

# Chapter 1

## Introduction

### 1.1 Background

Myanmar, home to about 56 million people of 135 ethnicities, is located in South-East Asia. The country borders Thailand, Lao PDR, China, India and Bangladesh, and has a long shoreline along the Andaman Sea and the Bay of Bengal. Formally, there are seven states and seven divisions in general. Kachin, Kaya, Karen, Chin, Mon, Rakhaing and Shan constitute seven states; and Yangon, Pago, Thanithayee, Irrawaddy, Magway, Mandalay, and Sagaing are the divisions. The capital is Naypyidaw and the government is controlled by a military regime. The Ministry of Defense is at the top, followed by the cabinet, area command, division, township, village tract, village and hamlet level.



Figure 1.1 Map of Myanmar (Source: 5starmyanmar.com )

As the state of nature, there are bright sides and dark sides everywhere in Myanmar. On the bright side it is endowed with both renewable and non renewable natural resources. But on the dark side it is famous for being the second largest opium producer in the world, after Afghanistan. In addition, its political instability contributes heavily to the country's poverty. Once the world's major rice exporter and the richest in South East Asia, Myanmar is now ranked 178th in the world (Transparency International 2009) on the corruption perception index. Since 1988, Myanmar has been ruled by a military regime. After its takeover of the country, the military regime invited many ethnic armed groups to negotiate ceasefires. In 1989, the government agreed to assign special regions to these cease fire groups in ethnic minority areas around the country. Under this special agreement, in these special areas, specific ethnic groups are able to rule the region. This varies from one ethnic group to another according to their bargaining power. Nonetheless, the biggest armed group of Burmese rules all states and divisions and the Shan state is also under its control.

Shan state is in the eastern part of Myanmar and borders China to the north, Laos to the east, and Thailand to the south; and five administrative divisions of Myanmar in the west. It is the largest of the 14 administrative states and divisions by land area covering 155,800 km<sup>2</sup>, almost a quarter of the total area of Myanmar. The name of the state was derived from the Shan people, one of several ethnic groups that inhabit the area. Shan state is rural with only three cities of significant size: Lashio, Kengtung and the Capital Taunggyi. It is governed by three militarily commands, the North command, the Triangle command and the East command.



Figure 1.2 Map of Shan State (Source: Shan Land Organization)

Shan state is home to (source: [www.myanmar.com/people.html](http://www.myanmar.com/people.html) 2006 estimated data) approximately 5 million inhabitants from different ethnic groups with several armed ethnic minorities. Population consist in majority of Shan, followed by Pa Oh, Kaya, Lahu, Palaung, Danu, Kayan, Wa (Hill tribes people who are known as former head hunter) Burmese, some Nepalese and Chinese are also living there. Geographically, it is a plateau with many mountain ranges. It is rich in natural resources, such as sliver, coal, ruby, copper and zinc, lime, hard wood like teak, etc, and the coal mine in the Southern Shan State is the second largest mine in Asia after, India (Shan Yoma Nagar Company profile 2003)

While the Military Junta has signed ceasefire agreements with most groups, vast areas of the state, such as the Special Region Six, this is a low profile group. This is in contrast to Wa, a heavily armed border area ethnic group. “Special Region Six is administered under the PNO (Pa Oh National Organization) leadership of the former monk, Aung Kham Htee, who worked out a cease fire with the Military Junta that led to a finally gentleman’s agreement on 11th April 1991.” (Irrawaddy news January 1, 2004 and 5<sup>th</sup> PNO’s political report for constitution March 2010). It comprises three main townships, namely Ho Pong, Hsihseng Pinlaung and Kyauk Ta Lone Gyi Sub Town and carries out development activities in a total of 21 towns and with estimation population of around 600,000. According to government news “The News Light of Myanmar” delineated on 21<sup>st</sup> August 2010, Pa Oh Special Region Six as a Self-Administered Zone as per the 2008 constitution.

