



CHOKING POINTS: OPIUM FLOWS, ROADBLOCKS AND ILLICIT FINANCE IN BURMA'S SHAN STATE



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John Buchanan

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John Buchanan

Researcher, Tallin University & Associate, Harvard University Asia Center

john_allen.buchanan@tlu.ee

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DIIS · Danish Institute for International Studies

Gl. Kalkbrænderi Vej 51A, DK-2100 Copenhagen, Denmark

Tel: +45 32 69 87 87

E-mail: diis@diis.dk

www.diis.dk

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TABLE OF CONTENTS

Abstract	2
Introduction	3
Methodology	4
The structure of Shan State’s post-World War II opium sector	5
Forces shaping Shan State’s opium sector	6
Revenue opportunities for armed groups	9
Taxation of opium growers	10
Opium trading	11
Protection and transportation service provision	12
Predation of opium caravans	16
Taxation of opium shipments	16
Parasitic predation	19
Conclusion	19
References	22

ABSTRACT

Starting in the 1950s, the growing cultivation and circulation of opium across Burma's Shan State offered armed groups opportunities for revenue generation. While there were several methods for profiting from the opium trade, Shan State's opium sector displayed two significant features during the early post-World War II period: firstly, one armed group - the remnants of Chiang Kai Shek's defeated Kuomintang forces - received the majority of the profits, rather than the dozens of local armed groups operating in the area. Secondly, taxation by roadblocking was limited to a few chokepoints rather than being more widespread. What accounts for this pattern of revenue generation in which roadblocking was limited to chokepoints and opium wealth was concentrated?

This study explores Shan State's opium sector and argues that the structure of the opium sector, shaped by the properties of opium, physical terrain and varying state capacities, created opportunities and constraints for armed groups to profit from the opium trade. The first section lays out the structure of Shan State's opium sector. The following section discusses the forces shaping the configuration of opium flows. The third section assesses the various opportunities and challenges for armed groups to generate revenue from the opium trade. The final section explores a logic of opium predation, which involves the influence of time horizons on armed groups' use of violence.

The study shows a need for moving beyond a focus on the presence of valuable resources and opportunities for revenue generation. Instead, it considers on-the-ground dynamics and the importance of the properties of the poppy, the physical features of Shan State and limited state capacities in accounting for pathways in which opium moves from fields to markets and the strategies pursued by actors in profiting from its taxation and sale.

INTRODUCTION

During the 1950s, the growing flows of opium in Burma's Shan State became a tempting revenue source for the dozens of non-state armed groups. By the early 1970s, Burma had become the world's leading illicit opium producer with Shan State accounting for the vast majority of the 400 to 600 tonnes of opium per year. Over time, the production increased and some estimates suggest that it peaked at over 2000 tonnes in the late 1990s (US Congress, 1971; UNDOC, 2003: 8).

What is remarkable is that so few of the non-state armed groups succeeded in gaining opium revenue. During this period from the early 1950s to the mid-1990s, two armed groups dominated the opium sector: first, the remnants of Chiang Kai Shek's Kuomintang (KMT) army and, later, a local non-state armed group led by Khun Sa. Although several other groups vied for a share, only a handful positioned themselves to generate revenue. Their earnings were negligible compared to the profits of the KMT and Khun Sa. The uneven distribution of opium revenues among these groups is perhaps unexpected given that, one, the volume of opium was vast and continued to grow until the late 1990s, and, two, there were several ways to profit from the opium trade. If one method did not work, there were alternatives. The concentration of opium flows motivates this paper's overarching question – how and why did a few groups come to dominate the opium sector?

This paper – like others in this series – explores wartime taxation. The study draws on empirics from Burma's Shan State from the 1950s to the early 1980s. The main argument follows that the structure of the opium sector, shaped by the properties of opium itself, the physical terrain and varying state capacities, created opportunities – and constraints – for armed groups to profit from the opium trade.

During this period, the opium trade in Shan State has several significant features. One, the majority of revenue generation did not come from controlling access points to opium fields. Instead, the lion's share of revenue was generated through two other methods: the first method was controlling chokepoints along the Thai-Shan border, where a few armed groups established roadblocks along the smuggling routes used by opium traders. Unlike other areas where multiple armed groups also contest authority (e.g. contemporary Central Africa), the use of roadblocks for taxing opium is less extensive (Schouten, 2022). A second method was trading opium through the use of what Shell (2015: 5) calls subversive mobilities (using pack animals along trails to evade government officials) and, for a time, arrangements with state security forces. Opium transporters employed shipping methods designed to thwart unexpected taxation. These dynamics raise questions about why roadblockers focus on controlling areas along the Shan-Thai border rather than other areas. Why did non-state armed groups focus on roadblocking rather than other rent-seeking activities?

Two, the opium trade sometimes involved the self-regulating of violence by armed groups and co-operation among rivals. A popular image of illicit drug markets is that they are violent. Accounts by journalists and narcotics control

officials depict Shan State as lawless with ‘ruthless’ warlords. Both policy and academic analyses argue that the presence of opium – and other valuable natural resources, such as Andean and Mexican coca and African ‘blood diamonds’ – provides various non-state armed actors with incentives to use violence to amass wealth. Indeed, there was widespread violence in Shan State. But the region also features instances where armed groups seeking revenue from the opium sector eschewed violent predation and even cooperated with non-state armed groups and merchants competing for access to opium markets.

