



# Conflict and Development in the Myanmar–China Border Region

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# List of Acronyms

<b>BGF</b>	Border Guard Force
<b>CPB</b>	Communist Party of Burma
<b>EAO</b>	Ethnic armed organization
<b>KIA</b>	Kachin Independence Army
<b>NDA-K</b>	National Democratic Army – Kachin
<b>SEZ</b>	Special Economic Zone

**A note on spelling:** *This report uses localized spelling for geographical places in English language. Other variations include:*

<b>Kan Pai Ti</b>	Kanpaikti, Kanpaiti, Kan Pike Tee
<b>Loi Je</b>	Lwe Je, Lwe Jel, Lweje
<b>Mu Se</b>	Muse

# Executive Summary

This report analyzes three border towns and their surrounding areas in northeastern Myanmar: Kan Pai Ti and Loi Je in Kachin State, and Mu Se in northern Shan. It assesses their conflict histories, political and economic transformations after the ceasefires of the late 1980s and early 1990s, and the contemporary challenges they face. Integrating five months of fieldwork research with both historical and contemporary context analysis, this report seeks to provide an in-depth analysis of the political economy of the Myanmar–China border region, highlighting implications for policy and development.

Led by a team of researchers at the Kachinland Research Centre, the project deployed qualitative methodologies, including key informant interviews, focus group discussions and one-on-

one conversations with local men and women in Kan Pai Ti, Loi Je and Mu Se, including small-scale traders, and former or active armed group members. The project sought to examine political and economic characteristics of the three different areas to understand the everyday nature of local communities' interactions with the border and the various authorities and power brokers operating there. Research revealed that the shift from decades of protracted conflict and instability to intensive investment and development during the 2000s economic boom has resulted in uneven gains. While local populations have benefited from new livelihoods opportunities and improved connectivity, these have come at a cost of economic inequality, social tensions, land insecurity, and environmental degradation.

## Key findings include:

**The three border towns of Kan Pai Ti, Loi Je and Mu Se have similar violent conflict histories, dictating their present-day political realities and choices.** After the Communist Party of Burma collapsed in 1989 and lost territorial control over these areas, different armed actors moved into the subsequent political vacuum, leading to political fragmentation and protracted instability. Longstanding conflicts remain unresolved in the politically contested borderlands.

**The ceasefire agreements reached in the late 1980s and early 1990s, coupled with the liberalization of the market economy in the early 1990s, quickly transformed these remote border regions into commercial hubs.** Violent incidents decreased but underlying tensions and the influence of armed groups persisted. Simultaneously, affordable Chinese consumer goods flooded the markets, benefiting the general public as well as transforming their ways of living. However, economic opportunities and incentives without substantive political settlements resulted in unequal progress.

**Improved road connectivity under the ceasefires led to unprecedented development, but also brought negative consequences for communities.** Reduction of violence and greater access allowed authorities to carry out development initiatives such as building public

schools and hospitals. However, local communities experienced growing environmental destruction and corruption among authorities. These impacts have not been offset by the basic health and education public services provided.

**Cross-border trade with China has developed asymmetrically, with Chinese economic actors and outputs dominating local activities.** Myanmar's exports are largely limited to raw materials and extracted natural resources. Chinese businesspeople enjoy many advantages in terms of access to investment capital, relationships with authorities on both sides of the border, extensive trade networks, and cross-border kinship ties. This has created a borderland political economy dominated by alliances between Chinese businesses and local authorities, in ways that marginalize local communities.

**Communities have mixed views about the development of special economic zones and cross-border economic cooperation zones.** Increasingly, locals have experienced the negative impacts of deepening cross-border economic ties, especially in relation to land dispossession to the benefit of Chinese actors. At the same time, some feel that cross-border economic ties create more business opportunities. The influx of migrant workers in the area, both from other parts of Myanmar and from across the border, has altered the social fabric of these historically remote areas.



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This report starts with a brief overview of the larger political context of Mu Se, Loi Je, and Kan Pai Ti, and a short explanation of the project's research objectives, design and methodology. An overview of key literature precedes the discussion of research findings and in-depth case studies. This is followed by a brief note on the local economic impacts of the February 2021 military takeover of the democratic government, in the Myanmar-China border region.

The three case studies of Kan Pai Ti, Loi Je and Mu Se provide useful indicators for broader questions around development and peacebuilding in Myanmar. The conflict resolution strategy adopted in these areas has led to a reduction in instances of violence, but political and social fragmentation remain. Uneven gains from increased commercial activity exacerbate inequality amongst local populations. Development approaches that focus solely on economic outcomes will not lead to improvements in standards of living.

# 1. Introduction

The end of the Cold War brought significant changes to the political milieu of Myanmar, both within the regime as well as among ethnic armed organizations (EAOs). Following the collapse of the Communist Party of Burma (CPB), a powerful armed actor in Myanmar's northeastern regions, a number of splinter groups emerged, several of whom entered into ceasefires with the Tatmadaw, as Myanmar's military is often referred to, which cemented their influence over defined territories in a period of new political and economic stability.

The ceasefires, coupled with the opening of large-scale trade across the Myanmar–China border, led to new economic opportunities in Myanmar's remote borderlands, contributing to the country's transition from a socialist to a market economy. Moreover, improved connectivity led to an influx of affordable Chinese consumer goods, raising standards of living. This period marked the beginning of what is now popularly known as 'crony capitalism' or 'ceasefire capitalism,' when new forms of stability in conflict conditions enabled armed groups to generate greater revenues.<sup>1</sup>

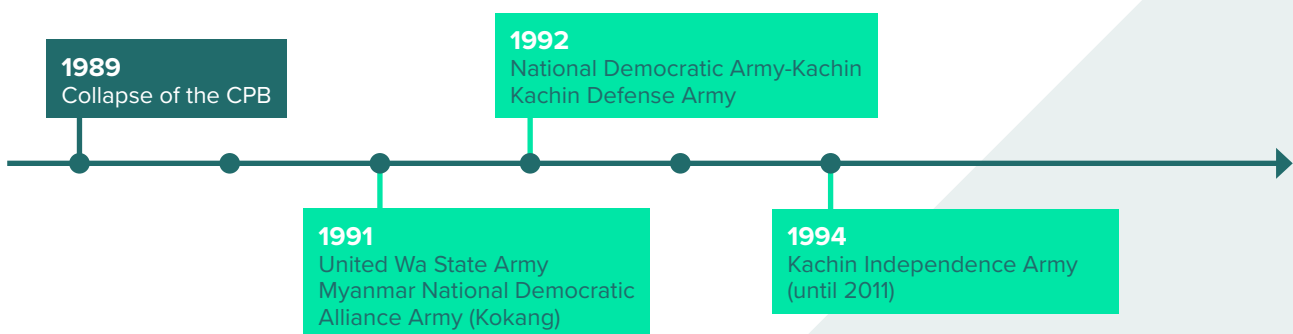
Increased border trade also resulted in large-scale commercialization of natural resources and land, with

forests fueling much of the economic transformation of that period. The border regions of Kachin and northern Shan states experienced rapid economic and social changes as a result of raw material exports to China.

Tensions flared again by the late 2000s; although the ceasefires had delivered significant economic opportunities for all sides, there had been no progress towards meaningful political dialogue. The Tatmadaw's rejection of a negotiated settlement with the Kachin Independence Army (KIA) and failure to acknowledge questions of autonomy, sovereignty and public authority, came to the fore in 2009 when it ordered the KIA to transform into a Border Guard Force (BGF), a militia under its oversight. The collapse of the KIA-Tatmadaw ceasefire in 2011 caused profound changes in the security conditions of both Kachin and northern Shan States.

The emergence of new local counter-insurgency groups under the control of the Tatmadaw, such as the Red Shan and the Lisu militia, contributed to further instability.<sup>2</sup> In the past, most militia maintained relationships with the Tatmadaw, KIA and other ceasefire groups. However, this became increasingly challenging once armed conflict resumed.<sup>3</sup> Amid the

**Figure 1.**  
Ceasefires in Northeastern Myanmar



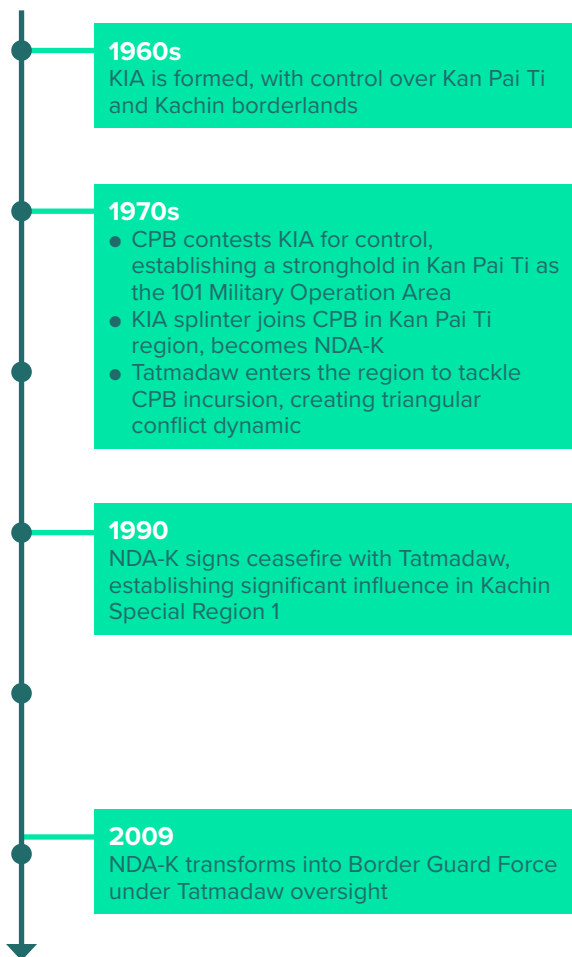
1. Thant Myint U (2020) *Hidden History of Burma: Race, Capitalism, And The Crisis Of Democracy In The 21st Century*, London: Atlantic Books, 52-54; Kevin Woods (2011) 'Ceasefire Capitalism: Military–Private Partnerships, Resource Concessions and Military–State Building in the Burma–China Borderlands', *The Journal of Peasant Studies*, 38:4.

breakdown of ceasefires and renewed militarization of these contested regions new ethnic resistance groups emerged, notably the Ta'ang National Liberation Army.<sup>4</sup>

Today, armed conflict in northern Myanmar is unfolding in a different environment to the pre-ceasefire period. Increased natural resource extraction, cross-border investment and trade

have integrated this borderland more firmly into the region's China-centric economy. Economic activity in Kachin and northern Shan states has a growing influence over Myanmar's national economy and in neighboring Yunnan Province of China. Moreover, China's regional influence continues to grow with the roll out of its ambitious global infrastructure development program, the Belt and Road Initiative, of which the China-Myanmar Economic Corridor, which transects the northeastern borderlands, is a key component. Consequently, the region's economic and conflict landscape has become highly complicated.