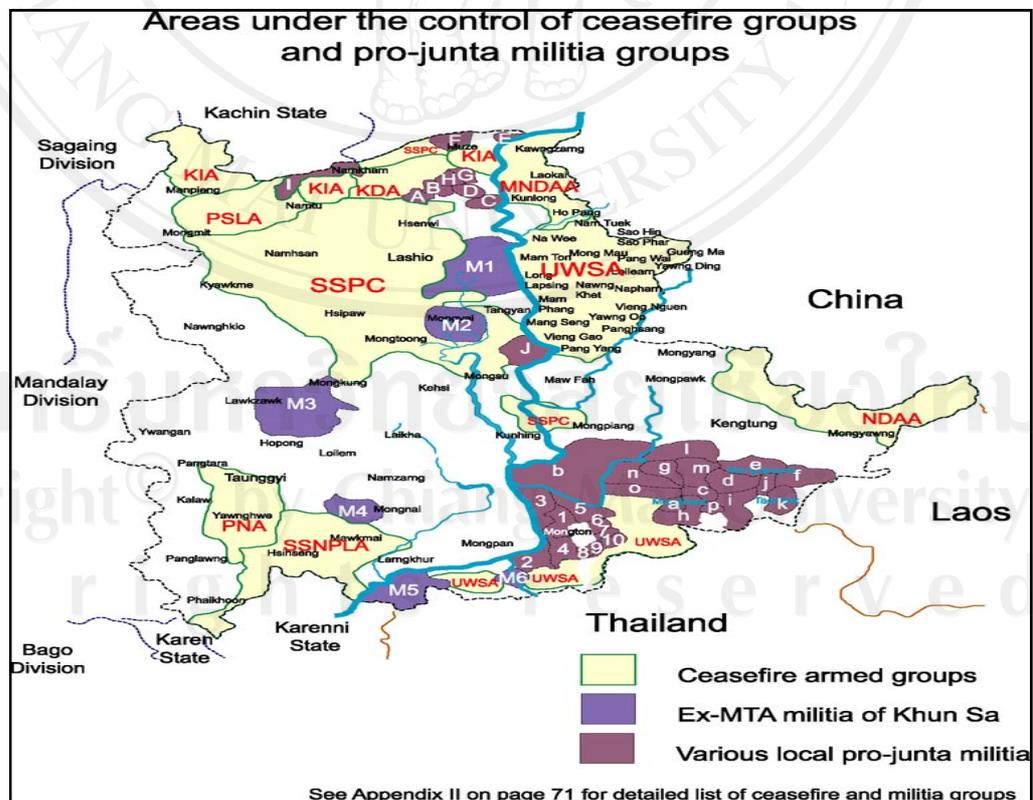


Figure1.3 Map of cease fire groups (Source: Shan Land Organization)

The majority of the population is Pa Oh and there are also some Shan, Karen Ni, Danu, Chinese and Burmese in this region. Pa Oh used to be animists in the fifth century however they received the teaching of Gautama Buddha and have practiced Theravada Buddhism for centuries (Mika Rolly-1982). Nowadays, almost 99% of the Pa Oh are strong Buddhists. Only about 1% have become Christian and that was after the British and American missionaries, introduced the Pa-O tribes to Christianity and Western education starting in the 1890s.

According to the Pa Oh magazine blog Pa Oh Magazine (2008) “the Pa Ohs are descendants of Mongoloid stock living in the greater Mekong sub regions such as Myanmar, Cambodia, Thailand and Vietnam. They arrived and were the earliest settler to live in the Thahton region before B.C 2500. In 600 B.C. they founded the royal city of Suvannabhumi ( Tsai Htomg in Pa Oh language means picking of gold) which is now called Thahton. There were 158 dynasties and three dynasties prior to the last king Manuhar, took a Mon as a queen and the kings that followed came to have Mon blood.” But the legendary tales passed down from generation to generation of Pa Oh tell that the father weiza (Zawgyi) and the mother dragon were their ancestors. The father found out his wife is a dragon and left her. The mother dragon laid two eggs and left them with hermits before she returned to the dragon country. Some people say that the meaning of ‘Pa’ in Pa Oh means crack and ‘Oh’ means peel. When the two eggs cracked the hermit peeled the shell back and found a baby boy and girl in them. They had been known as the descendent left by the legendary couple of weiza and dragon in every Pa Oh bed time story. The Pa Oh language is similar to Pwo Karen and some anthropologists assume that Pa Oh belongs to the Karen subgroup. Since the Burmese King Anawrahta stole the Pidaka (The Scripture of

Buddha Teaching) from the Pa Oh kingdom of “Thahton” and destroyed the kingdom, little or no evidence was left for future generations to learn the early history. However, traditions have been maintained through bedtime stories that elders tell the young and other literature was maintained through Buddha teachings by the monks. In summary, the early history of the Pa Oh remains unclear and is open to further research.

Despite people in this region mainly being farmers, they are experts in traditional agribusiness; shifting cultivation, seasonal crops such as potato, tomato, oats, wheat, beans, groundnut, sunflowers, sugarcane, maize, soybean, orange etc, on hillsides and even in the valleys. In opposition to this agribusiness, people in urban areas of this region became brokers or media people in the forms of business to business, business to consumer and even consumer to consumer.

