



BRIEFING PAPER NO.17

SEPTEMBER 2013

BUSINESS OPPORTUNITIES AND ARMED ETHNIC GROUPS

Since signing ceasefire and peace agreements with successive Burmese Governments, armed ethnic groups have been able to create a number of business opportunities in the country. As part of the first ceasefire processes that began in the late eighties/early nineties, armed ethnic groups were able to become legally involved in logging, mining, import and export, transportation, and a number of other businesses.¹

Recent ceasefire agreements have also resulted in similar incentives being made and a number of armed ethnic groups have taken the opportunity to create their own companies.² Groups hope that if they become self-sufficient it will remove the burden on the over taxed local population. That said, however, a number of obstacles remain and further support needs to be given in relation to allowing groups the ability to move forward in terms of creating local business opportunities to support their troops and their families.

The Chin National Front (CNF), primarily because it had seen little in relation to armed conflict over recent years, has prioritised development when dealing with the Burmese Government. A member of the Supreme Council of the Chin National Front noted that:

Business involvement is more important in Chin State because there has only been low intensity conflict. As a result, most people have not been directly affected by war. Chin State is the poorest state in the country, so when the Chin National Front negotiates with the government, the people want them to bring development, so business people are needed for this.³

The CNF is the largest group that is currently categorised as being at the Union level stage of peace negotiations. To provide financial support to the CNF, members of the organisation have formed the Khonumthung Company which is primarily associated with logging.

Similarly, the Karenni National Progressive Party (KNPP) has also been granted licenses to open two companies. The KNPP has created the Kayah Htarnay (Kayah Land) company, which is involved in lead exploration, and the Tamaw Htar company which focusses on the import and export of teak.

It remains too early to know how successful these companies have been in relation to supporting members of armed ethnic groups. According to the Restoration Council of Shan State (RCSS) leader, Yawd Serk, their company, Taungdan Cherry, which was created in April 2012 along with a business liaison office in Muse has consistently found that they are unable to operate. Shan Taungdan Cherry, has apparently applied for concessions on several projects including agriculture, mining, tourism, road construction and power distribution. According to Yawd Serk:

Despite permits issued by the government, we have been facing official red tape in the regional level⁴

Sources quoted by SHAN suggest that the main reason for problems related to Taungdan Cherry is its areas of operation which continue to see skirmishes with Government troops. Additionally, such areas are also located in the notorious Golden Triangle where local militias continue to be involved in the drug trade. Therefore, not until a more stable peace is achieved and further efforts to wipe out drug trafficking in Shan areas are successful, can the company become more effective.



Most recently, the Karen National Union has also embarked on creating a local business - The Moe Ko San Travel and Tour Company Limited and Trading Company Limited. Managing Director Saw Moses administers the company, located at Thirimingalar Street in Myawaddy opposite Thailand's Mae Sot district. The company was registered in Naypyidaw on the 4 May 2013 and was set to begin tour services in June 2013.⁵

It is anticipated that the tour company would start working in collaboration with travel and tours companies from Thailand, Japan and in the United States. Recently, the Burmese Government opened a number of land crossings that will allow tourists to travel overland to non-restricted areas in the country. These include the Thai-Burma Friendship bridge which connects Myawaddy to Mae Sot in Thailand. Such an opening could, therefore, prove fairly lucrative for the Karen National Union's business enterprise.

According to Karen Media sources, the company's main aim is that:

We are looking to compete in the international business market in the future and see that it would be impossible to do that individually.

In addition, Saw Moses noted:

This office can be regarded as the KNU 7th Brigade economic office. The office would work in accordance with economic policy and regulations laid down by the KNU.⁶

It is unclear whether funds raised by the Karen National Union's economic office would benefit only those from the KNU's 7th Brigade and not those from other brigade areas. Previously the funds from other brigade areas, after individual Brigade operating costs were removed, were purportedly sent to the Central Headquarters, thus providing funds for less financially viable brigades.⁷

Additionally, the Karen National Union has offered, in the 4th Brigade area, to provide assistance to individuals wanting to start their own businesses and has actively encouraged them to do so. According to one Karen official, Saw Beeler:

The KNU is ready to support any Karen company that wants to start a business. The KNU wants to see Karen people become more prosperous. . . The KNU is ready to help, facilitate and give advice on financial resources and what are the opportunities available to start a small business, this it is not a big problem. But most importantly the real need is for relevant expertise to run a company effectively⁸

While the 7th and 4th Brigades have openly welcomed the opportunity to create a friendlier business environment, General Baw Kyaw Heh, the former 5th Brigade commander who is now deputy Chief of Staff, is sceptical about the peace process and its relationship to business interests.

While discussing outside business interests he has stated that:

Businesses want to come to our areas, but we ask them not to as this is not the time, it is still too early. First we need to create a sustainable situation. Because of this issue some people claim I am a hardliner and not cooperative. I am concerned about these issues, because if we don't have rights that are guaranteed and if we let any business or any developer in, we will not be able to control them. If we cannot manage these issues systematically it will create problems for us in the future.

Whether he believes the same for KNU operated enterprises remains unclear. The opening of the Moe Ko San Company isn't the first time that members of the Karen National Union and the Karen National Liberation Army have sought to become self-sufficient and provide for their troops and family members.

Col. Nerdah Mya of the Karen National Union has been involved, together with American Kurt Hanson, in forming an organisation known as Karen Enterprises. The group established a rubber and coffee plantation, with the support of local villagers, as one of its first commercial ventures in the 6th Brigade area of Karen State, and it is hoped that this will provide employment and industry for the local Karen population.

It is extremely important that Armed Ethnic Groups consider different ways in supporting themselves during the transition to peace. One of the greatest challenges they face is to reduce their reliance on taxation of the local population. Armed ethnic groups involvement in creating local business opportunities can help ease the burden on local communities, however, the Government and the international donor community still needs to provide support to groups in an attempt to help troops and families through the transition period. It is likely that such companies will not be sufficiently profitable for sometime yet and, as Yawd Serk noted earlier, it is essential that the Government act swiftly to support the armed groups local enterprises.

More importantly, the armed groups themselves have to ensure that their business dealings are done in a sufficiently transparent way. Proper bookkeeping records should be made available to ensure that such companies are seen to benefit their communities and are not used for the personal enrichment of specific individuals. One of the greatest criticism of business, both external and within the armed groups themselves, is the belief that individual leaders are signing peace agreements with the government for personal gain. While there is no evidence to support this, a number of ethnic leaders in the eighties and nineties were able to amass small fortunes through lucrative, and often illegal, trade deals. A situation which should not be repeated.

Notes

¹ In addition, a number of other groups, especially those based in Shan State, were tacitly allowed to become involved in the narcotics trade. This paper examines those groups that have signed agreements with the Government since 2011.

² This paper looks at those groups that were previously non-ceasefire and have since started peace negotiations with the Government.

³ Personal conversation with Chin leader, 12 February 2013

⁴ 'Shan leader: Business a name without the game', SHAN, 11 September 2013

⁵ At the time of writing, the license had yet to be fully approved. Personal conversation with KNU Central Committee member, 26 September 2013

⁶ '**KNU 7th Brigade - open for business**', S' Phan Shaung, Karen Information Centre/Karen News, 9 July 2013

⁷ Personal conversation with KNU Central Committee member, 26 September 2013

⁸ 'KNU supports Karen businesses', Saw Eh Na, Karen News, 12 September 2013