

# *The* NATIONAL STRATEGY FORUM REVIEW

An Online National Security Journal Published by the National Strategy Forum

## **The Wa State, Burma**

*By Kathryn Theobald and Hui Hui Ooi*

### **Introduction**

Burma has one of the most oppressive military juntas in the world (despite the recent 2010 elections of questionable legitimacy). However, within the borders of this closed-rank regime exists a semi-autonomous entity known as the Wa State. The Wa State is run by the United Wa State Army (UWSA), and since negotiation of the cease-fire agreement in 1989, the UWSA and the Burmese junta have co-existed relatively peacefully. The Wa State has remained untouched by Burmese or outside forces, so it is effectively operating as a sovereign semi-state within a state.

The Wa State (also known as the “Wa Special Region 2”) is located in the eastern region of the Shan State bordering the Yunnan Province of China. The unofficial capital of the Wa State is Pang Shang which is located directly across the Chinese border. The UWSA is a military organization composed of 20,000 soldiers that are well equipped and operate as an unofficial power managing the regional Wa State government. The UWSA is also one of the biggest drug cartels in the country, which is led by Wei Xuegang, the chief financial holder.

The Wa State is encompassed within the so-called Golden Triangle,<sup>1</sup> which spans sections of four countries (Burma, Vietnam, Laos, and Thailand) and is one of the most extensive opium producing and trafficking areas in the world. Burma is the world's second-largest producer of illicit opium, amounting to 5% of the world's total production.<sup>2</sup> In Burma, most of the opium cultivation and trafficking takes place under the authority of the UWSA; Shan state is responsible

---

<sup>1</sup> Lintner, Bertil. “The Golden Triangle Opium Trade: An Overview.” March 2000. Published online at: [http://www.asiapacificms.com/papers/pdf/gt\\_opium\\_trade.pdf](http://www.asiapacificms.com/papers/pdf/gt_opium_trade.pdf) (accessed March 22, 2011).

<sup>2</sup> United Nations Office of Drugs and Crime (UNODC), 2009. “World Drug Report 2009.” Published online at: [http://www.unodc.org/documents/wdr/WDR\\_2009/WDR2009\\_eng\\_web.pdf](http://www.unodc.org/documents/wdr/WDR_2009/WDR2009_eng_web.pdf) (accessed March 22, 2011).

for 94% of Burma's poppy farming.<sup>3</sup> For all these reasons, the U.S. State Department once dubbed the UWSA as the world's "most heavily armed narco-traffickers."<sup>4</sup>

### **Fertile Conditions**

Burma has been assessed as the third most corrupt country in the world.<sup>5</sup> In Burma, corruption is a part of most daily activities throughout the government, the military, and businesses. In order for the UWSA to continue their stronghold in the Wa State, it is believed that local Burmese military officials collect high taxes from the traffickers as well as fees for protection and transportation assistance. The Burmese military junta has no economic motivation to oppose the rule of the UWSA or halt narcotics trafficking so long as they are able to tap into the wealth created by the illegal drug trade. Therefore, illicit activity will flourish in Burma and the Wa State so long as the two ruling powers maintain a symbiotic relationship.

On the other hand, without the economic stability that the illegal drug trade provides, the Wa State region would have no means of supporting itself. In the past, the Wa people have tried other self-sustaining agricultural endeavors (e.g. planting and harvesting rice) but their failures have proven that the only feasible use of the land is for the growing of opium poppies.

During the UWSA's longstanding reign over the Wa State, the organization has been able to dominate local residents because of their violent treatment of non-compliers. As a result, the local people who are not part of the UWSA either submit and become workers in the growing and manufacturing of opium, or they move away from the area. Thus, the majority of the people residing in the Wa State either work as opium cultivators or drug traffickers for the UWSA.

### **Challenges to State Security**

In the past, the UWSA has not posed a direct threat to Burma's military junta. However, tensions have escalated since the most recent Burmese elections in 2010. The UWSA rejected the Burmese junta's Border Guard Force (BGF) plan, since they suspected that move by the regime to be aimed at increasing its troop strength in the northern Shan state.<sup>6</sup> At the same time, the junta has called on groups like the UWSA to transform themselves into BGFs and place themselves under the Burmese military command. These recent actions threatened the UWSA's autonomy and have increased their wariness towards the military junta. The UWSA leader, Bao

---

<sup>3</sup> Central Intelligence Agency, 2011. "The World Factbook: Burma." Published online at: <https://www.cia.gov/library/publications/the-world-factbook/geos/bm.html> (accessed March 22, 2011).

<sup>4</sup> Andrew Marshall and Anthony Davis. "Soldiers of Fortune." December 16, 2002. Published online at: <http://www.time.com/time/asia/covers/1101021216/story.html> (accessed March 22, 2011).

<sup>5</sup> Transparency International, 2009. "Corruption Perceptions Index 2009." Published online at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009/cpi\\_2009\\_table](http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table) (accessed March 22, 2011).