One important agribusiness in this region is making cheroots. The main income of this region is from the nat phet (the cheroot leaf which is used to roll the cigar). The main production site is in the Southern Shan State and they are produced as semi-finished goods by Pa Oh people in Special Region Six. The cheroot cigar is distinguished from internationally known cigars by Daw Khin Myo Chit (*The Colourful Burma*) cited in (The Irrawaddy- February, 1999-vol.7 no. 2) who stated that

“ The inside of a cheroot everyone knows it’s a Burmese cigar, as the trusty dictionary says, is a tight roll of tobacco with pointed ends for smoking. But the Say Baw Leik or mild tobacco cigar has only one end of lighting and the other end has a filter, a small roll of dry corn husks while the internationally known cigar has both ends open. It is a roll wrapped in a dried leaf of *Carbia myxa* (The Nat Phet). The insides are a mysterious mixture of bits of dried wood and crushed tobacco. Cheroots come in all sizes. The smallest ones are only slightly larger than cigarettes; the big

ones are about six to eight inches long with a half inch girth. The strength varies depending on the portion of tobacco put inside”.



Figure 1.4 Myanmar Cheroot Cigars

(Source: Myanmar Chronicle: Volume I, No.3 May 2004)

In 1963-64, GOUM (Government of Union of Myanmar) nationalized all the businesses in Myanmar, leaving no room for the private cheroot enterprises to escape. In 1964, the government appointed a district agent to purchase cheroot leaves in specific areas. One year later, the monopoly was transferred to the Department of Trading Cooperation number one. The government set the unit price per annum based on a cash down payment system. The Purchasing Department sends agents to collect all the cheroot leaves in an area, making the logistics and administration expenses very high. Lack of professional experience in Quality Control led the government to privatize the cheroot leaf enterprise in 1968. Nonetheless, the socialist government tried to run it as a cooperative enterprise, but somehow the plan failed to be operationalized. Since then, the cheroot leaf (Tha Nat Phet) enterprise is solely private business in Myanmar Maung Khun Nw'e (Inlay) (1997) (originally in Myanmar and

translated by author). There is no proper record on consumption of cheroot cigar in Myanmar. According to the National Literature Award author Maung Khun Nwe (Inlay)-1997, Myanmar people were already consuming cheroot cigars in 1128 of the Kongbaung Era (1766 AD), during the reign of King Singphushin.

As with cheroots, there is no available evidence to indicate exactly when opium was first grown and used in Myanmar. U. Khant and Win (1978) stated that Venetian traders visited Myanmar in 1581 and sold opium to people in Pegu. In the early sixteenth century, the Dutch East India Company made a profit from selling opium to Myanmar, Malacca and Siam. Travel records of Christian missionaries going from Assam to Ava in 1837 noted that poppy cultivation in the Hukawng and Mogaung areas had already spread into the northern and eastern parts of the country. However, poppy cultivation expanded greatly in Shan areas after the Opium Wars in China when the British forced the Chinese to open the country to trade in opium. Cultivation expanded in the south of China and then spread south into what is now Myanmar. The Bwarsara Blog (2010) posted that, in 1995 and 1996, the government took the farmland of low land farmers by forcing those farmers migrated to eastern part of Hopong Valley to make their living. They rented arable land and started intercropping poppies with cheroot plants. Later they shifted their poppy farms into remote areas where the soil was better to produce better yields. Due to the geographical remoteness and difficulties in accessing proper health systems, hill tribe people relied on black opium for medical uses (such as as an analgesic, cough suppressant, and in the treatment of diarrhea). However, “after the British occupation of areas of Myanmar, opium was sold under license and raw opium was easily available from

Yunnan. Opium became an integral part of the social, cultural and economic life of the population in the hilly and frontier areas of Burma”. (U. Khant1985, pp. 81-89)

## 1.2 Significance of study

Pa Oh people are the main producers of the raw materials for the cheroot leaf cigar enterprises around Myanmar. Sadly, the poppy business is gradually dragging local cheroot farmers and casual labors into opium plantation. No proper records are available of when and where exactly poppy cultivation began to emerge in the study area. According to interviews with village leaders, their people from the village worked in poppy farms in other regions, such as Nar Yaing (Na Yai—“Big Field” in Shan, run by a remnant group of the MTA- Mong Tai Army Area) Nan Sam/Namzang (Southern Shan State) on the eastern bank of Pon stream, and Tachilek (opposite Mae Sai on the Thai-Myanmar border). A Pa Oh National Organization spokesman stated that they forbid any illicit crop in Special Region Six, but they can not officially announce their region as opium-free yet.

