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Myanmar's Jade-Fueled War

Are the Tatmadaw and KIA colluding to maximize jade profits?

By **Daniel Combs**

In 2015, Naw Aung, a 30-year-old miner from Mogaung Township, watched as the hillside he and his friends were working on started to collapse. An explosion at a nearby jade mine had set the earth shaking, and as stones rained down on the miners, Naw Aung rushed to escape. When the land stopped moving, 14 people were dead, including four of his friends. As Naw Aung tried to dig his companions out of the rubble, other miners ran past him to pick through the stones that had been dislodged by the violence.

“No one helps you when you’re a poor jade miner,” he said.

“Everyone has to fend for themselves. The only people that get any help are those that can pay for it. The rich men, they get all the help they want.”

The remote mountains of Kachin state, in Myanmar’s far north, hold the world’s only steady supply of high quality jadeite. The green stone fetches enormous prices on the Chinese market, where it can outprice any gemstone save for colored diamonds. The vast majority of Myanmar’s jade trade is unrecorded and underground, which makes effective governance of the industry very difficult. Independent estimates of the trade’s value vary widely. It is worth somewhere between \$8 billion and \$40 billion annually. At the low end, this would be more than the yearly budget of Myanmar’s military; at the higher end of the scale, it would account for over half the country’s GDP.

The vast majority of that money goes through secretive and opaque channels controlled by well-connected business elites. Jade’s arbitrary pricing and the fact that much of the trade takes place in a remote, largely ungoverned area make the stone an excellent vehicle for illicit trade and money laundering. Myanmar’s national armed forces, known locally as the Tatmadaw, control most of its flow, while the majority of financing comes from Chinese investors and their affiliates inside Myanmar.

The Kachin Independence Army, or KIA, a rebel group that is engaged in a civil war against the Myanmar government over their right to self-govern, also exerts authority over a sizable portion of the jade stream. Smuggling routes into China traverse KIA territory, where the army can tax traffickers. Some groups allege that both the KIA and the Tatmadaw use their off-the-books jade money to finance the fighting in Kachin state.

And for all the billions of dollars worth of jade that flows out of Myanmar each year, only a small trickle of money ever makes it through the proscribed channels and into government coffers. A 2016 report from the Ash Center at Harvard University estimates that only 5 percent of jade revenue goes to the government.

Many people, both inside Kachin state and across Myanmar, point to jade and other local raw materials as the primary drivers of the bloody civil war in the country's north. The KIA claims that it defends the rights of Kachin people to determine how their own natural resources should be used. Many Kachin civil society organizations focus on promoting grassroots development policies, and reject schemes that come from the federal level.

Local complaints over ownership issues are highly visible. Throughout the spring, as the Tatmadaw's dry season offensive against the KIA resulted in thousands of casualties and internally displaced people, Kachin protesters marched through the streets of Myitkyina, the state capital, carrying signs:

"Stop Taking Our Jade and Giving Us Bombs"

"Stop Airstrikes on Civilians"

"Give Us Back Our Jade"

Billions of dollars in annual jade sales has brought few benefits to most people in Kachin state. Hkun Myat, a 27-year-old itinerant miner, or *yemase*, said that wealthy mine operators with good networks can make large sums of money by exploiting migrant laborers. The word *yemase* means "not to wash with water," and refers to the customary practice that jade stones should be untampered with when they are sold. But it could equally describe the miner's life. It is dirty, dangerous work, with no guarantee of a payout and no insurance for accidents.

After 10 years of digging for jade, Hkun Myat hasn't found enough of the valuable stone to really improve his low quality of life. Instead he has watched as hundreds of thousands of *yemase* like himself came to seek their fortune in the mines. He doesn't know anyone that has struck it rich. But many of his friends have been injured or killed in landslides, most of which are triggered when too many people work on a steep slope, or when mining companies use explosives to tear apart the mountains.