**Figure 2.**  
Timeline of armed group control of Kan Pai Ti



**Increased natural resource extraction, cross-border investment and trade have integrated this borderland more firmly into the region's China-centric economy.**

This report discusses the complex issues of conflict, border trade and everyday socio-economic experiences in these borderlands, as shaped by the area's conflict histories, dynamic market systems, regional politics, and internal socio-economic readjustments. It focuses on three case study areas:

**Kan Pai Ti**, though today a vital border trade zone, remains a remote mountainous town with a population of less than one thousand, predominantly ethnic Kachin and Chinese (many of whom arrived in the mid-20th century, fleeing political and social upheaval across the border) as well as Lisu. The KIA and CPB fought for control over the area in the 1970s, whilst also contending with increased Tatmadaw incursions, resulting in long periods

**2.** Militia groups are paramilitary-style organizations sanctioned by the Tatmadaw. They vary in background, size, autonomy, and political goals, and are key actors in counter-insurgency strategies. However, militia maintain their own sets of interests. They embody the extension of state authority but also its limitations. They play important roles in governing contested space, flows of capital and trade, and local populations.

**3.** Patrick Meehan and Dan Seng Lawn, 'Brokered Rule: Militias, Minority Representation, Drugs and Borderland Governance in the Myanmar-China Borderlands' (forthcoming in *The Journal of Contemporary Asia*).

**4.** Patrick Meehan (2016) 'The continuation of war by other means: An anatomy of the Palaung ceasefire in northern Shan State' in: Mandy Sadan (ed.), *War and Peace in the Borderlands of Myanmar: The Kachin Ceasefire, 1994–2011*. Copenhagen: NIAS Press.

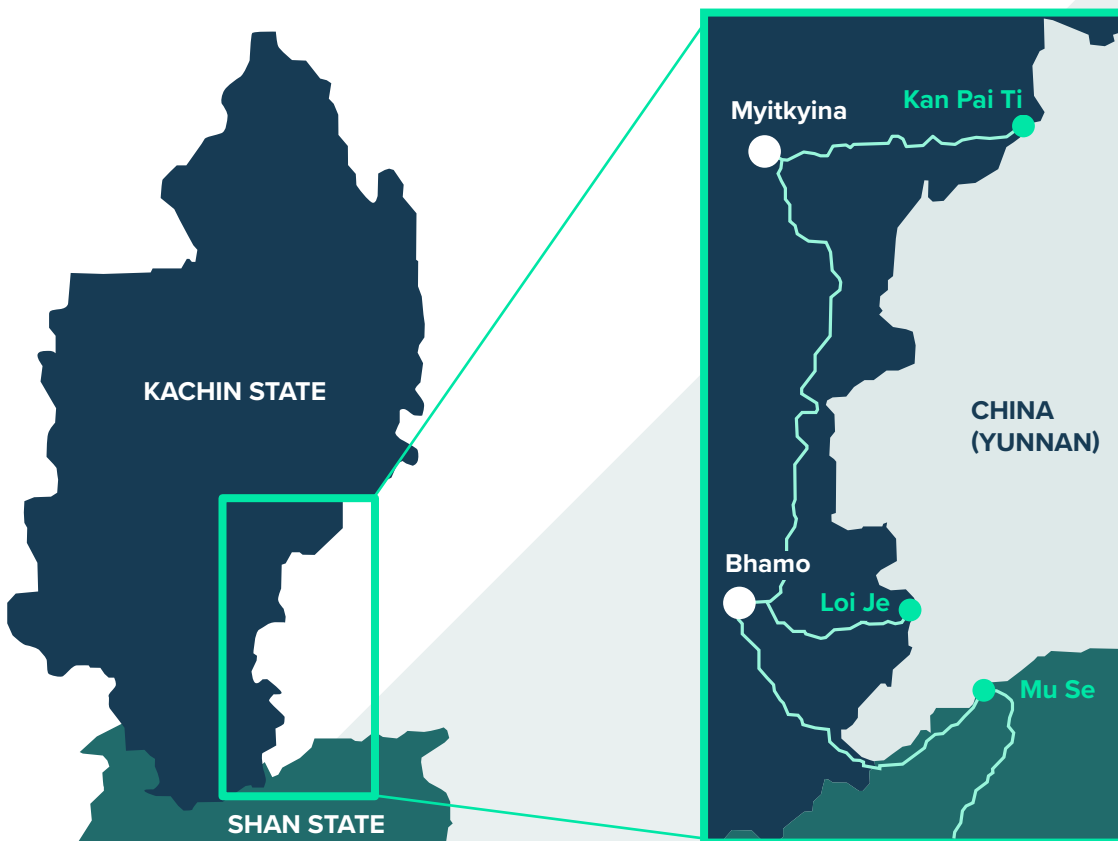


of instability and precarious livelihoods for local populations. Today, the town is under mixed control of the New Democratic Army – Kachin (a local BGF) and the central government.

**Loi Je** has been a strategic outpost along Myanmar’s border with China since the colonial era, due to its advantageous location between the Shwe Li river and Bhamo valley. Cross-border smuggling of opium and jade has deep roots in the area. Historically inhabited primarily by ethnic Shan, Loi Je’s Kachin population grew when the town came under KIA control in the 1980s. During this time, the Chinese government built a bridge over the Lung Shawn river (Nam Wan river in Shan language), cementing Loi Je’s position as an important cross-border town for both Myanmar and Chinese traders.

**Mu Se**, capital of Mu Se township in northern Shan State, serves as a key node between Myanmar’s commercial heartland and China’s ever-growing markets. In 2021, it accounted for more than 50 percent of Myanmar’s total border trade volume.<sup>5</sup> Mu Se is 450 kilometers from Mandalay, on the banks of the Shwe Li river and opposite Ruili, an important commercial town of Dehong Prefecture in China’s Yunnan Province. Today, Mu Se is a fast-growing border hub with a population of more than 100,000 people and a thriving local economy that attracts migrants from different parts of the country. Despite its economic importance, the city is a politically contested space and the Myanmar government has not established total control. Instead, Mu Se is governed through systems of political brokerage between the Tatmadaw and local militias.

**Map 1.**  
Map of research area



5. Central Statistics Organization, Myanmar (2021) Border Trade Data.

## 2. Research Approach

### Rationale

The development of Myanmar–China border trade zones was a key area of focus during Chinese President Xi Jinping’s visit to Myanmar in January 2020. Myanmar’s Ministry of Commerce and Trade announced that the total volume of trade during the first three months of the 2020-2021 budget year was \$2.8 billion from 18 border trading towns. Of this, Mu Se contributed \$1.5 billion, or more than half of the total trade volume.<sup>6</sup> Kan Pai Ti has also become an increasingly important gateway, serving as the primary cross-border trade hub from Kachin State. The China-Myanmar Economic Corridor is an integral part of border trade zone development. Prior to the Covid-19 pandemic, proposals included the construction of a SEZ in Kan Pai Ti connected to the Nam Jim

industrial zone in Myitkyina, and expansion of the Mandalay-Mu Se railway project as part of China’s Belt and Road Initiative. This \$9 billion plan aims to reduce travel time between Mandalay and the Myanmar–China border to three hours; currently the journey takes more than eight hours by road. A gas pipeline has already been built in Namkham and Nam Phak Ka areas.

Both Mu Se and Kan Pai Ti are located in conflict zones. The presence of multiple armed actors, including the Tatmadaw and affiliated militia as well as EAOs, has created overlapping systems of authority. Loi Je, which is located between Mu Se and Kan Pai Ti, is under the sole influence of the KIA. These border towns reveal important insights

### Research design

During a workshop held by Kachinland Research Centre and The Asia Foundation in March 2020, a research plan was developed to focus on the following aspects:

- **The fluid political landscape of border towns:** How violent history, reforms to border trade and investment laws, and efforts to improve cross-border connectivity, shape the way border towns function. This analysis briefly addresses the origins of EAOs, BGFs and militia dominant in the respective border towns.
- **The interrelations between the borderland economy and borderland communities:** How local populations interact with economic systems in their everyday lives, including the socio-economic impacts of expanding licit and illicit trade and emerging plans for SEZs. In particular, the report looks at how communities are adapting and adjusting to emerging market systems.
- **The nature and dynamics of cross-border flows of goods, people, investments and ideas:** It is essential to look at the nature of these cross-border flows (e.g. cattle, corn, natural resources, Chinese goods and migrants) and borderland communities’ everyday interactions with them. For instance, Mu Se largely trades in consumer goods, whereas natural resources including jade and rare earth minerals are the main products passing through Kan Pai Ti. Additionally, patterns of Chinese investment and migration vary in these regions, while cross-border interactions influence the way of life in communities on the Myanmar side of the border. These dynamics impact the political economy of border towns.