<sup>6</sup> Sai Zom Hseng, "Cease-fire Groups Wary as Burmese Army Buildup Continues." March 2, 2011. Published online at: [http://www.irrawaddy.org/article.php?art\\_id=20862](http://www.irrawaddy.org/article.php?art_id=20862) (accessed March 23, 2011).

Youxiang, pledged to protect its people and properties within Wa State, which resulted in the Burmese army being placed on standby since the worsening of the relationship.<sup>7</sup>

### **Insecurity Flows**

Illegal narcotics trafficking is the greatest insecurity flow in and out of the Wa State. Through profits of the drug trade, UWSA has successfully built a formidable para-state within Burma, equipped with the largest and best armed fighting force in Myanmar, next to the government's army. The UWSA has capitalized on the drug trade and reinvested the earnings into building facilities and developing technologies to manufacture other drugs such as methamphetamines. Additionally, the UWSA has used the money it makes from the drug trade to take part in weapons trafficking. Drug syndicates operating in Wa State and other areas produce heroin and methamphetamine that is trafficked overland and via the Mekong River, primarily through China, Thailand, India, Laos, and, to a lesser extent, Bangladesh, and within Burma. Drug traffickers are increasingly using maritime routes from ports in southern Burma to reach trans-shipment points and markets in southern Thailand, Malaysia, and Indonesia.<sup>8</sup>

The illegal drug trade in the Wa State and Pang Shang have also led to money laundering. Wei Xuegang, the financial controller of the UWSA, is one of the biggest drug trafficking kingpins and is wanted for narcotics trafficking in the United States. He established a financial group called Hong Pang Group, which owns an extensive business network in Burma and overseas that builds and operates hotels, casinos, and restaurants.<sup>9</sup> The financial network of Wei Xuegang shows he has ties to individuals and businesses in Burma, Singapore, Vietnam, Thailand, and Hong Kong.<sup>10</sup> The U.S. has information that two Burmese banks – Myanmar Mayflower Bank and Asia Wealth Bank – are controlled by and used to facilitate money laundering for the United Wa State Army.<sup>11</sup> The U.S. Department of Treasury also claims that the UWSA's Chairman Bao's brother-in-law owns Yangon Airways, one of the country's two main domestic airlines.<sup>12</sup>

---

<sup>7</sup> Wai Moe. "Wa Leader Vows to Fight On." March 22, 2011. Published online at: [http://www.irrawaddy.org/article.php?art\\_id=20985](http://www.irrawaddy.org/article.php?art_id=20985) (accessed March 24, 2011).

<sup>8</sup> United States Department of State: Bureau for International Narcotics and Law Enforcement Affairs. "International Narcotics Control Strategy Report: Volume I Drug and Chemical Control." March 2010. Published online at: <http://www.state.gov/documents/organization/137411.pdf> (accessed March 24, 2011), page 173.

<sup>9</sup> Tom Norling. "Haven or Hell." July 11, 2008. Published online at: [http://www.irrawaddy.org/article.php?art\\_id=13275&page=4](http://www.irrawaddy.org/article.php?art_id=13275&page=4) (accessed March 24, 2011).

<sup>10</sup> United States Department of the Treasury Office of Foreign Assets Control. "Foreign Narcotics Kingpin Designation Act: Wei Hsueh Kang Financial Network." November 2005. Published online at: [http://www.treasury.gov/resource-center/sanctions/Terrorism-Proliferation-Narcotics/Documents/wei\\_chart\\_1105.pdf](http://www.treasury.gov/resource-center/sanctions/Terrorism-Proliferation-Narcotics/Documents/wei_chart_1105.pdf)

<sup>11</sup> United States Department of the Treasury Office of Foreign Assets Control. "Wei Hsueh Kang United Wa State Army Financial Network." November, 2008. Published online at: [http://www.treasury.gov/resource-center/sanctions/Terrorism-Proliferation-Narcotics/Documents/wa\\_chart\\_11292008.pdf](http://www.treasury.gov/resource-center/sanctions/Terrorism-Proliferation-Narcotics/Documents/wa_chart_11292008.pdf) (accessed March 24, 2011).

<sup>12</sup> United States Department of the Treasury Office of Foreign Assets Control. "Wei Hsueh Kang United Wa State Army Financial Network."

## **National and International Responses**

International organizations, like the United Nations Office on Drugs and Crime (UNODC), have continuously tried to decrease the extensive opium production and narcotics trafficking in the Wa State. Since 1998, the UNODC has maintained a presence in the Wa State and facilitated programs organized by other UN agencies and development organizations to reduce opium production. The UNODC introduced programs like crop substitution and rural development in order to divert people's incomes away from growing opium.