This study draws on insights offered by the politics of passage, which looks at the dynamics of authority and power through roadblocks, to engage with debates on the nexus of armed conflict and natural resources (Schouten et al., 2024). Research has identified several pro-violence effects stemming from the presence of valuable natural resources in civil wars (e.g. Collier and Hoeffler, 2004). However, the emphasis on revenue opportunities from resources neglects the means through which profits are realised. While conflict research recognises the importance of roadblocks and other means of rebel finance, they remain understudied and poorly understood.

Looking at the politics of passage opens up new lines of inquiry by highlighting the contestation of commodity circulation. Research on civil wars points to the importance of controlling areas with natural resources and areas advantageous for taxation. However, this research fares poorly in accounting for the actual patterns of taxation and distribution of flows. The methods of extracting taxes can take many forms, reflecting the impediments faced by rent-seekers posed by the patterns of trade flows. Moving beyond the presence of natural resources to examine the politics of passage helps account for why some groups accrued more revenue than others.

One insight offered by the politics of passage is the importance of predictability for road transporters and taxing authorities. They often operate in an environment of contested authority and predation, where traders and transporters have to devise strategies to mitigate risks of appropriation and theft. As Thakur et al. (forthcoming: 4) put it, ‘the bottom line that road users expect from checkpoint operators is predictability’. From this perspective, methods for shipping cargo reflect an assessment of whether the cargo would experience unexpected blockage or taxation. Considering predictability also helps better understand the strategies of roadblock operators. Revenue generation from roadblocking requires the ability to regulate profitable volumes of trade. Thus, the placement of roadblocks reflects an assessment of the predictable passage of a significant flow of goods and the ability to sustain taxation.

Methodology

My approach employs a political economy perspective that conceptualises the opium sector as an instance of the trade of an agricultural commodity rather than, as Yawngghwe (1993: 306) describes, an ‘exotic unknowable’. My construction of a historical narrative of the opium trade moves beyond statist perspectives to include accounts of smugglers as part of an effort to address sensationalistic

accounts by adding rigor. This study marshals an unusual collection of archival sources, including perspectives from people with first-hand experience and knowledge of the opium trade. Even with this, studying illegal flows is challenging, given the reluctance of people involved to disclose details. My efforts to triangulate sources aim to address potential biases, often stemming from reliance on data produced by counter-narcotics organisations.

The paper first describes the structure of the Shan State's opium sector in the early independence period and then considers the forces that have shaped it. Next, it examines the constraints and opportunities for armed groups to accrue revenue from the opium sectors. Then, it explores a logic of predation and its impact on the use of violence. In conclusion, it considers the patterns of opium taxation and trade and some of its implications.

THE STRUCTURE OF SHAN STATE'S POST-WORLD WAR II OPIUM SECTOR

The rise in opium production that began in Shan State during the 1950s transformed the region into a leading supplier for global markets. This section examines the upstream portion of the global opium supply chain in Shan State during the first three decades of this boom, in which the passage of opium involved a series of exchanges involving different actors performing diverse functions.

Thousands of opium-growing households anchored the supply chain. The first exchange took several forms. Post-harvest, farmers either sold – or bartered – opium with purchasing agents. The purchasing agents represented independent local merchants and opium traders, many of whom worked with the KMT and local armed groups. Several had advanced rice to farmers in return for part of their future opium crop. Another exchange involved members of non-state armed groups who came to villages to collect a tax on opium or make direct purchases. In a few areas, farmers brought opium to village markets, and in some cases markets as far away as Thailand (Lintner, 2000; United Nations, 1964).

From the farm, the agents, traders and armies took the opium to collection points. From here, a second exchange involved cargo transfer to convoys for shipment to the borderlands adjacent to Thailand and Laos. Its transport to the border involved two main methods. One was smuggling routes that bypassed the lowland areas controlled by the government. Pack animals (mules and donkeys) and porters, accompanied by well-armed soldiers, followed jungle trails and paths across mountains, valleys and rivers. The other main option was to move the opium by car along the government-controlled roads in the lowlands.

When the convoys reached the border, the next exchange usually involved its clandestine transfer to agents of foreign drug syndicates and high-ranking

government officials for shipment abroad. Alternatively, armed groups – most often the KMT in the initial period – purchased opium, which they then sold to agents of syndicates and other high-ranking officials.

FORCES SHAPING SHAN STATE'S OPIUM SECTOR

The patterns of opium flows that emerged in Shan State during the 1950s reflect the confluence of several factors that helped shape its structure. Among these are the properties of opium itself, the physical features of Shan State and contested geographies of territorial control.

The opium scraped from poppies is an agricultural commodity with properties ideal for long-range trade. As a rule, the further opium moves away from its production areas, the higher its market value. Selected indicators for the price of opium at different stages of the supply chain indicate the potentially significant returns – as much as fourfold – for moving opium from fields to further along the supply chain (see Table 1).