6. Ze Yar Nyein, *Daily Eleven*, 15 January 2020.

into the social, political, economic and cultural opportunities and challenges across the Myanmar–China borderland region. They act as a useful lens through which to understand the links between intensifying processes of cross-border economic integration, long-standing conflict dynamics, systems of fragmented political authority, and existing border economies.

## Methodology

This report is based on qualitative research conducted in Mu Se, northern Shan State, and Kan Pai Ti and Loi Je, Kachin State, by a team of researchers at the Kachinland Research Centre in 2020–2021. The field research included 60 key informant interviews, four focus group discussions and 35 life story interviews over a five-month period. Respondents included local elders, small-scale traders, former or active militia and BGF soldiers, and members of local populations from different linguistic and ethnic groups.

The fieldwork for this study addressed a broad set of topics, including: the political and economic histories of border towns; the nature of everyday interactions between borderland economic systems and local communities; the challenges facing borderland communities and the livelihood strategies they have deployed as a result; and the impact of increased border trade, SEZs and Chinese migration. Specifically, life story interviews examined respondents' family backgrounds, occupations, social and cultural lives, as well as the impact of economic and political changes on their wider networks and communities.



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### 3. Key Literature and History of Myanmar's Northeastern Borderlands

The Myanmar-China border region has a complex history. Social, economic and political changes in recent decades have led to the formation of complicated power structures, trade practices and migration patterns. This section outlines key shifts that occurred throughout recent historical periods, to highlight the region's fluid and dynamic character.

#### Colonial era (1885-1948)

Records from the British colonial period, including topographical and intelligence surveys, and reports of military and missionary expeditions, highlight historical interest in accessing western China from the mountains of Kachin State. Captain B. Holloway's *Report on the Country East of the N'mai Kha and North of the Administrative Border, Kachin Hills* in 1901 represents an important contribution.<sup>7</sup> Ethnic composition of the northeastern region was drastically different at the time, with few Lisu or ethnic Chinese recorded as living there, though today they represent a major proportion of the local community. Analysis on demographic change over time in the area is largely absent.<sup>8</sup>

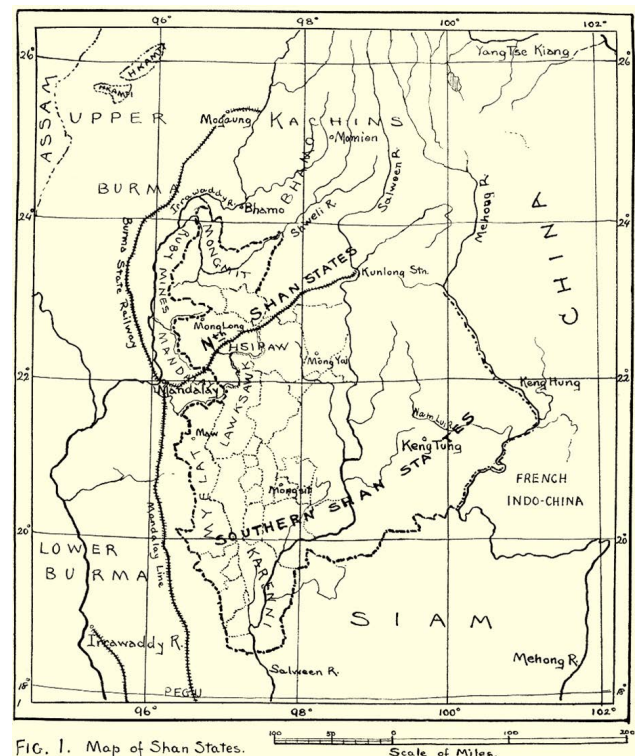
#### First post-independence parliamentary era (1948-1962)

Following its independence from Britain, Myanmar's government faced border disputes with China and challenges around incorporating previously 'unadministered' communities with autonomous political

#### Map 2.

#### Map of Shan States

From Laura E Start (1917) *Burmese Textiles from the Shan and Cachin Districts* (No. 7). F. King.



<sup>7</sup> Captain B. Holloway (1901) *Report on the Country East of the N'mai Kha and North of the Administrative Border, Kachin Hills* (1899-1900); Prepared in the Intelligence Branch Quarter Master General's Department. The report describes detail from Sadung, Kan Pai Ti, Chipwi and Sawlaw.

<sup>8</sup> There are very few or no scholarly works with specific reference to Kan Pai Ti, Loi Je and Mu Se. Therefore, in the literature review, the author focuses more on the Myanmar-China border region as a whole.

structures into centralized systems. A growing number of historians, political scientists and anthropologists began to document Myanmar–China relations. Hugh Tinker's *Burma's Northeast Borderland Problems* argued that Eurocentric conceptions of this frontier region impede localized understanding of social, political and economic dynamics and relations.<sup>9</sup> Edmund Leach, a seminal anthropologist, highlighted the longstanding complexity of the social and political systems in Myanmar's borderlands:

*In this region, the indigenous political systems which existed prior to the phase of European political expansion were not separated from one another by frontiers in the modern sense and they were not sovereign Nation-States. The whole of "Burma" is a frontier region continuously subjected to influences from both India and China and so also the frontiers which separated the petty political units within "Burma" were not clearly defined lines but zones of mutual interest. The political entities in question had interpenetrating political systems, they were not separate countries inhabited by distinct population. This concept of a frontier as a border zone through which cultures interpenetrate in a dynamic manner is not a new one but it needs to be distinguished clearly from the precise MacMahon lines of modern political geography.*

### Socialist era (1962-2011)

Studies of Myanmar, particularly the border regions, were limited during this period of intense political, social and academic restriction. A few journalistic accounts, including Bertil Lintner's *Rise and Fall of the Communist Party of Burma* (1990), *Land of Jade* (1996), and Martin Smith's *Burma Insurgency and the Politics of Ethnicity* (1991), became seminal texts. The scholarly interest of the time was largely on ethnic rebellions and the cross-border opium and jade trades.

In the 2000s, the geographic term 'Zomia' was coined by academics to differentiate Southeast Asia's mountainous and historically peripheral regions from the populous lowlands where authority was centralized.<sup>10</sup> Eminent Myanmar scholar Mandy Sadan proposed the more expansive term 'borderworld' as the proximity to a borderline does not always determine the real or imagined interactions of people living in these more widely drawn but interconnected spaces.

Among the important socio-political events of this period were the formation of the State Peace and Development Council in 1997, formerly the State Law and Order Restoration Council since 1988, leading to the development of a market economy across Myanmar's borderlands and an influx of Chinese goods and people. China emerged as a dominant geopolitical force.<sup>11</sup>

### Democratic era and beyond (2011-today)

Scholarship around Myanmar's border areas grew with the country's political opening from 2011, revealing new research topics including transboundary economic policy and illicit or informal trade.<sup>12</sup> As Myanmar's border regions experience rapid social and economic changes, the focus of borderland studies is no longer limited to ceasefires and the influx of Chinese goods and migrants. Today, the Myanmar–China border region is home to megaprojects such as the Nam Jim industrial project and SEZ in Kan Pai Ti. More extensive studies are needed to understand this fast-changing economic landscape.

9. Hugh Tinker (1956) 'Burma's Northeast Border Problems', *Pacific Affairs*, XXIX No.4.

10. See Willem van Schendel (2002) 'Geographies of knowing, geographies of ignorance: jumping scale in Southeast Asia', *Environment and Planning D: Society and Space*, 20, 6, pp. 647–68; and James C. Scott (2009), *The Art of not being Governed: an anarchist history of upland Southeast Asia*. New Haven, CT: Yale University Press, 2009.

11. Thant Myint-U (2020) *Ibid.*

12. See e.g. Lee Jones (2014) 'The Political Economy of Myanmar's Transition', in *Journal of Contemporary Asia*, 44:1, 144-170; Patrick Meehan (2011) 'Drugs, insurgency and state-building in Burma: Why the drugs trade is central to Burma's changing political order' in *Journal of Southeast Asian Studies*, 42(3), 376–404.

This report recognizes the fluid and dynamic nature of politics, economy and society in Myanmar's borderlands throughout history. Taking into account the gaps in existing scholarship on this region, this research project complements the literature with new data and analysis on emerging borderland dynamics.

## The shared history of Mu Se, Loi Je and Kan Pai Ti

### *The Myanmar–China borderlands in the CPB era (1968-1989)*

Until 1989, Mu Se and Loi Je were under the direct political control of the CPB, with Kan Pai Ti part of its 101 Military Operation Area, the party's first headquarters in Kachin State, contested by both the Tatmadaw and KIA. With the help of influential local leaders—former KIA soldiers Zakhung Ting Ying and Layauk Ze Lum who joined the CPB with 400 others in 1968<sup>13</sup>—it controlled important mountain passes connecting to China.

The KIA, which lost territory to the CPB in 1968, ran its operations from the western bank of the Nmai river, while the Tatmadaw controlled Chipwi town in the Mai Valley. The uncompromising political agendas of the CPB, KIA and Tatmadaw created a triangular collision in the region, resulting in mass migration of local populations to Waing Maw and Myitkyina.<sup>14</sup> Tensions lasted until the KIA and CPB signed a ceasefire agreement in 1976.