“Jade is all about luck,” he said. “You have to get lucky to find it. And there is a lot of danger.”

Jade has always been considered a risk-heavy industry, a natural habitat for gamblers. Because the exterior of most jade is weathered and gray, it is difficult to tell how much a stone is worth until it is cut open. It might be the translucent, bright green stone known as imperial jade, worth up to \$25 million per kilogram. Or it could be low-quality utility jade barely worth its transportation costs. A *yemase* like Hkun Myat might sell a businessman an uncut stone for \$10. Once it is cut open it might be worth pennies, or it could have just made a new millionaire.

But for the small pool of elite businessmen at the top of the industry, jade is a remarkably steady revenue stream. Bum Yun, a Kachin mine owner, has been working in the jade business for four decades. He owns 125 acres of mining concessions across Hpakant township, with over 50 different active operations at any given time.

“For me, it is not a gamble at all, because I only dig when I am very sure,” Bum Yun said. “My job is only to pull the jade out of the ground. With this, you can be quite sure of making money.”

As a private businessman, he has to cooperate and share profit with the Tatmadaw at some of his mines. But he despises working with them, and thinks their approach is shortsighted and dangerous. “They don’t take the time to search. They don’t dig tunnels. They just use big machines and take whole mountains apart, without even searching to see if the jade is worth the cost.”

With many years of success in the mines, Bum Yun has the luxury of viewing the industry from a place of comfort, and he is critical of the gambling-style mentality that he sees throughout the jade trade.

“There is a perspective in Kachin that jade is the only thing that can make people rich in a short amount of time. So yes, it is important. It is valuable and could bring the Kachin people a lot of money. But because of jade, the Kachin people have also suffered a lot. There is so much mismanagement.”

Other Kachin businesspeople with interests in the jade industry agree. Lakhri La Aung, the vice chairman of the Myitkyina Jade Traders Association, said, “Jade isn’t like any other industry. Even if your company owns a big manufacturing factory, it is not easy to make a billion dollars, and you aren’t guaranteed anything. But if you have jade stones, you can make a billion dollars easily.”

Like many Kachin mine owners, Lakhri’s business was upended after the resumption of the civil war in 2011. Kachin mine owners who had owned small plots of land around Hpakan had their concessions surrounded when Tatmadaw holding companies bought up mining rights all around. Then when the industrial mining companies started blowing up entire mountains and turning the area into a series of craters, it became physically impossible for the small, independent mine owners to access their sites.

“For them, it is like one bullet for two birds,” Lakhri said. “They can remove all the Kachin people, and can work freely as they want.”

Businessmen like Lakhri, who are now locked out of the lucrative industry, often see the jade stream as a strategic reserve being fought over by the Tatmadaw and KIA: “The war is not directly because of jade, but jade is a big link for the Tatmadaw, because they want to have access to precious stone areas. And the KIA doesn’t want to lose them to the Tatmadaw.”

However, while few Kachin businesspeople are quick to concede it, there is an informal coziness between the KIA and the Tatmadaw. Interviews with dozens of industry representatives, who agreed to talk only on the condition of anonymity, illustrate that numerous informal arrangements exist to ensure that both militaries can continue to profit off the valuable mining industry as the civil war drags on. Despite a large military presence around the Hpakan jade mines, KIA intelligence officers still operate in the area. When they get word of a big stone coming out of the ground, the rebels strong-arm mining companies into paying an informal tax on the stone. These payments to a rebel army are illegal in Myanmar, so they go into the company accounting logs as “donations to local charity.”

As one young politician in Kachin state told me: “The government is corrupt. But the KIA is corrupt also. To have an army you need bullets, and to buy bullets you need money. Where is the money in Kachin state? Most of it comes from the jade mine areas. That’s why their solution is to collect tax from the businessmen.”