Table 1. Estimated price (USD) of opium per kilo at various stages of transport from Burma to Thailand and Hong Kong, 1955 and 1974

Stage of transport	1955	1974
Producers (Uplands)	15	17-18
Kengtung, Burma	44.1	35
Thai-Burma border	59.2	56
Chiang Mai, Thailand	76	53
Bangkok, Thailand	106	101
Hong Kong	NA	292

Sources: CIA, 1956: 11, 1975: 2.

Moreover, opium is value-dense. Unlike rice, timber and other bulk commodities, opium's wealth compactness reduces transport costs and facilitates concealment. The trade in bulk commodities often requires the use of roads and railways, making them subject to obstruction, taxation and seizure by state officials and armed groups. Opium's value density allowed subversive mobilities using mules and donkeys along mountain trails and paths crisscrossing Shan State. The pack animals possessed the skills to negotiate the narrow and sometimes steep trails with heavy packs. The difficulty in policing the network of paths mitigated – but not wholly – risks of seizures or extortion by state officials and other armed

groups. Finally, unlike perishable food crops, opium allows for long-term storage – by some accounts longer than ten years – without any value depreciation.

Map 1. Regions of Shan State



Source: Map adapted by author from colonial-period maps and geographic references.

While opium possesses many properties that make it well-suited for long-range transport, its agroecological requirements also influenced the patterns of opium commerce. First, the poppy's need for cool temperatures and moderate rain restricts its production to upland areas in Shan State. The ideal agroecological conditions for producing commercial-grade opium are present at an elevational bandwidth between roughly 900 and 1,500 metres (Scott, 2010; United Nations, 1964). Second, the poppy is a notoriously unreliable crop. Heavy rainfall in the early planting season, drought, temperature fluctuation and severe winds can all damage the plant. Accounts of crop failure are scattered across archives. Khun Sa reportedly remarked, 'If the weather is good, the whole of Shan State produces 400-450 tonnes. In a bad year it's about 200-250 tonnes' (US Congress, 1978: 264-266).

The price of opium was also uncertain. Cowell notes that many Shans considered 'the price of opium is as unpredictable as the weather', noting that the price 'halved from 1972 to 1973 and tripled from 1973 to 1974' (US Congress, 1975: 35). Many farmers were reluctant to adopt commercial poppy farming except when there were few alternatives.

The vast majority of poppy growing took place initially in the Trans-Salween Shan State, located east of the Salween River and a strip of mountain ranges running along its west bank in northern Shan State (see Map 1). A few scattered pockets were in Southern Shan State. Only in the mid-1960s did increased commercial cultivation begin to take place in the areas to the west of the Salween, known as Cis-Salween Shan State (Yawnghwe, 1987).

Shan State's terrain also affected the structure of the opium sector. It features valleys, or lowlands, where most farmers grow wet rice, and mountainous uplands, where farmers cultivate opium and other 'slash and burn' crops. The Salween River's deep gorges and rapids made crossing the river and long-range riverine transport difficult.

The concentration of opium cultivation in northeastern Shan State required a trading network to ship it to the main markets located along its southern border with Thailand. The journey from Lashio, one of the major opium trading towns in northern Shan State, to the Thai border was between 400 and 500 miles. The commodity had to cross challenging mountains and rivers with limited modern transportation infrastructure.