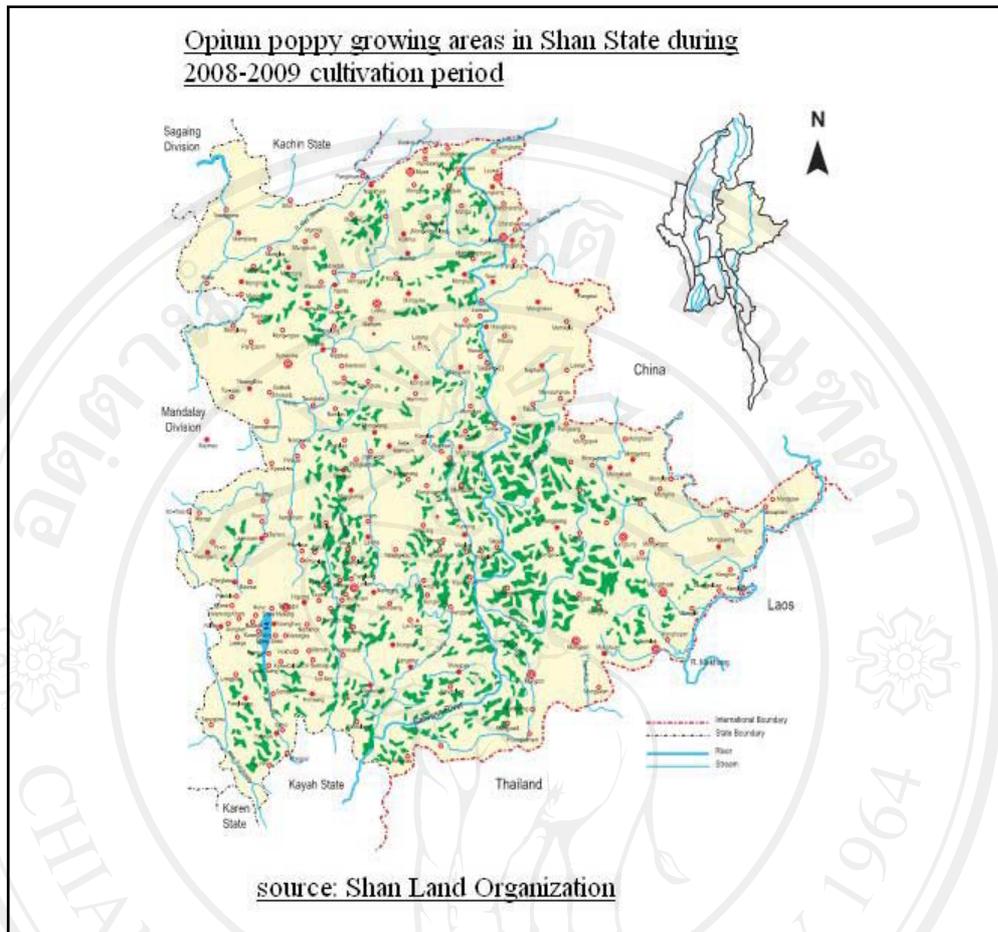


Figure 1.5 Poppy Cultivation Areas (2008-2009), Shan State, Myanmar

Over the past decades, very few remote spots in Pinlaung were growing opium.

A series of drug control policies and opium bans led by both the central government and Special Region Six led to a reduction in the cultivation of opium poppy in that area. The Dutch researcher, Tom Kramer (2005, p.15) stated that the Pa Oh south of Taunggyi stopped opium growing in 1970s for moral reasons. However, this reduction does not answer the serious question of whether that reduction was sustained or not. According to the UNODC opium survey (2009), poppies are growing in 17 townships in the Southern Shan State and nowadays, the rate of poppy cultivation is increasing. It is worth to quote The Integrated Regional Information