Mu Se came under the CPB's northern Shan State district as its 202 Military Operation Area, occupying nearly 600 square kilometers on the southern bank of the Shwe Li river. This area was mainly inhabited by ethnic Shan, Palaung and Kachin. The CPB's area of control in the northern Shan State district was sandwiched between territories controlled by the KIA, Shan State Army, and Palaung State

Liberation Army.<sup>15</sup> Compared to Kan Pai Ti, Mu Se experienced more complex patterns of armed conflict with a greater number of armed actors vying for the same political space. No single armed actor exerted control over the whole region. Each armed actor's territorial control and political influence waxed and waned depending on the leadership, shifting political alliances and capacity to adapt to the changing political environment.<sup>16</sup>

The KIA took firm control over Loi Je in the 1960s and has exerted substantial political influence ever since. Due to its nature as a mountain pass in the Shwe Li river valley, Loi Je was a strategically important region which the CPB attempted to capture. Following multiple ceasefire discussions in the 1970s, relations between the KIA and CPB improved; the two armed groups established a working relationship based on the CPB's access to arms and ammunition from China and the KIA's strong local support. The ensuing stability created opportunities for them to launch joint military operations in the region throughout the 1980s as they aimed to eliminate the Tatmadaw's remaining posts and expand into northern Shan State. The KIA allowed the CPB to temporarily station three battalions in Loi Je.<sup>17</sup>

As a consequence of this violent conflict history, the region developed a strong reliance on conflict commodities like opium production and trade. Today, Kan Pai Ti is among the highest opium production areas in Kachin State, with a 2008 study reporting that 90 percent of the residents of Kan Pai Ti and nearby Sadung cultivate poppy.<sup>18</sup> According to the United Nations Office on Drugs and Crime, Mu Se township remains one of the highest producers of illicit opium in Shan State.<sup>19</sup> In recent decades, there has also been a sustained rise in drug use and related health issues, with the prevalence of HIV/AIDS among opium users in Mu Se reported at 30 percent in 2008.<sup>20</sup> Across the border, Ruili has one of the highest HIV/AIDS rates in all of China.<sup>21</sup>

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**13.** The region was mainly inhabited by Lashi, Maru and Azi speakers. Zakhung Ting Ying is a Lashi and Layauk Ze Lum is a Maru. They were unhappy with the concentration of ethnic Kachin within the KIA's top leadership.

**14.** Lanam Bawm Ying, personal interview, Chipwi, Kachin State, 9 January 2019.

**15.** The Palaung State Liberation Army was formed by defectors of the Palaung National Front wishing to ally themselves with the KIA in 1976. In 1991 it entered into a ceasefire with the Tatmadaw, causing a split from which the Palaung State Liberation Front emerged, as well as its armed wing, the Ta'ang National Liberation Army, which continues to contest territory in northwestern Shan State today.

**16.** Lashi Brang, personal interview, Mung Baw Village, Northern Shan State, 24 April 2019.

**17.** Zin Thet, Tun Tein, Aung Min & San Pwint (2015), *Therefore, it so happen: the true story of Burma Communist Party (BCP) in North Eastern Mountain Ranges (in Burmese)*, Yangon: Lwin Oo Publishing House, pp-393-404.

**18.** BNI 'Mushroom growth of poppy cultivation in Sadon,' 26 June 2008.

**19.** UNODC (2019) *Myanmar Opium Survey 2019: Cultivation, Production Implications*.

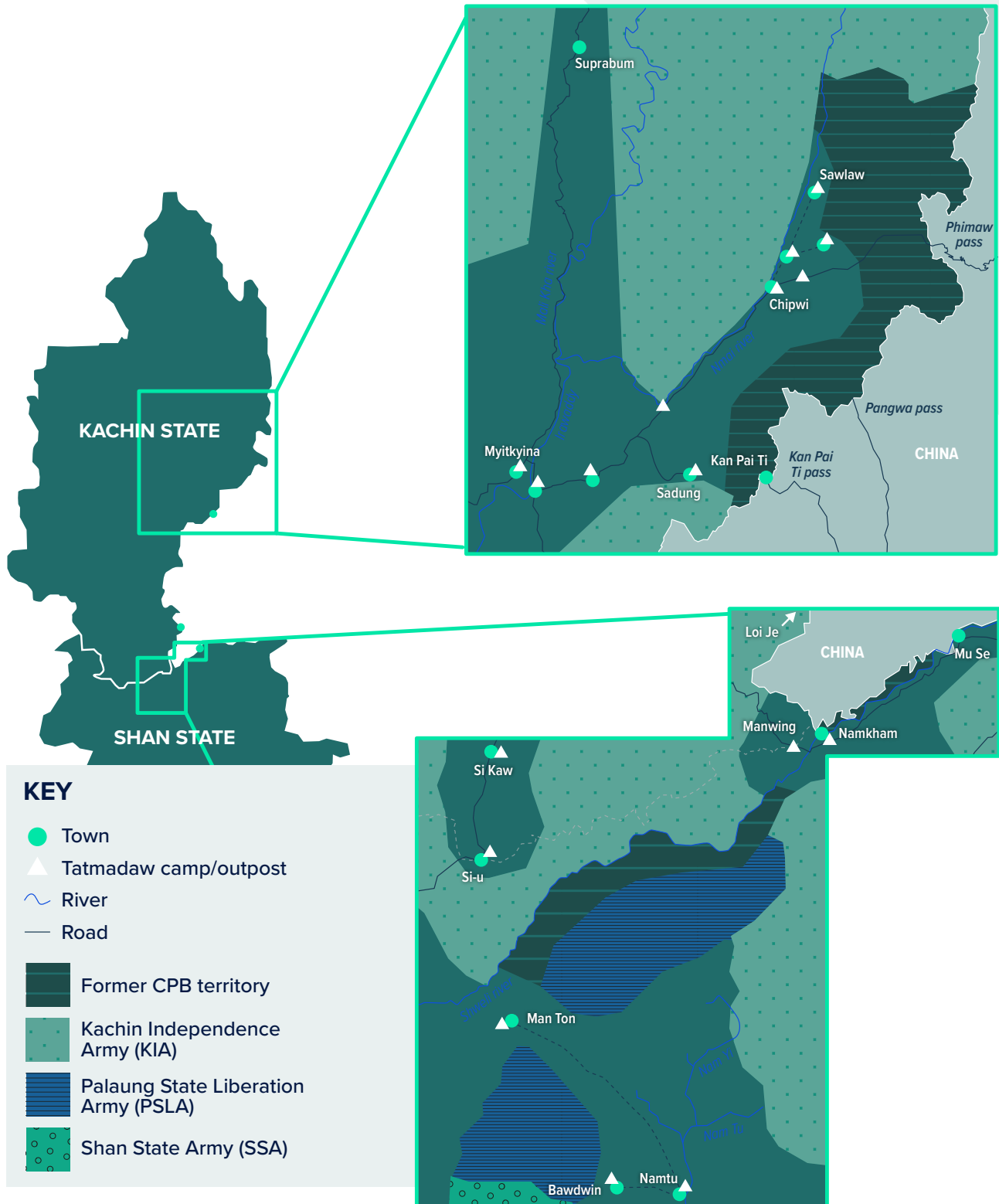
**20.** United Nations Regional Task Force on Injecting Drug Use and HIV/AIDS for Asia and the Pacific, 'Myanmar Country Advocacy Brief Injecting Drug Use and HIV'

**21.** Zheng et al. (1993) 'Cohort study of HIV infection among drug users in Ruili, Longchuan and Luxi of Yunnan Province, China,' *Biomed Environ Science*, 6(4):348-51.

### Map 3.

## Contested control over Kachin State borderlands, 1960s-1990s

Adapted from Bertil Lintner's *Rise and Fall of the Communist Party of Burma* (1990)



### ***The fall of the CPB and changing political economy of Myanmar–China borderlands***

In 1989, the CPB collapsed following a series of internal mutinies. This had profound political and security implications for Kachin and northern Shan states. Ideology was no longer a binding force for the ethnically diverse network of powerholders left in the vacuum, causing a political implosion along ethnic fault-lines. Wa leaders ejected the ethnically Burmese CPB elite from the Pangsang headquarters and formed the United Wa State Army, entering into a ceasefire with the Tatmadaw.<sup>22</sup> Zakhung Ting Ying and Layauk Ze Lum, based in Kan Pai Ti, formed the NDA-K, establishing an ‘everlasting peace agreement’ with the Tatmadaw. In 1994, the KIA also entered into a ceasefire agreement with the military government. As a result, the guns fell silent across Mu Se, Kan Pai Ti and Loi Je for the first time in more than four decades.

The ceasefires coincided with market liberalization in both Myanmar and China. The opening of their shared border in 1990 brought significant economic changes to these areas, as all three became vital border towns for Myanmar–China trade. Ceasefires also turned former enemies into business partners, as for many former rebel leaders, economic interests superseded revolutionary goals and political ideology. On one hand, the three areas experienced unprecedented development, better connectivity and easy access to affordable Chinese consumer goods. On the other hand, cross-border economic integration brought unprecedented destruction of land, forest, rivers, and community cohesion. While ruling elites sought to expand their power and wealth, local communities faced land-grabbing, environmental degradation, pollution and political despondency.<sup>23</sup>

With the turn of the century, the political and economic conditions across these three regions began to change once again. Peaceful relations between the Tatmadaw and KIA came to an end in 2008 with a policy requiring ceasefire groups to surrender their autonomy prior to any form of political dialogue. The regime’s position offered no acknowledgement of the systems of governance administered by EAOs that provided health, education and justice systems to populations

#### **Life story**

##### **A sixty-five year old male from Nam Tau village, veteran of the CPB**

When I was with Burma Communist Party, Burma Socialist Program Party ruled the country... I went to surrender to the Burma Army. For some time, I was stationed at the Kutkai gate to monitor BCP’s movement in the area. The government issued me a national ID card and I went to Phakant jade mine. That time BCP’s propaganda campaign was at its climax. BCP declared that they would have breakfast at Kutkai and dinner in Yangon. It was a popular political clamor of the time. Whenever the Burma Army sent troops to the area, the Chinese soldiers took up BCP’s uniform and fought back. The Burma Army was afraid of the Chinese. Therefore, they tried to seek a political settlement with the Chinese government. Chinese government stopped sending aid to the Burma Communist Party. When I returned from Phakant in 1986, the Burma Army sent for me to advise launch major operations against BCP.

inhabiting the territories under their influence.<sup>24</sup> The KIA’s refusal to accept the ultimatum led to a breakdown of the ceasefire agreement and renewed armed conflict between the Tatmadaw and KIA, resulting in more than 100,000 people being displaced across Kachin State since 2011.