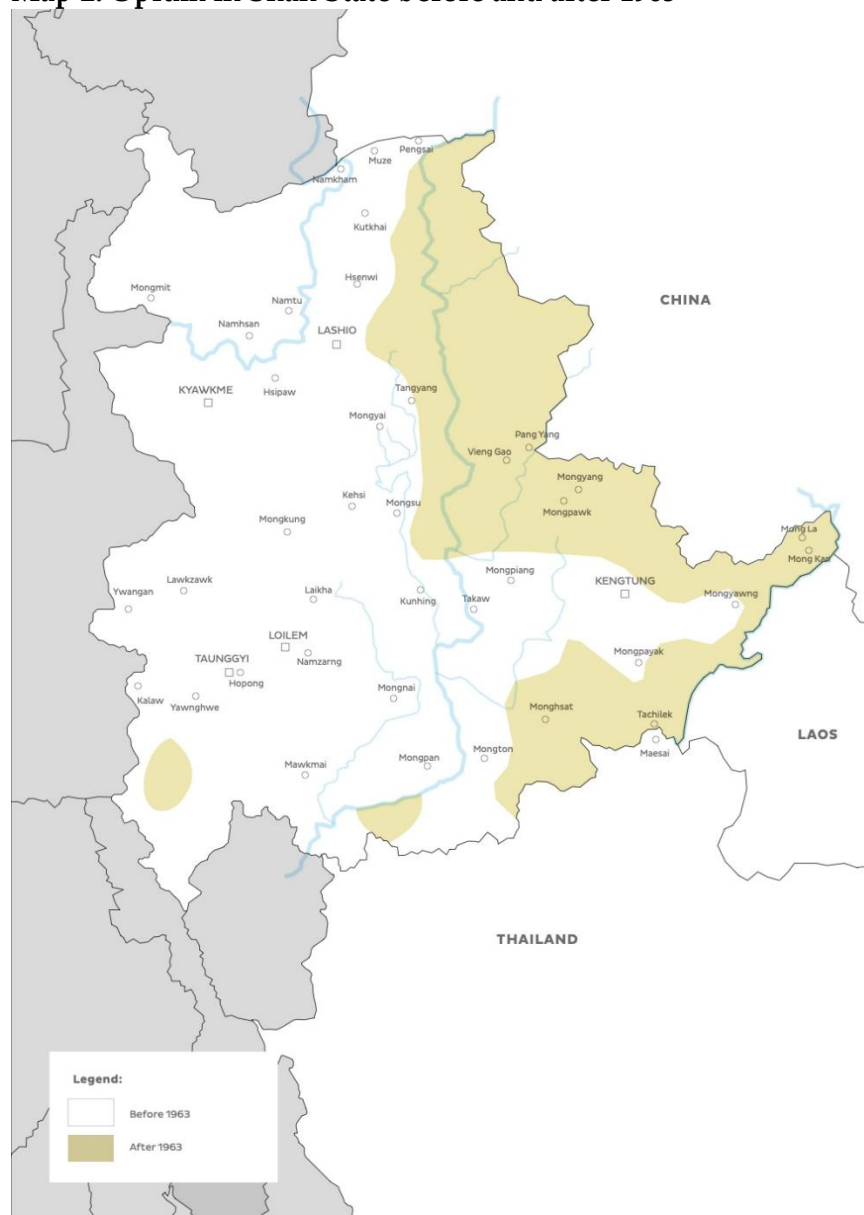
Contested territorial control limited the reach of the state, thereby producing two patterns of authority roughly corresponding to two zones – upland and lowland – shaped by their physical features. State administrative and security forces exercised control in the lowlands by maintaining garrisons in the main towns and armed posts along major roads. In the uplands, various armed groups – such as the KMT, ethnic armed resistance armies and other armed bandits – kept the state authority at bay. Cowell notes that when travelling in Shan State in 1972-1973 that 'no Burmese dares go into the interior, particularly the opium regions, without an escort of 250-500 soldiers, and this is why the opium trade has been able to flourish without check' (US Congress, 1975: 15). During this period, state leaders

exercised only limited control in much of the countryside particularly in the uplands.

REVENUE OPPORTUNITIES FOR ARMED GROUPS

Non-state armed groups pursued several strategies to profit from the opium circulating across Shan State. Among these were direct involvement in trading, providing transportation and protection services, and rent-seeking through predation and taxation of growers and traders. However, each strategy posed challenges that only a few groups were able to overcome.

Map 2. Opium in Shan State before and after 1963



Source: adapted by author from Yawnghe (1987).

Taxation of opium growers

The taxation of poppy growers offered a promising avenue for generating revenue. After the annual harvests, usually in February and March, opium farmers were flush. Armed groups dispatched members to villages for opium tax collection. Reports indicated that 10% of the harvest was a common tax rate (Cowell and Menges, 1973: 7; Lintner, 1999: 237; US Congress, 1975: 26;). In principle, taxation had several advantages. Unlike opium trading, which required tying up capital in cargo, taxation was less capital-intensive. The returns from taxation were also potentially high, when sold at the border – minus costs for collection and transport. However, revenue from taxation was contingent on an armed group's access to productive poppy-growing areas.

Many armed groups found it difficult to make money from taxing fields, as they operated in areas with limited opium production. Initially, the lack of widespread cultivation in the Cis-Salween region offered little opium to tax. The bulk of the production occurred in the Trans-Salween region and a few scattered pockets across the rest of Shan State. A lack of reach to these areas cut many groups off from this revenue stream. While, in the mid-1960s, an increase in cultivation in the Cis-Salween region opened up more opportunities for taxation (see Map 2), the amount of opium grown was small compared to traditional growing areas in Trans-Salween regions where farmers started growing roughly two centuries earlier.

Table 2. Estimated Shan State opium production broken down into resistance areas (early 1970s)

1. Communist Party of Burma area (CPB) (east of River Salween and north of River Hka) Roughly 200 tonnes from Kokang and Wa.
2. Kachin Independence Army area (KIA) (north of Hsipaw-Lashio-Kunlong Road, but including Loi Tao) Roughly 100 tonnes.
3. Shan United Army (SUA) area (between the Pang and Salween rivers and south of Loi Tao) Roughly 50 tonnes, but the SUA also handled most of the opium from Wa area, and some from Kokang.
4. Shan State Army (SSA) area (south of Hsipaw-Lashio Road and north of Khesi Mansam) Roughly 10 tonnes.
5. Shan United Revolutionary Army (SURA)-KMT area (south of Wan Tsing and east of Laikha-Mong Nai Road) Roughly 10 tonnes.
6. Pa-O National Army (PNA) and southern SSA area (west of Laikha-Mong Nai Road) Roughly 10 tonnes.
7. Eastern Shan State Army area (Kengtung region, east of River Salween): Roughly 15 tonnes.