Network (IRIN) that, “fuelled by political instability and lackluster crop prices, opium poppy cultivation is on the rise in Myanmar in a worrying trend that may undo current containment strategies” (IRIN news December 14, 2009). The UNODC Opium Survey (2009) revealed that cultivation has increased for the third consecutive year in Myanmar, with opium-producing land increasing by 11 percent compared with the previous year and 50 percent since 2006 to a total of 31,700 ha. The former UNODC Executive Director Antonio Maria Costa stated that the rise in the opium market is largely due to the increased instability in north-eastern Myanmar, with militia ceasefire groups selling drugs to buy weapons (IRIN news December 14, 2009). Meanwhile, the Palaung Woman Organizations’ Report *Poison Hills* (PLW report January 26, 2010) and Shan Herald Tribute “*Show Business*” (S.H.A.N April 2005) state that many of the ethnic arms group in that area have already signed cease fire agreements with the State Law and Order Restoration Council (SLORC), nowadays named State Peace and Development Council (SPDC). Thus, the UNODC statement makes no sense of the recent situation in Myanmar. In addition, the increase in poppy cultivation in East and Southern Shan State may possibly be due to the shift in poppy farms from poppy eradicated areas like Special Region One of Kokang, Special Region Two of Wa and Special Region Four centered at Mong La, northeast of Kyaington in Eastern Shan State. On the contrary, the Central Government of Myanmar is taking action according to their promise to the international public of a fifteen year program of eradication. But the most recent eradication ceremony held by the Wa in 2010 was not attended by any official or delegate from the central government, something confusing to the international community. Both GOUM and ceasefire groups have shown their efforts on eradication one after another. It seems

that eradication of this illicit crop, and any related drug business, is used as a political weapon amongst them.

There are humanitarian organizations such as Nipon Foundation, Zaytana Foundation and UNICEF, which have already gave some assistance in the research area of Special Region Six. However, almost none of these organizations has done a study concerning local cheroot farmers and their shift to the growing illicit crops. Besides, opposite claims from the UNODC and Ethic Group Media provide good reasons for researchers to study this from an economic point of view. Many UN agencies claim that there is a direct link between drug and poverty, hunger and food insecurity.

### **1.3 Purpose of the Study**

The overall purpose of the current study is to assess the forgotten people's career choice and factors that have influenced their motivation to change their occupation .

Moreover, the specific purpose is;

1. To measure the level and volatility of the net return per acre, and per worker for both crops.
2. To measure the impact of shifts in occupation and land use on absolute and relative poverty.
3. To clarify and rank the significant positive factors that lead some rural households to shift either the use of their land and/or labor to poppy production; and the negative factors that lead other households to remain in cheroot production.

4. To compare the real positive and negative impacts of the shift into poppy production upon living standards, life satisfaction, and equality of income *ex post* with those anticipated *ex ante*.
5. To make recommendations to rural households and to suggest further research.

#### **1.4 Education/ Application Advantages**

Classical economist state that needs are limited but wants are not. However, there are forces driving the needs which consequently influence choices. Thus the expected benefits from this research will be the ability to pinpoint different causes of the choice to shift land and or labor from cheroot to poppy farming in different villages; finding the economic factor influencing this decision making; knowing the fundamental needs and motivation that will be useful for opium reduction policy makers in Myanmar for this specific region.

#### **1.5 Scope of Study**

The study will focus on cheroot farmer households in the form of a household needs assessment. Using secondary demographic data and data collected from interview questionnaire, this research examine the relationship between the percentage of farmer and farmland shifted to poppy and the factors influencing this decision making.

### 1.6 Location of the Research

The pilot survey was conducted in Kyauk Tan village and the neighboring Pong Chaung village, under Hopong Township, located 36 miles<sup>1</sup> northeast of the capital city of Shan State, Taunggyi. It can be accessed by either car or motorbike; the furthest village takes five hours drive from Taunggyi. The nearest village is about two hours away. After conducting the pilot survey in the two villages, the questionnaire was adjusted. Due to a tight time frame and also for security reasons, the study area was reduced to four villages in Baw Kone village tract (Pong Chaung, Nam Paw Sum, Yoke and Limaw) and one village in the Kyauk Tan village tract (Kyauk Tan) (Figure 1.6). The map, as supplied by the Village Peace and Development Council is as follows.