Despite the resumption of violent conflict, Chinese political and economic influence in these three areas continued to increase. A proposed railroad connecting Mandalay to the Chinese border at Mu Se would form part of the Belt and Road Initiative, while Kan Pai Ti has been ear-marked as a SEZ linked with Nam Jim industrial zone in Kachin State’s administrative capital, Myitkyina. These changes have also resulted in an influx of Chinese migrants, and increased land dispossession.

**22.** Bertil Lintner (1990) *The Rise and Fall of the Communist Party of Burma*, Ithaca, NY: Southeast Asia Program, Cornell University.

**23.** Dan Seng Lawn (2018) ‘A critical review of development policy and processes in Kachin State (1994-2010): Development from Above,’ paper submitted at Burma Study Conference, Nagoya University, Japan in July 2018. The paper has been developed into a book chapter in *Myanmar’s Changing Political Landscape: Old and New Struggles* edited by Makiko Takeda & Chosein Yamahata due to publish in 2022.

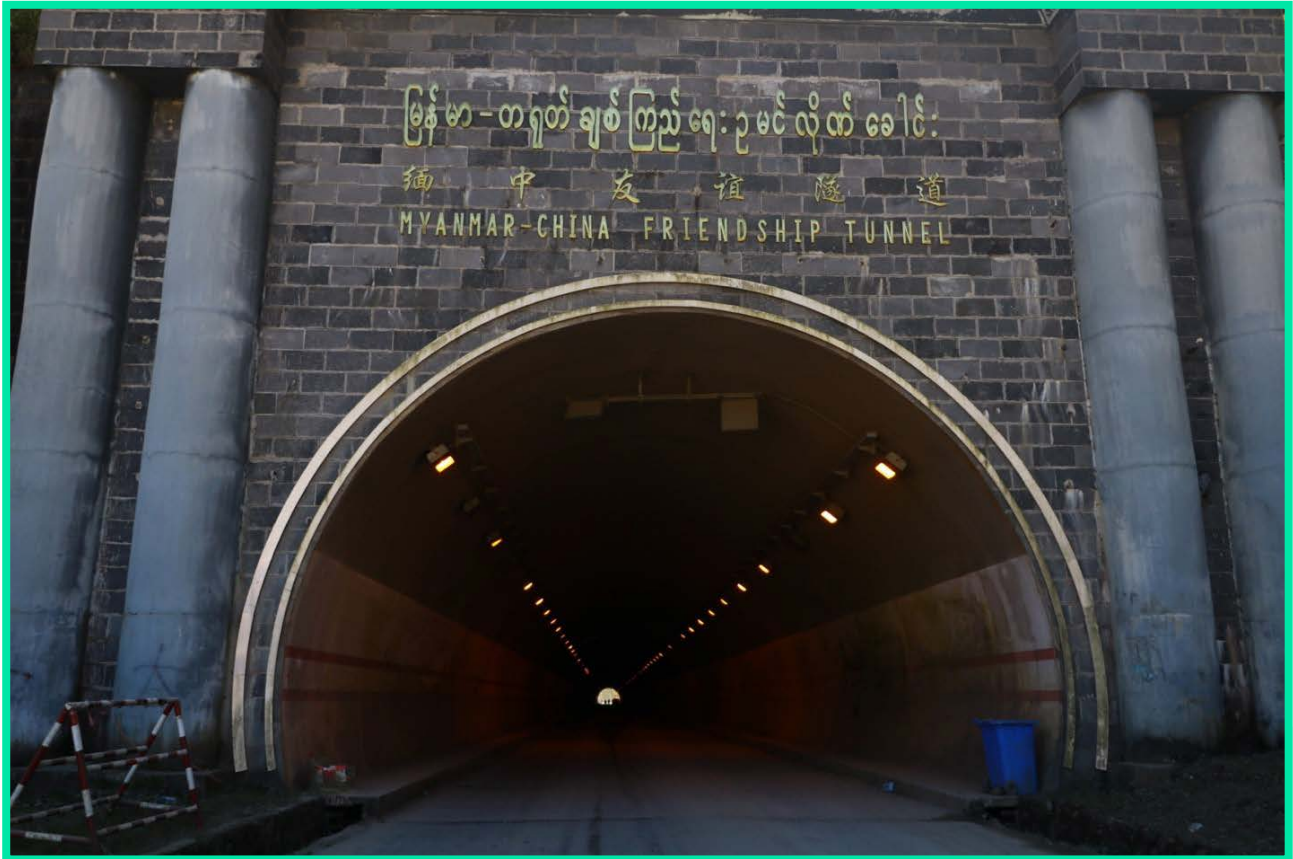
**24.** Patrick Meehan (2018) ‘Peacebuilding amidst war in northern Myanmar,’ *Conciliation Resources*: online.



### Figure 3.

## Myanmar–China Friendship Tunnel in Kan Pai Ti, Kachin State

Photo credit: Kachinland Research Centre



All these factors are given here to make it evident that, though these three regions were at times isolated from national level dynamics and pressures, external events would inevitably change living conditions on the ground. The following section touches on how conflict history shaped Kan Pai Ti, Loi Je and Mu Se; how changing economic structures interact with these borderland regions and its consequences; and how the emergence of megaprojects interrelates with everyday lives in these three regions.

## 4.

# Key Research Findings

Long periods of instability and conflict in these border areas have resulted in chronic underdevelopment and political fragmentation.

Despite collecting taxes through local municipal authorities, the effectiveness of the NDA-K's administration in Kan Pai Ti was hampered by power struggles within the militia group which stalled township-level projects around sanitation and healthcare, and forced residents to travel long distances to access medical support. Since the NDA-K's transformation into a BGF in 2009, the Myanmar central government has introduced initiatives to improve infrastructure and social services. Today, authority is shared with the militia group which, for example, controls the selection of teachers for local government-run schools.

More than a dozen militia, including Mung Gu, Pang Shay, Kutkai, Lone Thang, Tarmony, Nam Kham, Myo and Mung Baw, operate and actively collect revenue in Mu Se. Many of them govern pockets of territory in other parts of northern Shan State and play an important role in the Tatmadaw's efforts to contest local EAOs (most significantly the KIA and the Shan State Progress Party), through delegated proxy authority. These militia have also sought to use their position as local brokers to expand their own power and interests, which do not always align with those of central authorities. These systems of brokerage have fragmented the political landscape in Mu Se, creating a complex environment of competing authorities and business activities over which there is little overarching control.

Given the political instability of the Mu Se area, business interests often converge with political maneuvering. The formation of the Pang Shay militia by a local Chinese businessman-turned-politician is a good example of how armed groups can emerge to serve the security interests of economic actors. Mu Se is a center of political and economic tension in the region. The introduction of a market economy in Myanmar in the early 1990s generated unprecedented economic development and wealth while many local communities were increasingly sidelined, resulting in deep-seated grievances. Governance in this region is still contested and informal, creating optimal conditions for illicit cross-border businesses to flourish.

Improving access to the border became vital to capitalizing on opportunities offered by the liberalization of market economies in both Myanmar and China toward the end of the 20th century.

Following the collapse of the CPB and the development of ceasefire agreements between the Tatmadaw and local armed actors throughout the 1990s and 2000s, stable conflict conditions enabled central authorities to rapidly implement new infrastructure projects. New or improved roads were constructed to link Loi Je to Bhamo (in 2000), Kan Pai Ti to Myitkyina and Tengchong (in 2007), and Mu Se to Mandalay (in 2010). Border trade infrastructure was also built at major crossing points like Mu Se, to cater to growing commercial activities (see Map 4 below).

With the improvements in road connectivity, Kan Pai Ti has become a busy cross-border trading hub, overtaking Loi Je in trade volume. The border station is busy with trucks carrying bananas, watermelon and timber from the Myanmar side. Consumer goods, machinery, and electronic materials come across from China. Improved roads have also allowed fruit traders from as far as Myitkyina and Waing Maw to sell their produce to China via the Kan Pai Ti gate.

Truck drivers from Kan Pai Ti earn between 70,000-100,000 kyats (roughly \$42-60) per trip to Tengchong. Cross-border traders can import goods in a licensed vehicle registered with the Myanmar

### Cross-border trade costs at Kan Pai Ti:

- Gate entry: 70,000 kyats (roughly \$42)
- Border trade office payment: 15,000 kyats (roughly \$9)
- Non-local trader fees: 87,000 kyats (roughly \$52) to the border trade office and 15,000 kyats (roughly \$9) to NDA-K
- Chinese customs duty: 1,050 kyats (roughly \$0.63) per sack of rice

government's Border Trade Office so long as they pay the required customs duty. To export rice and corn, the trader must have warehouses on both sides of the border built and maintained according to Chinese regulations. Subject to approval from the Chinese authorities, traders can export goods once they pay customs duty. It is not uncommon for the customs duty to amount to more than what the producing company has provided to cover these costs, in which case the truck driver has to bear them.