In the middle of a civil war, this sort of mutual understanding between the two sides might sound strange. But after more than 50 years of rebellion in Kachin state, where fighting has altered every facet of life for generations, certain adaptations have to take place. That same young politician, who asked not to be named, related a story about his family. He had worked for the military-aligned state government from 2011 to 2016. During the same time, his brother was a soldier in the KIA. Many of his colleagues knew about his family’s connection to the KIA, but no one cared. “I am good at my job. Of course my boss knew; he just didn’t care. It is important to understand that. It’s not just one side or the other. There are middle grounds.”

Others in Kachin state see this kind of cooperation as more nefarious – a way for elites to profit in an environment where effective oversight is practically impossible.

A KIA intelligence officer told me that “many people think that the KIA and the Burmese army are keeping the war going on purpose, that it’s more profitable for them if the war continues. Because with the fighting maybe they can do certain business without people looking over their shoulders.”

The officer told me this while we were on a golf course. Another member of our foursome was a retired Tatmadaw colonel, and the KIA officer asked me not to mention his affiliation while we all played together. “Does he not know?” I asked, referring to the ex-colonel.

“He probably knows, but it’s best not to talk about it openly,” the KIA officer replied.

This sort of shoulder rubbing is very easy to see in places where competing KIA and Tatmadaw power centers overlap. In Myitkyina, business owners complain of paying taxes to both the state government and the Kachin Independence Organization (KIO,

the political group behind the KIA) tax collectors. When asked about it, a KIO spokesman acknowledged, “They don’t like to pay, especially in downtown Myitkyina, because this is considered to be a zone administered by the central government. But we insist.”

This KIO and Tatmadaw cooperation is more overt in other areas. In 2007, the military-run Kachin state government signed a contract with Buga, a KIO-owned power company, to be the sole electricity provider for several of the most heavily populated townships in Kachin state. The contract is slated to last until 2027. As it fights the insurgents in the jungle, the government is at the same time granting them an enormous revenue stream. In return, Buga provides free electricity to both civilian government offices and the Tatmadaw’s Northern Command military base. When parliament has problems with the lights, they have to call a KIO-employed technician.

Many Kachin civilians are upset about the cozy arrangement. Public hospitals that treat victims of the fighting still have to pay the market rate, while the so-called “enemy” institutions like the state parliament get it for free. The KIA intelligence officer that griped about collusion also complained that his office, a KIO institution, had to pay market rates for the Buga electricity, while the enemy they were supposedly fighting got power for free.

“Electricity is the real cash cow of the KIO,” he said. “Jade, timber, gold, agriculture, all those can be impacted by politics and fighting. But people always need to light their homes.”

When asked about KIO cooperation with the Tatmadaw and Kachin state government, Dau Hka, a spokesman for the KIO, smiled and acknowledged that in certain areas, it is beneficial for the KIO to work with the government, even though they were officially at war. “Our intention is not to fight back against the central government,” he said. “The KIO is trying to form a parallel government in preparation for an eventual federal system. Then we will need to form a state government and a state security force.”

In the end, whether the KIA intelligence officer is right or not may not matter. If the KIA and Tatmadaw are colluding with each other

to keep the war going, or merely just jointly enjoying the benefits of the current arrangement, the effect is the same. The green vein of jade keeps flowing over the hills into China. A few people at the top are able to profit. The war gets its necessary funding. Most people suffer and try to scratch out a living where they can.

It would be wrong to say that jade and Kachin's other abundant natural resources are the primary cause of war. Historical grievances about local governance and land rights, plus very real institutional biases against minorities like the Kachin, all play a part in perpetuating the conflict. But as more light is shed on the jade industry, it is clear that the stone plays a central role in Kachin's destiny, for better or for worse.

So Hkun Myat, the *yemase* pointed out. "All I want to do is come to Myitkyina and open up a little store and earn a regular income. But right now that's impossible, so I will just keep looking for the jade stone that will change my life."

The Author

Daniel Combs is an author and researcher who spent the last year investigating Myanmar's jade trade and the civil war in Kachin State. He is working on a book about the country.