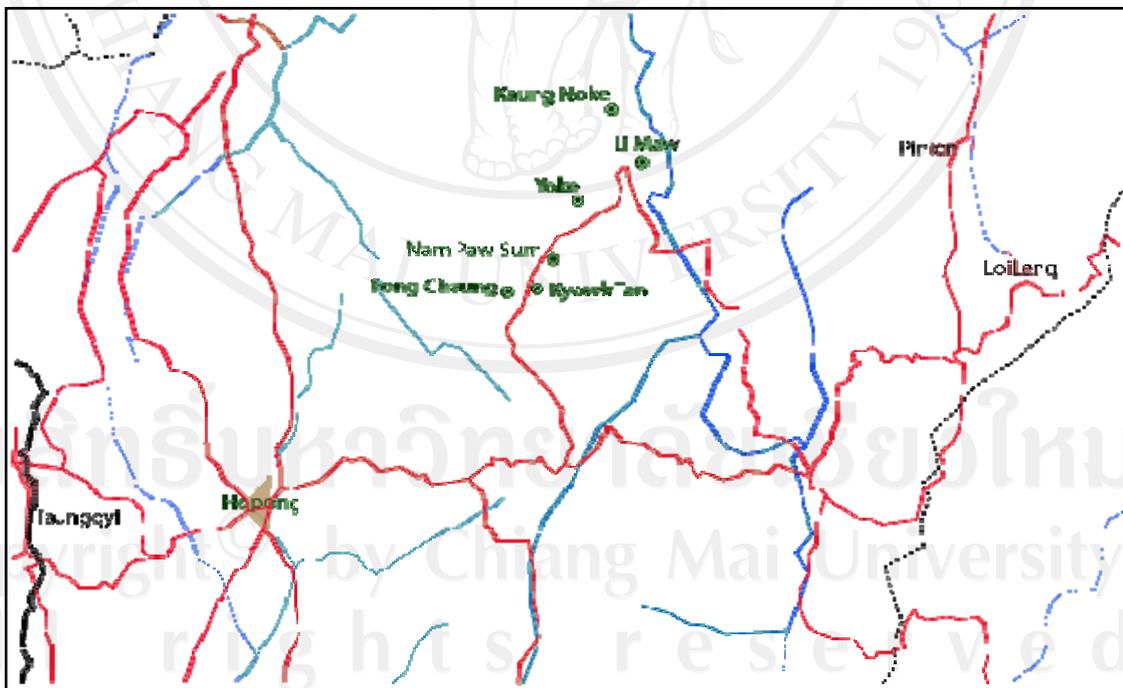


Figure 1.6 Research Site in Hopong Township

<sup>1</sup> This dissertation uses the English system of measurement because that is what is officially used in Myanmar.

## 1.7 Definition of Terms

**Adult male equivalent:** anyone in the family who is as able as an adult male in terms of maturity and ability to work.

**Arable land:** land which is used for agriculture purposes as well as dwelling.

**Casual Labor:** a person, who does all available jobs at any time, at any location, for a living, on an irregular basis.

**Cheroot:** a kind of leaf used to wrap tobacco cigars. It comprises semi-finished goods, which can be found in Southern Shan State, Myanmar. It is known as Say Baw Leik in Burmese and Sein Lar in Pa Oh . However, for this thesis, only the word cheroot will be used.

**Debt to Asset Ratio:** the ratio of total debt (both short-term and long- term) to the total assets. This shows the portion of assets financed through either debts or equity. A ratio under one means the majority of assets are financed through equity. A value greater than one means that the asset is financed more by debts. Brigham & Ehrhardt (2005).

**Disguised unemployment:** non student family members above the age of seven in the household able to perform paid or unpaid work, for example, sick and handicapped persons able to do some work, part time workers, retired persons or member contributing to family work, housework, and so forth.

**Fixed asset own land:** inherited land or land purchased in cash and in kind.

**Fixed asset rented or insecure land:** land rented for cash and or in kind, and temporary land use without ownership.

**Household asset in value:** the total sum of productive assets in value (1USD=1000 Myanmar kyats).

**Household members:** people dwelling in the same house and having relationship in blood or law, such as by marriage or adoption.

**Household labor migration:** both temporary and permanent migration outside the native place, that is, working in another region or abroad. Government service around the country is not included and such people are grouped under service.

**Petty Trade:** selling food and snacks, fuel, grocery, seasonal crops, fertilizer, seeds, farming tools, insecticide, cloths, and so on.

**SPDC:** State Peace and Development Council. After the 1988, the military regime took over the country and formed the State Law and Restoration Order Council (SLORC) in 1989 which later changed its name to the State Peace and Development Council (SPDC). Under that council there is the District Peace and Development Council (DPTC), the Township Peace and Development Council (TPDC), and the Village Peace and Development Council (VPDC).

**Wa:** an ethnic group living along the China–Myanmar border in Northern Shan State and Eastern Shan State. They are also known as former head hunters and the major opium producers of Myanmar until 2005 when they stopped production almost completely.

**Wage Labor:** a person who works and is paid on either a timely or work basis, for a certain period, and has regular work.