Source: US Congress (1975: 25)

The estimates by Cowell submitted during his testimony before the US Congress (see Table 2) show that the amount of opium production in areas controlled by seven armed resistance groups in the early 1970s varied dramatically. The most productive region was in northeastern Shan State. From 1968 to 1972, the Communist Party of Burma (CPB) extended its authority over the Wa and Kokang region. In the areas under the control of the Kachin Independence Army, farmers produced roughly 100 tonnes of opium. The SUA established a base in Tangyan during its earlier stint as a military-allied militia in the mid-1960s and had access to fields producing roughly 100 tonnes per year. For the SSA, the SURA/KMT alliance, and the PNO, the amounts raised from taxing opium farmers were paltry compared to the CPB, with output in each of their areas ranging between ten to 15 tonnes per year (US Congress 1975: 25). To put this in perspective, consider that the SSA reportedly levied a 10% tax on opium. This suggests the tax collected by the SSA on the ten tonnes of opium in their area, reported by Cowell, would have amounted to roughly one tonne per year and which is only a fraction of the estimated 400 tonnes produced each year in Shan State in the early 1970s (Ibid., 1975: 124).

Opium trading

Purchasing opium from farmers and transporting it for sale to buyers offered one of the most remunerative avenues for armed groups to profit from the opium sector. The difference between the price paid to farmers and the price paid by Thai border-based buyers was significant – as much as 400%. But opium trading presented its own challenges.

A lack of working capital limited many armed groups' involvement in the opium trade. The reported price for opium in the producing areas hovered around USD 15 per kilo (see Table 1). If so, the capital requirements for purchasing five tonnes from farmers amounted to USD 75,000, a prohibitive cost for many groups and individuals. Even some of the most powerful armed groups struggled with this. Lo Hsing Han, the head of a military-allied militia, acknowledged that while he had led some of the largest opium caravans to Thailand in the 1960s and early 1970s, only 50% of the opium in any given shipment belonged to him. The rest belonged to independent merchants (Frontline, 1997). For many other armed groups, the lack of funds blocked – or severely curtailed – their participation in the trade (Cowell and Menges, 1973).

Even when armed groups had access to poppy growing areas, the limited cultivation curbed their trading. The Shan National Army (SNA), a Shan-led resistance group in Shan State's Kengtung region from 1961 to 1965, exercised control over 12,000 square miles. With the opium collected from farmers, they arranged convoys for a short trip to Thailand. Despite the SNA's command of opium fields, accounts suggest that its caravans never carried more than 1% of the opium exported to Thailand and Laos (Cowell and Menges, 1965; McCoy, 1972: 310-311, 314).

In a few cases, armed groups received permission to purchase in areas controlled by another group. After the Communist Party of Burma (CPB) extended its control

over the Kokang and Wa regions in the early 1970s, the CPB leadership permitted merchants who worked with military-allied militias to enter their territory and purchase opium. Before 1968, the KMT and other groups sent their caravans and purchasing agents to buy in these areas. Estimates place the volume as high as 200 tonnes in the early 1970s, according to Cowell (US Congress, 1975: 25), with a value of almost USD 12 million at the border, according to the estimated border price for 1974. Later, when the CPB began trading opium in the early 1980s, they ended the arrangement (Lintner, 1999: 360).

The KMT was undoubtedly the armed group most extensively involved in trading. Central to their success was their stock of investment capital, close ties with traders, their network of purchasing agents and their ability to safely transport opium from producing areas to border-based buyers. The infusion of weapons covertly supplied by the US Government also provided them with formidable coercive capacities (McCoy, 1972). The journey from opium fields – particularly the ones in northeastern Shan State – to the border was long and arduous. The threat of seizure by military officials and predatory armed groups made transport risky. To minimise these risks, armed groups escorted the opium convoys themselves, or in some cases – when available – they paid other armed groups to provide protection. The KMT also operated a string of radio posts, as many as seven, according to McCoy (1972: 319) in areas near transport routes. They used these outposts to monitor opium harvests, relay information on enemy troop movements, store rice and facilitate other logistical arrangements.

In addition to the merchants, a few other armed groups, including those led by Lo Hsing Han, Khun Sa and other military-allied militias, also traded opium. However, their share of the trade during this period never came close to matching the KMT's stake. While they possessed arms and, in the case of the military-allied militias, access to government roads, the lack of investment capital limited their market share.

An oversight in the analysis of the opium trade is limited attention to the significance of independent local merchants. The KMT forces, notably General Li Wen Huan's Fifth KMT Army, were the most well-known armed groups dealing opium in the trade. However, as Lo Hsing Han (and others) point out, 50% or more of the opium belonged to the merchants, who controlled most of the capital that financed the purchase of opium reaching the border (US Congress, 1975: 14, 28). The merchants relied on the KMT and their allies for protection and transportation. The KMT also benefitted financially from this arrangement as they often bought and taxed the merchant's opium.