Beginning in the 1980s, timber became an integral part of the cross-border trade through Loi Je. In 1990, the KIA started issuing its own logging permits due to increasing demand in China. Timber was transported to China via the Nba Pa-Nawng Tau road, and traders had to pay fees at Tatmadaw posts along the route. Despite the resumption of conflict following the collapse of the KIA's ceasefire with the Tatmadaw in 2011, demand for construction timber continued to grow, with a flourishing illicit cross-border trade. Chinese authorities began formalizing trade of timber products at border gates by 2018. Sha Mu (Chinese cedar) had long been a highly sought-after product for Chinese consumers, traditionally used in the

**In 2008 at Htang Nya village, there were not more than three iron-roofed houses. Since the sugarcane plantation started booming, the living conditions of the villagers has improved. Now you see many iron-roofed homes in the village.**

- A Loi Je resident on the benefits that cross-border trade has brought for local development

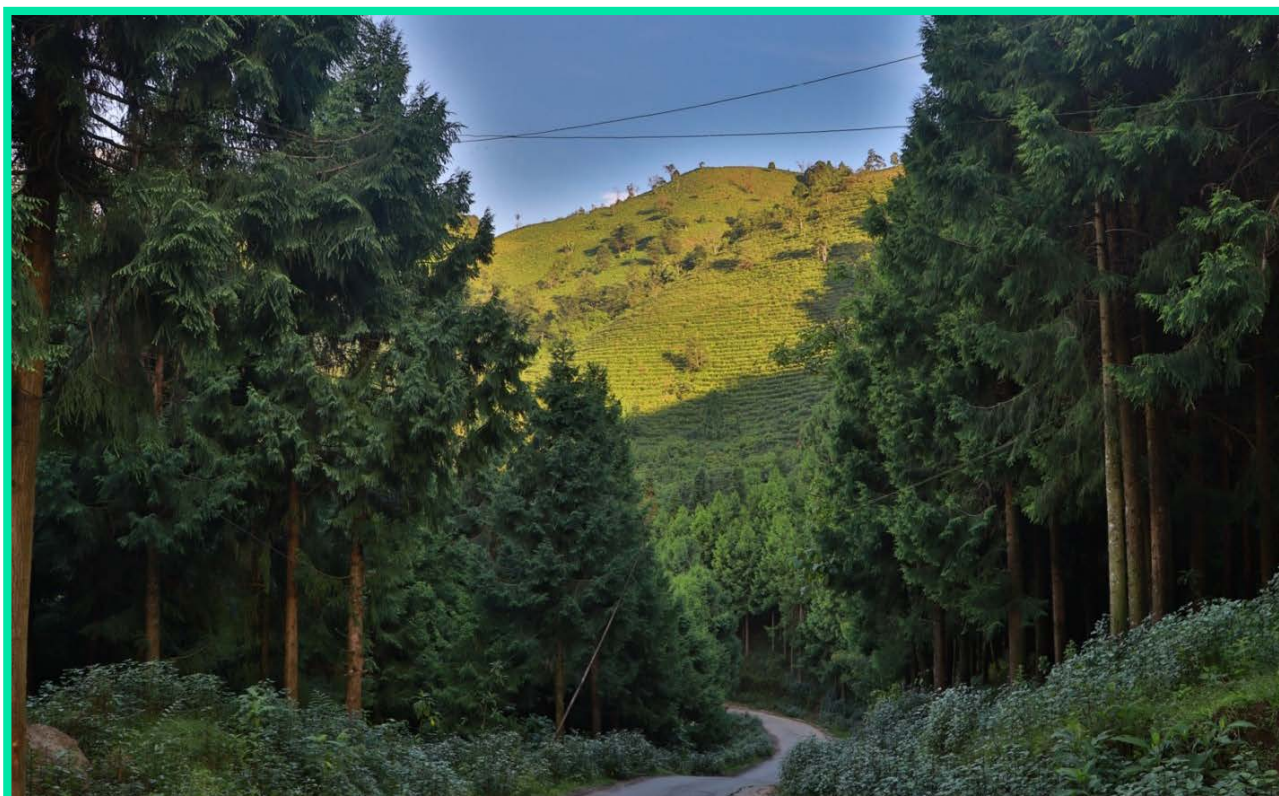
construction of houses. Sein Lone Hill Company was one of the first to establish Sha Mu plantations in Loi Je, supplying a strong demand until the early 2000s, at which time steel and cement became more readily available.

Despite the protracted political instability and weak rule of law in Mu Se, the potential benefits from the lucrative cross-border trade are difficult to resist. Central authorities continue to make significant investment in infrastructure, such as the ambitious Mu Se 105 trade zone (see Map 4), which before the pandemic catered to at least a thousand trucks per

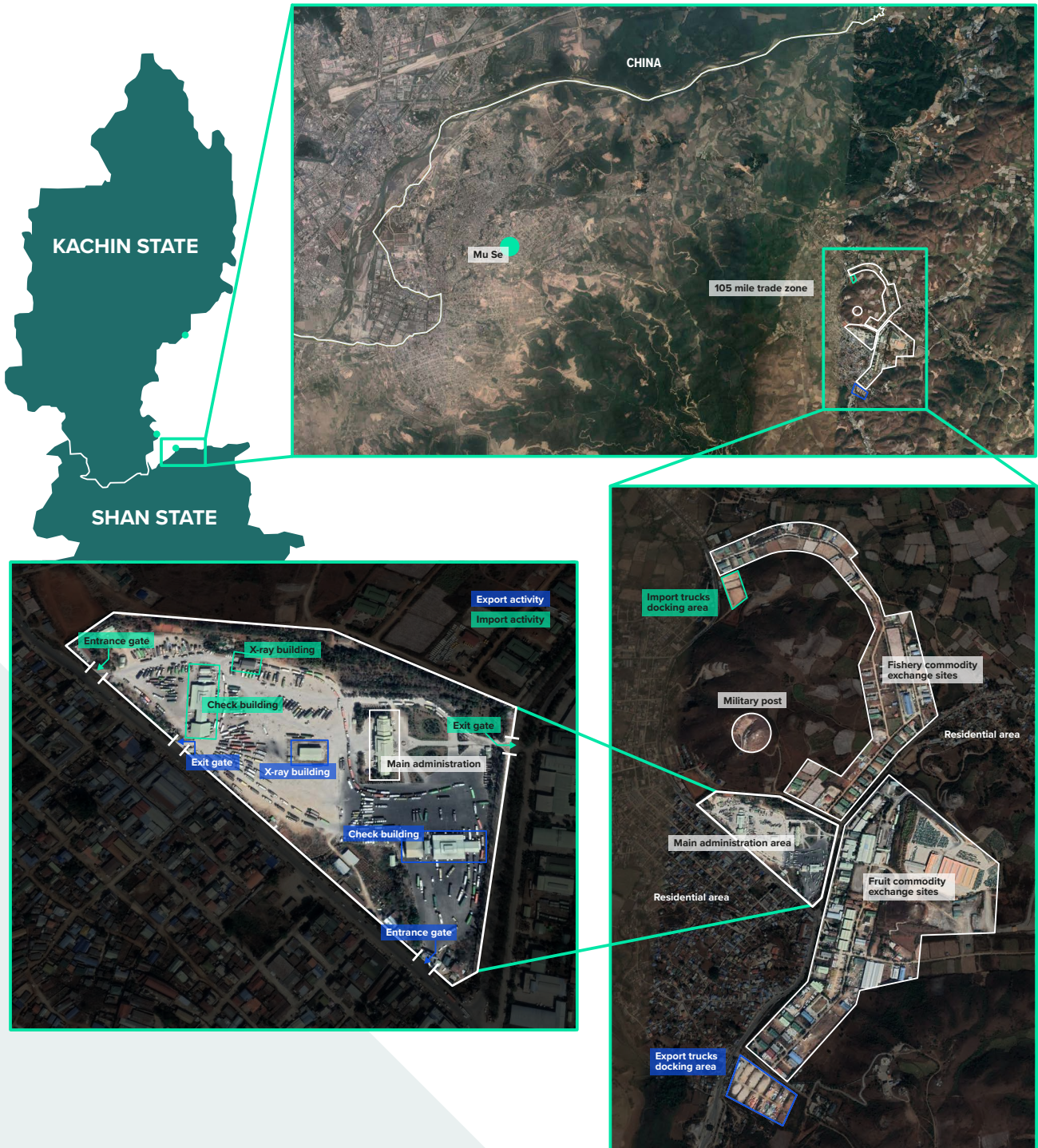
#### Figure 4.

### Sha Mu (Chinese cedar wood) plantation near Kan Pai Ti

Photo credit: Kachinland Research Centre



**Map 4.**  
Special Economic Zone at Mu Se's border



day. Covid-19 had a significant impact on connectivity between Myanmar and China; Chinese border restrictions resulted in a severe contraction of trade activity. Cross-border trade of agricultural products was particularly hard hit. The Sen Wi—Chinshwehaw gate has re-opened but it can only be reached by a separate road that branches off from the main Mandalay—Mu Se highway just before Kutkai. Mu Se has experienced a sixty percent drop in the volume of trade since pre-pandemic levels.

**Armed actors continue to derive significant profits from maintaining control over local economies.**

One outcome of the proliferation of ceasefires between the Tatmadaw and northeastern armed groups in the 1990s and 2000s was the power gained by militia to control territories, with the tacit agreement of central authorities. Following the CPB's collapse in 1989, the NDA-K in Kan Pai Ti retained good relations with the Chinese Communist Party. High-ranking ex-CPB officers were able to access permits for economic activity such as logging, to substitute salaries they had previously received. Local economic growth attracted businesses to the area that set up casinos, cigarette factories, rare-earth mining sites and monocultural plantations, all under the NDA-K's influence.