Drug-monitoring agencies say it is undeniable that Burmese opium production has dropped significantly in recent years. The U.N.'s estimate for last year's harvest was 748 tons, which is down from more than 900 in 2009. Despite these promising figures, one UN report says that even if opium harvest has decreased, opium will remain "the economic backbone of the villagers" in the Wa State so long as new economic ventures in the area benefit only UWSA leaders and Chinese investors.<sup>13</sup>

## **What does it mean for the United States?**

The United States has always had an interest in monitoring drug trafficking in Burma because it is part of the infamous Golden Triangle. For instance, the U.S. Drug Enforcement Administration, through the U.S. Embassy in Rangoon, shares drug-related intelligence with the government of Burma and conducts joint drug-enforcement investigations with Burmese counter-narcotics authorities.<sup>14</sup> In September 2009, the U.S. government identified Burma as having failed demonstrably to meet its international counter-narcotics obligations—one of only three countries in the world that failed to meet this standard.<sup>15</sup> Furthermore, the U.S. has issued arrest warrants for many UWSA members. Wei Xuegang is wanted by the Bureau for International Narcotics and Law Enforcement Affairs, and the United States is offering a two million dollar reward for his capture.<sup>16</sup> The U.S. Treasury of Foreign Assets Control labeled Wei Xuegang as part of financial network of foreign narcotics trafficking in 2008.<sup>17</sup> In addition, U.S. authorities are believed to have unsealed indictments against another dozen or so drug lords, who are operating under the UWSA umbrella.<sup>18</sup>

The U.S. government is also increasingly concerned about the relationship between Burma and North Korea and the potential of cooperation in the development of nuclear weapons. There are

<sup>13</sup> Marshall and Davis, 2002.

<sup>14</sup> U.S. Department of State. "Southeast Asia: International Narcotics Control Strategy Report." March 2008. Published online at: <http://www.state.gov/p/inl/rls/nrcrpt/2008/vol1/html/100780.htm> (accessed April 23, 2011).

<sup>15</sup> United States Department of State: Bureau for International Narcotics and Law Enforcement Affairs. "International Narcotics Control Strategy Report: Volume I Drug and Chemical Control." Page 169.

<sup>16</sup> Moe, Wai. "Wa Army to Celebrate 20<sup>th</sup> Anniversary." April 8, 2009. Published online at: [http://www.irrawaddy.org/article.php?art\\_id=15456&page=2](http://www.irrawaddy.org/article.php?art_id=15456&page=2) (accessed March 24, 2011).

<sup>17</sup> United States Department of the Treasury Office of Foreign Assets Control. "Foreign Narcotics Kingpin Designation Act." February 23, 2011. Published online at: <http://www.treasury.gov/resource-center/sanctions/Programs/Documents/drugs.pdf> (accessed March 25, 2011).

<sup>18</sup> Lintner, Bertil. "UN Fiddles while Myanmar Burns." October 23, 2007. Published online at: [http://www.atimes.com/atimes/Southeast\\_Asia/IJ23Ae01.html](http://www.atimes.com/atimes/Southeast_Asia/IJ23Ae01.html) (accessed March 25, 2011).

suspicious within the U.S. intelligence community that some military departments of the Burmese and North Korean militaries are in regular interaction. This relationship raises concerns not only in the United States, but also for neighboring countries of the Asia Pacific region. The U.S. Assistant Secretary, Bureau of East Asian and Pacific Affairs recently stated: “One of our goals over the course of this period of strategic review has been discussions with Thailand, Indonesia, the Philippines, and China. There is a greater desire on the part of these regional partners for the United States to have a direct dialogue with Burma about aspects of their relationship with North Korea that we’re seeking to gain greater clarity into.”<sup>19</sup>

## **Conclusion**

Without a doubt, Burma and the Wa State are among the main participants of the global drug trade problem. Moreover, other forms of trafficking organizations (e.g., specializing in weapons, humans, human organs, etc.) take advantage of the availability and convenience of established drug trafficking infrastructures. In fact, it is not uncommon for trafficking operations to include multiple illegal commodities being trafficked simultaneously. With Burma's drug trade reach to the outside world and its implied potential to move any assets and people from one place to another through illicit trafficking routes, Burma's potential connection with North Korea's nuclear weapons program should certainly raise serious red flags in the U.S. intelligence and defense communities. It is therefore critical for the United States to continue close monitoring of the Wa State and the UWSA's operations.

*Kathryn Theobald is a first-year law student at Syracuse University College of Law. She received a Bachelor of Arts from Manhattan College, where she double majored in Communications and English. While in college, she was a New York Police Department Auxiliary Officer. At Syracuse, Kate is on the Dean's List and is an Associate Editor on the Journal on Terrorism and Security Analysis. Prior to entering to law school, Kate worked for Procter & Gamble. Kate is interested in international and corporate law, as well as national security law.*

*Hui Hui Ooi is originally from Malaysia. She attended Miami University of Oxford, Ohio where she majored in Economics and International Studies. Currently, she is pursuing an MA degree in International Relations at the Maxwell School of Syracuse University, and interning at the Atlantic Council's International Security Program. She participated as a researcher in the Global Black Spots-Mapping Global Insecurity Program in addition to developing a pilot project in mapping conflicts that are related to scarcity. She focuses on economic and human aspects of international security.*

---

<sup>19</sup> United States Department of State. “U.S. Policy Toward Burma: Special Briefing by Kurt M. Campbell Assistant Secretary, Bureau of East Asian and Pacific Affairs.” September 28, 2009. Published online at <http://www.state.gov/p/eap/rls/rm/2009/09/129698.htm> (accessed March 25, 2011).