Protection and transportation service provision

The KMT, like other non-state groups involved in the drug trade, are often viewed as predatory, violent and deviant. But this perspective overlooks their provision of services to opium merchants. As Varese (2011: 6) claims, extortion is not the defining feature of criminal cartels. Instead, as he argues, criminal cartels offer various services – protection against extortion, theft and police harassment, credit, the settlement of disputes and information.

The services offered by the KMT and their proxies meshed with the needs of opium merchants. Unlike many traders in legal goods, the opium merchants faced uncertainty. They lacked formal legal protection from the state and information about opium markets. Moreover, opium traders faced the threat of seizure by predatory armed groups, bandit gangs and the military, which made the long-range transport of opium risky. In an interview with McCoy (1972: 321), Jimmy Yang, an opium trader and leader of an armed resistance group, cautioned that a minimum escort of 50 armed men is essential for the survival of an opium caravan, whereas a caravan escorted by 200 soldiers 'is completely safe unless something unusual happens'. To protect the delivery of their valuable cargo, many traders and merchants hired the KMT and their allies to transport and protect their opium shipments. This arrangement resembles ones made by a bank with an armoured car service – like the Brink's Company. Rather than bank robbers, they protected opium from predatory armies.

Armed groups created value by offering services to transport opium from the fields to markets. The amount and structure of the fees varied. Jimmy Yang places the cost at USD 9 per kilo (McCoy, 1972: 321). Other estimates cited by Pikuey, a former officer in both the KMT's Third and Fifth Armies and member of several opium caravans until 1970, were 15% of their cargo's value or 200 kyat per vis (3.6 kilo), while Cowell places it at 20% of the cargo's value (Cowell, 1972; US Congress, 1975: 28). Lintner cites estimate of 3,000 kyat per mule (Lintner, 1999: 264). A back-of-the-envelope estimate of the fees for an armed group escorting a caravan of 300 opium-bearing mules was around USD 54,000 (McCoy 1972: 320; US Congress 1975: 36). In some cases, the transport arrangement also involved exclusive purchasing rights for the armed group providing security for the caravan. Pikuey noted that traders travelling with caravans led by KMT's General Li Wen Huan also had to sell their opium to him (Cowell, 1972).

Table 3. Estimate Of Military Personnel Escorting Shan Opium Convoys 1972-73¹

1. General Tuan Shi Wen's KMT operating in Shan State	500
2. General Li Wen Huan's KMT operating in Shan State	600
3. S.U.R.A	500
4. Lo Hsing Han	800
5. Homeguard Units of the Northern Ka Kwa Ye operating with Lo Hsing Han and including Li Fa Min , Yam Bugh Tsang and Tian Tze Tzong	500
6. Homeguard Units of Kengtung Ka Kwa Ye	
a. Shi Kya Kyi	100
b. Yang Siri	300
7. Homeguard Units of Tangyan Ka Kwa Ye	
a. Bo Lai Oo	300
b. Vingngun (including Mahasang , U Sein , Chin Sa Wu, Cho Huang Chai)	400
c. Wang Ye Saine - Bo Mi Yak	150
d. Bo Gang Sur	100
e. Ai Sao Hso	200
f. Wun Min of Loi Sae	80
Total	4530

The KMT took an early lead in providing protection and transportation services. Gibson and Chen (2011: 107) note that in the 1950s, individual KMT commanders 'competed for caravan contracts from merchants seeking the lowest fees from reliable military escorts'. When the well-armed KMT caravans left fields loaded with opium, other merchants and small armed groups joined them for a fee. Even after the bulk of the KMT forces moved from Shan State to Thailand in 1961, they dispatched caravans to Shan State to purchase opium and offer protection and transport services to others during their return trip. McCoy (1972: 315) notes that a

¹ Estimates from records submitted by Cowell to US Congress (1975: 27). Cowell notes that the figures came from Ka Kwa Ye militias and was cross-checked with Shan intelligence and his own observations. He mentions that, "Armed Lahu villagers trading part-time in Kengtung are not included."

CIA study showed that in 1966 and 1967, caravans led by the KMT and their proxies controlled 90% of the opium trade. A few years later, when Thai officials pressured the KMT to take a less high-profile role, they enlisted the military-allied militias to assist. Cowell estimates that of the 4,530 soldiers escorting opium convoys in Shan State in 1972 and 1973 (see Table 3), the number of KMT soldiers involved was 1,100, with the rest coming from military-allied militias – including 800 troops from Lo Hsing Han’s militia – and other allies (US Congress, 1975: 27). By 1972, Cowell estimates that they shipped 95% of the opium from Shan State entering Thailand (Ibid.: 16).

Some armed groups drew upon ties with state officials to ship opium unimpeded along government-controlled roads running to areas near Burma’s border with Thailand. From 1948 to 1965, a few groups worked as opium-purchasing agents to supply the state-sanctioned opium shops in Shan State with opium for the Kokang (United Nations, 1964: 59-60, 63). The purchasing agents sometimes used their licenses as cover to smuggle contraband opium along the roads. In 1963, state officials apprehended Lo Hsing Han, who was a licensed opium trader, for smuggling 1.6 tonnes of opium and sentenced him to jail (Maung Wint Thu, 2003: 36-37).