Both the NDA-K and government municipal authorities collect taxes on border trade in Kan Pai Ti, highlighting the entrenched nature of split control. According to research respondents, the militia collects 2,000 kyats (roughly \$1.2) per banana truck, part of which is donated to churches, cultural associations, schools and other local organizations. The government municipal authorities collect 5,000 kyats (roughly \$3) per banana truck, which is then deposited in the Myanmar Trading Bank, and spent primarily on road construction projects. Similar revenue is collected from cross-border trade of other goods, notably watermelon and jade.

'Grey' or illegal business activities, including casinos and drug production and trafficking, are also widespread in the region. Rising levels of drug use and harm are a major concern among local communities. A 2006 joint drug eradication program by the Tatmadaw and NDA-K introduced crop substitution for poppy farmers in Kan Pai Ti, targeting products in high demand on Chinese markets, including tea, Sha Mu (Chinese cedar wood), black cardamom, banana and walnut. Though it was framed as a local development scheme to support the rural

“

**During that transition period, we did not get any pension. We were retired immediately. It was a forced retirement. In the past, business was meant for the organization and for the revolutionary cause. Now, Zakhung Ting Ying controls the business for the interests of his family.**

- CPB veteran living in Kan Pai Ti on the fallout from the CPB's collapse and the emergence of the NDA-K

Loi Je and Mu Se became hubs for cross-border cattle trade in the mid-1990s as a result of the growing demand for beef in China. Cattle trade provides a useful lens through which to understand local border trade governance and the political, economic and security arrangements between varying authorities.

Trading cattle presents several bureaucratic hurdles starting with the transport of cattle to the border. As soon as the cattle reach the Wet Wun gate in Pyin Oo Lwin (400 kilometers from Mu Se), armed groups such as the Restoration Council of Shan State, Ta'ang National Liberation Army and Shan State Progress Party start collecting taxes. At Kutkai (100 kilometers south of Mu Se), traders are required to pay taxes to the KIA, Tatmadaw, police and local militia. At border crossing points, militia groups maintain vast acres of grazing land for cattle to be held prior to their export to China.

In Loi Je, cattle traders are required to pay fees to, and hold permits issued by both central authorities and the KIA. Due to the high costs associated with acquiring permits issued by the Myanmar government, some traders purchase copies of permits from local militia such as the Gwi Htu group. For entry into trading areas on the Myanmar side, traders are required to pay 30,000 kyats (roughly \$18) per cow, while those traveling to China pay 300 yuan (roughly \$47) at the Tazu border gate operated by the KIA. In addition, traders who wish to use local land to hold cattle must pay 2 yuan (roughly \$0.3) per cow to the landowner.

population, ordinary villagers and farmers were ultimately unable to derive many benefits as funding and business opportunities were largely reserved for companies with links to the NDA-K. This resulted in villagers eventually reverting to poppy cultivation, with Kan Pai Ti today remaining a major opium producing area, and local armed actors continuing to profit from trafficking activities.

The instability wrought by the political fragmentation between multiple, often competing local armed actors can result in violent encounters. In May 2018, an attack on a militia-run casino complex one mile outside of Mu Se city center left 19 people dead, including three Chinese nationals, and resulted in the border crossing closing. In December 2018, further violence between local militia forced the Tatmadaw to shut down one of the city's main border gates.

**With cross-border trade flourishing, the concurrent rise in political, social and economic influence of Chinese actors in the border regions has divided local opinion.**

Most border areas' histories are deeply intertwined with neighboring communities in China, sharing ethnic, linguistic and familial connections. In the 1960s, Chinese migrants arrived in Kan Pai Ti as a result of the Chinese Cultural Revolution and have since assimilated into the local cultural landscape. Later arrivals have been economic migrants seeking a better quality of life for themselves and their families. For many, Kan Pai Ti is a stepping stone for entry into Myanmar, which they are able to achieve by purchasing ID cards upon arrival.

Signs of growing Chinese influence in Kan Pai Ti include the predominance of Mandarin as a language of business, and the construction of most new buildings paid for with Chinese currency. A Kan Pai Ti resident reflected, "I understand that Chinese cultural influence is global, but it is more apparent in our area. The local Kachin, since they are closely living with the Chinese, without knowing [if] it is wrong or good, they start following Chinese customs and way[s] of life."

President Xi Jinping paid a historic visit to Myanmar in January 2020, his government signing a total of 33 memoranda of understanding, agreements, exchange letters and protocols with Myanmar authorities, the highest number reached in a single meeting between the two countries since 2000, reflecting the importance of bilateral relations for the Belt and Road Initiative. The agreements focused on

**All the illegal trade has to pass through Sin Phyu gate. Around that time, nobody did it legally. I had experience conducting illegal timber trade. You need to build up a good relationship with Tatmadaw officers. Without a good relationship with them, you could not do anything. They controlled the gates. Even doing illegal trading was difficult since many armed organizations were involved and controlled the trade.**

- A former timber trader on his experiences passing border gates in Mu Se

the development of SEZs and trade zones—including a planned SEZ at Kan Pai Ti, to be linked to the Nam Jim industrial zone in Myitkyina.

Residents reported divided opinions regarding these developments. Most concerns relate to displacement and possible changes in land ownership practices, though many people are satisfied with the compensation they receive. A female landowner in Kan Pai Ti remarked of the NDA-K: "They gave compensation for any inch of land they took from us. And I think that this project will provide more job opportunities for our communities." Another resident reported: "My land also falls under the project's implementation area. The trees were also destroyed. I only got 20,000 yuan [roughly \$3,150] as compensation. It was a vast land. I also planted many perennial commercial trees, such as Chinese cedar trees. I was not happy with the way they took away my land and works of my hand [sic]."

One of the major concerns amongst local communities is that Chinese disproportionately enjoy advantages from increased trade and investment. The balance of trade at Mu Se largely tilts in China's favor. The main markets and industrial development (such as fruit canning) are concentrated on the Chinese side of the border. Myanmar's economic role is little more than providing raw materials needed for Chinese markets, while cheap Chinese manufactured goods now flood the Myanmar market. The burgeoning business sector and megaprojects launched under the Belt and Road Initiative are also not seen to bring long-term benefits for all local communities. Mu Se residents report increasing loss of land due to an influx of migrant workers both from China and other parts of Myanmar seeking to take advantage of emerging economic opportunities.

**The Chinese authority is also helping us a lot. They also allow [us to legally] pass the border freely. So, workers from Myanmar and China can work freely. And you see, now the demography of Loi Je is improving. I am pretty happy with that. There will be some problems with land issues. But as far as I know, Chinese authorities and the Myanmar government are paying compensation for the land which fall[s] under their business plan. They calculate according to the market price and compensate for their property.**



- A local on the benefits of a border trade infrastructure in Loi Je

Increasingly, Chinese actors control large and medium sized businesses in Mu Se, particularly because of its strategic importance as a key nodal point along the China–Myanmar Economic Corridor, part of the Belt and Road Initiative. Chinese businesspeople have purchased large areas of land in Mu Se. In order to obtain legal land titles, they

partner with ethnic Chinese citizens of Myanmar, who possess the required legal status. Some investors have been able to obtain Myanmar ID cards by taking advantage of weak rule of law and bribing officials. Chinese communities have sprung up along the Mandalay–Mu Se highway, controlling local businesses and land.

Ethnic Kachin in Loi Je describe having reaped few benefits from the lucrative cross-border trade. Chinese investors developed robust relationships with local authorities for large business undertakings. Locals, in contrast, often lack information about such larger projects and initiatives. Instead, they may view their kinship ties and customs as the basis for a solid business network, such as accessing loans from local clan associations.

Local perceptions of the economic changes brought about by the expansion of border trade and investment vary, with some Kachin elders crediting the KIA with providing logging and business concessions to the Kachin, which have enabled people to learn the skills of cross-border trade. Others acknowledge that increased border trade has led to improvements in housing conditions. Plans for a SEZ in Kan Pai Ti are met with some concern, particularly around the loss of land and the influx of Chinese migrants.

## Figure 5.

### Photo of Tea plantation in Kan Pai Ti

Photo credit: Kachinland Research Centre



**If I may speak frankly, it is pretty challenging to maintain the rule of law here. Chinese migrants, since they have money, can easily bribe the local authorities and do whatever they want in the area. There is growing communal tension, almost anti-Chinese sentiment, in the area. The local communities have become downtrodden since they do not have money and no business network outside of Kan Pai Ti. The local authorities only favor people with money.**

- Local elder on concerns around Chinese immigrants in Kan Pai Ti

One respondent remarked: “I do not think we will benefit from such a business venture. Most of the local villagers were indebted to wealthy Chinese business owners. Since they could not repay their debts due to Covid-19 and fewer job opportunities, they lose their land to Chinese creditors.” Others see the proposed trading hub as a positive development, noting that it has encouraged sugarcane plantations and small factories, which have improved the living standard of ordinary villagers.

Some elders recounted the changing nature of the cross-border trade over the years: “In the past, we exported chillies, garments, rice, salt and even soap to China. Now it has become the opposite.” Some are happy with the construction of the border fencing, with one local elder reflecting: “Like in the Wa–China border, border fencing by China in Loi Je is a good thing. It reduces the volume of trade related to timber and forest resources. Now, most of the illegal cross-border roads are shut. At least our forest will have some time to regenerate itself. Otherwise, there will be no trees left on our soil.”

