as important as *guanxi* in the Kokang region; if you know someone in the local authorities, that means you can survive and have many opportunities to do business (interview with a Chinese informant in 2010).

The simplest way to define *guanxi* is as a special relationship between two persons. The *guanxi* base relationship is generally classified into three categories: a

relationship by birth or blood (family, kinship, in-laws), a relationship by nature (from same town or province, classmate or alumni, teacher-student, co-worker, colleague or superior-subordinate; neighbor), and a relationship which is acquired (acquaintances, knowing the same person, friends, sworn brotherhood) (Ying Fan 2002a).

In the KSR, the *guanxi* network plays a crucial role in people's daily lives, such that if one has a good social relationship with the local authorities or an economically influential person, one can get many opportunities for a job or for business. It is very important for the ex-poppy farmers to obtain a decent job, as they are mostly unskilled and illiterate, and it is very difficult for one to get a status in one's social life without education or a strong financial background. Even to get a job such as a cleaner, security guard and waiter, a *guanxi* network is required in Kokang. Concerned about the importance of *guanxi*, one young job seeker shared his experiences with me, saying:

“I have been looking for a job in Laukkai for a couple of months now.

It is very difficult for me as I know nobody who can recommend or

introduce the Lao Ban (boss) to me. I have some relatives in Laukkai,

but even they cannot give me a help. I want to work as a security guard

in a casino, but I do not have *guanxi* there.”

Here, the *guanxi* he means is that he does not have any connections with the people working in the casino. As per my findings, to get a job in a casino requires a person to know some someone such as a card dealer, staff supervisor or sometimes a security guard, as these people can introduce you to a superior and recommend you for a job. As most staff are recruited through social networks based on family ties,

friends, in-laws and sometimes simply through a broker or middle man, they always need a person in-between to connect or tie them to others.

Osland defines *guanxi* as “...a special relationship between a person who needs something and a person who has the ability to give something”, so many Kokang Chinese have built *guanxi* with the authorities by giving gifts. The practice is also a kind of reciprocal exchange, in that the person who has accepted the gift will try to reward the giver something he or she can do for them. Not all gift givers expect to get something back right away, but it is the simplest approach to build up a *guanxi*-connection network.

Around 90% of the Kokang Chinese who have set up businesses within Myanmar have done this through their social network with the local authorities or relatives. As most of the people from Kokang cannot speak Burmese, they need to rely on their social networks to set up businesses. Almost all businesses are based on trust, and some of the Kokang Chinese do not know what kind of the business their friends or relatives have set up for them; their businesses are taken care of by their friends, and income is sent to them on a regular basis. Their trade activities are based on trust and familiarity within the network, and these are the fundamental factors that enable and sustain their reciprocal interactions. *Guanxi* norms and values have been rooted in Chinese society and this kind of culture for a long time, and tradition means it will continue to be practiced by Chinese people.

The beauty of *guanxi* lies exactly in the fact that through one single *guanxi*, one gain access to a much wider network of connections, so that the more *guanxi* (or connections) one has, the more doors open for interaction and privilege. Nonetheless *guanxi* is not only important in terms of building relationships for business, it is

sometimes of support in the political field. In short *guanxi* is practiced in the daily life activities of the ethnic Chinese and supports them in dealing with different people in society.



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