In the mid-1960s, several armed groups involved in the opium trade joined the military’s new Ka Kwe Ye militia programme. The military offered militia status to armed groups in return for their assistance in counter insurgency efforts. The arrangements involved the tacit approval for militias – including the ones led by Lo Hsing Han and Khun Sa – to use government roads to transport opium and store opium in the trading towns of Tangyan, Lashio and Tachilek (US Congress, 1975: 13-14). Cowell (2005: 5) mentions that the government issued ‘travel permits’, which he describes as a ‘euphemism for permission to export opium’. This arrangement continued until 1973, when the military terminated the Ka Kwe Ye militia programme.

The KMT and their militia allies dominated the transport trade. According to Cowell’s estimate, almost 20 of these groups provided protection and transportation services in the early 1970s (see Table 3). The involvement of armed resistance groups was limited (Yawnghwe, 1987: 54). As Cowell reports, the SSA, KIA, SUA and eastern SSA groups transported ‘insignificant quantities of opium’ in the early 1970s (US Congress, 1975: 27-28). Unlike the Ka Kwe Ye militias, the anti-government groups lacked ties to the military that allowed for the use of main roads. While the smuggling routes remained an option, a shortage of pack animals limited their ability to offer services to merchants (McCoy, 1972: 320). Merchants and other trades were also unwilling to entrust their valuable cargo to the resistance groups with whom they lacked close ties, according to Cowell and Menges (1973: 7). Lastly, as Pikuey suggests, some customers were reluctant to switch from one group to another for fear of retribution. One militia reportedly killed a merchant that planned to desert to another group (Cowell, 1973).

Predation of opium caravans

Caravans traversing rural Shan State loaded with millions of dollars of opium presented an alluring target. A single mule caravan that sometimes spread out over three miles carrying several tonnes of opium was a slow-moving prize. However, the material and logistical requirements for capturing opium caravans were beyond most groups.

Caravan hunting entailed a large, mobile strike force devoted to tracking movements of caravans and overwhelming them by threat of force. In Cowell's view, the strike force required modern automatic weapons, a costly investment pursued by only a few armed groups (Cowell, Article II on Opium Warfare, 1974). Tracking caravans also required a network of informants and communications equipment. For instance, the joint SSA-SUA operation that captured one of Lo Hsing Han's convoys employed fifty radio sets manned by units spread out across various smuggling routes and an estimated force of 1,500 men to track and attack the convoy (Cowell, 1972-1973).

Among the groups possessing these capabilities were the KMT and the SUA. While the KMT's financial interest in the success of most caravans meant that they did not prey on their business partners, the SUA was less restricted. Moreover, they possessed the capacities and leadership necessary to engage in predation. From 1969 to 1976, Chang Su Chuan, a former KMT officer, led the SUA. In a documentary film *The Opium Warlords* (1974), Cowell explains the difficulty of hunting opium caravans: for the capture of a caravan to yield profit, one needs to avoid harming the mules carrying the opium. The loss of a mule means the loss of opium, for without the mule, transporting the seized opium to border-based buyers was very difficult. Hence, there was a need for a 'soft touch' in capturing an armed opium caravan that required skill, proper execution and often superior forces. Otherwise, one was left holding the spoils of victory but unable to reap its rewards. As Cowell suggests, many armed groups lacked the weapons and monitoring capacity to capture opium caravans intact.

Taxation of opium shipments

With hundreds of tonnes of opium flowing out of Shan State, the ability to tax even a small portion of the trade offered financial rewards. However, the requirements for large-scale taxation were beyond most groups. While a few groups managed to piece together a system for taxing flows inside Shan State, the vast majority of tax revenue flowed to the KMT and, for a time, a few other groups who controlled territory along the Shan-Thai border. At the border, the transfer of opium from the merchants and armed groups to agents of international syndicates took place clandestinely.

A logic of opium taxation in Shan State follows that revenue collection efforts are likely most effective in areas where there is a predictable flow of large amounts of opium. While the roads and smuggling routes throughout Shan State served as arteries for opium flows, armed groups attempting to tax trade these routes encountered problems. First, the military's deployment along main roadways

used for trafficking made taxation extremely difficult. The army's ability to concentrate firepower on targets in the lowlands made sustained taxation difficult as roadblocks were vulnerable to attack. Two, the extensive maze of paths and jungle trails running through the mountains and valleys of Shan State meant that taxation efforts were susceptible to evasion by smugglers. As news spread about a checkpoint, traders could go around the checkpoint to avoid tax collectors. Opium convoys engaged in sophisticated evasion manoeuvres. They sometimes temporarily dispersed into small groups, taking different routes to confuse predators, and used decoy convoys. Nonetheless, a few armed groups – at least three – managed to tax large groups moving valuable cargo through areas inside Shan State. Some groups taxed the purchasing agents (Yawnghwe, 1987: 54).