These contrasting views about the impact of cross-border trade reflect the fact that the costs and benefits of such development plans typically have uneven distributional outcomes, creating opportunities for some and disadvantages for others. Although some people within the community are supportive and anticipate benefits from these schemes, the overriding concern remains that cross-border trade zones exacerbate rather than level out uneven development as Chinese investors accrue most of the benefits.

### Life story

#### **A forty-five year old male from Mu Se and a former timber trader and veteran of the Kachin Democratic Army**

When I was young, villagers from all the surrounding mountainous villages moved to Mu Se due to the Tatmadaw’s counter-insurgency policy, so I grew up in Mu Se. At that time, Shwe Li [Ruili] was not as developed as today. The Chinese government just started to build Jiegao border town. The job opportunity was scarce in Mu Se at that time so I migrated to Kachin State and worked at Phakant jade mines till 2011 when I went back to Mu Se since there were more business opportunities. I smuggled essential consumer goods such as sandals from China. I joined Kachin Democratic Army in 2015 and worked with KDA till 2019. My primary purpose for joining KDA was to do a timber business. Timber trader was not new to me. I had experienced with the timber trade before I joined KDA. At that time, timber was a booming business. Every day you saw hundreds of timber trucks crossing the border. Buying timber at the logging site was not expensive, but you had to pay hundreds of lakh at the Tatmadaw gates along the road. But KDA enjoyed special favor in the timber trade. That was the reason I joined KDA.

**When we were young, Namphaka village was predominantly inhabited by the Kachin community. The American mission school started at Nam Kham and later shifted to Namphaka. It had been, therefore, an important historic village for the Kachin. Due to the protracted civil war in the region, many Kachin villagers migrated to different places. Now we see many Chinese migrants from China purchase land here and settled down. They controlled the tea business of Namphaka.**

- A Kachin elder describing demographic changes over time in Namphaka village



**The 2021 military takeover of government has wrought further disarray in Myanmar's northeast.**

The third wave of the Covid-19 pandemic, coupled with the economic impact of the military takeover in February 2021, has had a staggering effect on Myanmar–China border trade. Instability severely disrupted the mobility of goods, services and people along the border, further altering political and security dynamics in northern Shan and Kachin states. Large sectors of the population rejected the military takeover and engaged in peaceful pro-democracy protests, while the Tatmadaw cracked down on demonstrations, killing hundreds and imprisoning thousands of protestors. Some EAOs joined demonstrations and announced their support for the National Unity Government, a parallel government made up of National League for Democracy politicians and other representatives ousted from Nay Pyi Taw in February 2021.<sup>25</sup> In Kachin State, armed

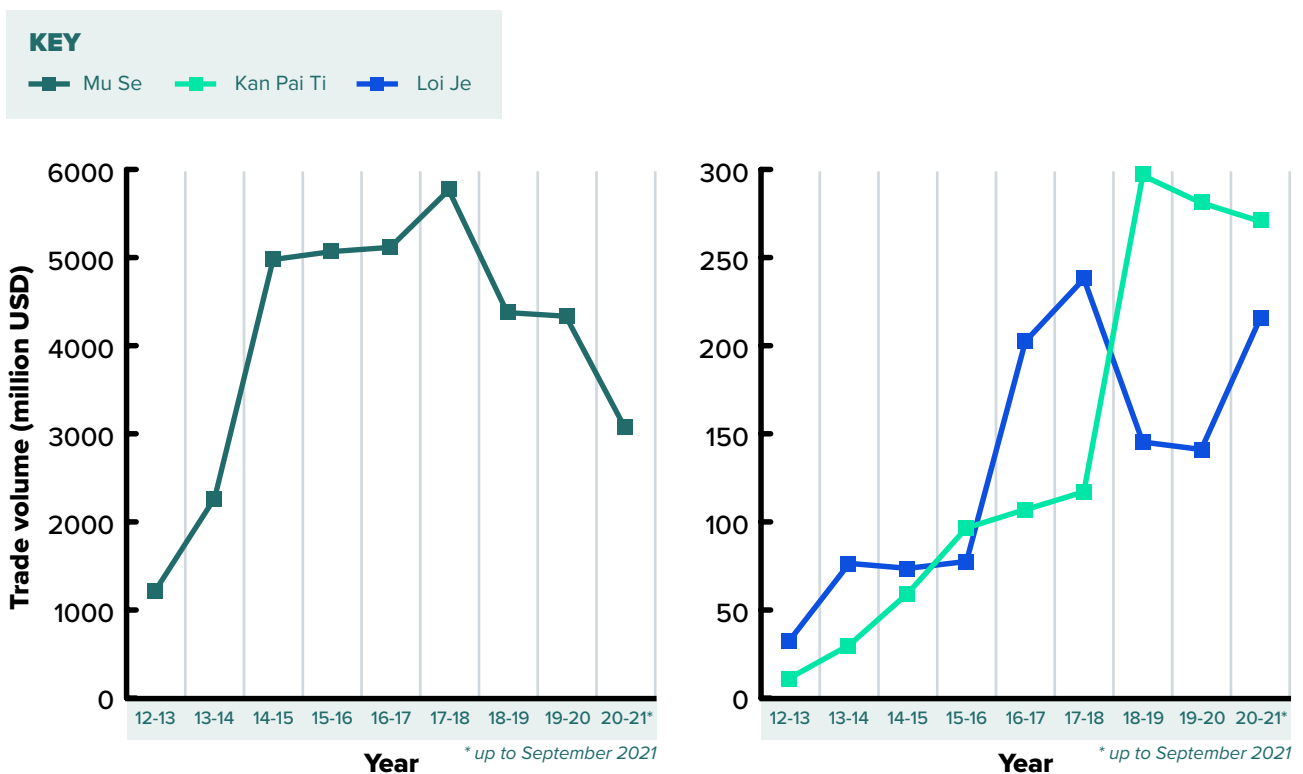
conflict between the regime and the KIA rapidly escalated in March, after the former cracked down on a peaceful demonstration in Myitkyina, killing two protestors and injuring many others.<sup>26</sup> The two sides continued to clash over the coming months, despite mediation by the Peace Talk Creation Group, a local organization.

An immediate impact of the military takeover was the near collapse of Myanmar's banking sector, which forced many banks to place caps on withdrawals and increase the interest rates. The combined impact of the pandemic-induced economic slowdown and political instability along the border after the military takeover has had a far-reaching effect on border trade. The trade volume at Kan Pai Ti dropped by roughly 49 percent from 2020 to 2021; at Mu Se it fell by almost 50 percent during the same period. In Loi Je, imports and exports slightly increased, which may be due to road blockades in Kan Pai Ti.

**Figure 6.**

**Border trade volume of Mu Se, Kan Pai Ti and Loi Je (2012 to September 2021)**

Source: Myanmar Ministry of Commerce



<sup>25</sup>. However, not all EAOs joined the movement and supported the National Unity Government. These EAOs include the RCSS, UWSA and Arakan Army.

<sup>26</sup>. *Myitkyina News Journal*, 8 March 2021

## 5.

# Conclusion

This report examined three major cross-border gateways, Kan Pai Ti and Loi Je in Kachin, and Mu Se in northern Shan State. These regions have similar conflict histories, the CPB's 1989 collapse representing a watershed moment for political and economic development in the region. A period of relative stability and economic boom followed, due to ceasefires between the remaining armed groups and the Tatmadaw. The backwater border regions re-emerged as cross-border commercial hubs and gateways for the market economy. Improved connectivity resulting from relative stability enabled economic development in some borderland areas. For local communities the relative peace and rapid expansion in cross-border trade has brought with it serious negative consequences. They have experienced unprecedented environmental destruction, corruption among authorities, and loss of land in the face of increased Chinese investment.

These areas are also susceptible to external international political and economic forces. The rise of China's influence has had a direct impact on the region. Belt and Road Initiative projects run across all three towns, with particular efforts targeted towards developing cross-border cooperation zones. Local communities have mixed opinions about these developments. Many are losing land to Chinese actors. Others view cross-border economic ties as creating more business opportunities and see the influx of migrant workers in the area as a positive demographic change. Chinese businesspeople control large and medium enterprises in Kan Pai Ti, Loi Je and Mu Se, enjoying advantages over local populations, including access to investment capital, relationships with authorities on both sides of the border, extensive trade networks, and cross-border kinship networks.

This study has shed light on the two parallel stories of these three border regions. While looking at the rapid economic transformation of these areas, the

report problematizes the mechanical reasoning of economic development policy. Human impacts of the political and economic transformations cannot be overlooked. It is critical to identify the challenges across these three border regions and to analyze how the opportunities and costs of expanded cross-border trade and investment have been distributed in ways that exacerbate inequality. While businesspeople—primarily from China—and local political and military authorities have secured wealth and opportunity, local communities have faced growing land insecurity, environmental degradation, worsening economic inequality and declining community cohesion.

From these three case studies we may draw useful lessons concerning the larger questions around peace, conflict and development policy in Myanmar. The experiences of these border regions after decades of ceasefires demonstrate that a top-down approach to conflict resolution failed to address the root causes of armed conflict. The study also indicates that economic opportunities and incentives without concrete political settlement can be dangerous for the mid- and long-term. Learning from these lessons, policymakers and donor agencies should invest more in horizontal conflict resolution approaches, which have the potential for long-term results. In the context of development programming, they should focus more on human development initiatives, especially health and education, so that the investment will outlive the conflict cycle and remain with the people. The military takeover of the government in 2021 and its subsequent political and economic instability in Myanmar should reaffirm the need for donor and development agencies to focus more on grassroots peacebuilding and development programs for sustainable outcomes.

*For policy relevant recommendations from this research, see the associated policy brief.*