Instead, the most effective forms of taxation entailed controlling strategic points along smuggling routes. Control of these areas had the advantage of a high volume of opium passing through a confined space. The most profitable chokepoints were located where smuggling routes fanned out along the Thai-Shan border. One such chokepoint is near the village of Piang Luang in Thailand's Chiang Mai province. The village sits near the end of a smuggling route extending to northern Shan State's opium-producing areas. Since at least 1959, several armed groups have controlled this transit route and taxed smugglers (Lintner, 1999). Here, the physical geography of high mountains and narrow valleys funnelled traders into narrow lowland corridors. The mountain peaks provided opportunities to post lookouts, spot approaching caravans, and detect small parties breaking away. Other chokepoints were the ferry crossings along the Salween River. The river's deep gorges and swift currents limited the number of places where mules could safely cross. A few non-state armed groups managed to set up roadblocks at these river crossings.

The KMT became the most effective opium tax collector on the border. After 1961, when the joint operations by the Burmese and Chinese targeted the KMT's bases in Shan State, the bulk of KMT units relocated their headquarters to northern Thailand. From the safety of the Thai frontier, they extended their influence along the Shan-Thai border. McCoy (1972: 321) notes that 'in 1966-1967 the CIA reported that KMT forces patrolled a seventy-five-mile stretch of borderland in Chiangmai and Chiangrai but in mid-1971 Shan rebel leaders claimed that KMT revenue collectors covered the entire northern border all the way from Mae Sai to Mae Hong Son'.

Control of border territory allowed the KMT to establish a de facto customs bureau for taxing much of the opium passing from Shan State to Thailand (and sundry goods heading to Burma) (Cowell, 1972; McCoy, 1972: 321; Lintner, 2000: 10). The KMT assessed a tax estimated at USD 4.5 per kilo on opium passing through their area – even on groups not using its caravan services (McCoy, 1972: 335; Gibson and Chen, 2011: 107). As Pikey told Cowell in an interview, 'If [the merchants] refused to pay, he [General Li Wenhuan] attacked and robbed them' (Cowell, 1972: 2). The KMT also purchased opium from the merchants, some of whom were obliged to sell to the KMT as part of their arrangement for transportation and protection services (Cowell and Menges, 1973: 7).

There were efforts to evade the KMT's taxation. In 1967, Khun Sa dispatched his agents to purchase 'unprecedented quantities of opium' in Shan State and invited opium merchants to join his caravan (McCoy, 1972: 322). He arranged the delivery of the opium to a buyer in Laos. When the KMT learned that Khun Sa had sent a caravan of roughly 300 mules carrying sixteen tonnes of opium on a 200-mile trek to Laos, they dispatched a force to intercept him. At a village in Laos, a three-day battle between the two groups ended when General Ouane Rattikone, the Commander-in-Chief of the Royal Lao Armed Forces and the buyer of the opium, dispatched Laotian Air Force planes to bomb both groups. After their retreat, the General directed his soldiers to collect the opium (McCoy, 1972: 297-307; Lintner, 1999: 303-304).

The KMT armies maintained their quasi-monopoly on border taxes until the early 1980s. During this period, a few groups challenged their control of the border. Khun Sa, the SURA and an ethnic Lahu army managed to establish small enclaves along the Shan-Thai border and tax incoming opium. The KMT took over the SURA-operated tax gate in Piang Luang in 1969. Initially, the SUA maintained a base at Baan Hin Taek, a village on the Thai side of the border. In 1982, when the Thai military pushed them out of this area, Khun Sa's forces began consolidating control of the border. By the mid-1980s, he had displaced the KMT and taken control of strategic chokepoints along the border (Lintner, 1999: 322-325).

Tacit permission from Thai state security authorities to maintain bases inside Thailand near the border was important for maintaining border control. These bases provided food, supplies and logistical support for troops on the other side of the border. For most groups, border taxation was difficult. They lacked the military capability and support from Thai security officials to take control of the strategic border positions from the KMT and other groups.

Another advantage border control offered was leverage over potential challengers by restricting their access to foreign opium markets. Border outposts allowed the KMT to monitor the opium trading of other groups and potentially regulate their sales to foreign purchasing agents. McCoy (1972: 333) reports that after the 1967 Opium War, the KMT was 'explicitly refusing to allow any Shan opium caravan larger than one hundred mules to enter Thailand'. The effectiveness of this measure is not apparent. For instance, many Shan groups traded only limited amounts of opium, but there were also likely ways to avoid KMT restrictions.

Blocked from border taxation, a few other groups managed to tax within Shan State. The most successful was the SUA. In addition to hunting caravans, the SUA also forced a few caravans to pay a tax of 20% on their opium (US Congress 1975: 36; McCoy, 1972: 286). Cowell and Menges (1973: 3) report that in 1971 and 1972, the SUA taxed over 16 tonnes per year. Two armed groups in Mong Ngen and Petkang, loosely affiliated with the SSA, also managed to tax traders. Several conditions worked in their favour. These groups were well-armed and operated in an area with a high volume of opium traffic. Another element of their success was the ability to create costly delays by blocking the routes taken by other caravans. According to Cowell, the SUA's three-month delay of a large convoy operated by

Lo Hsing Han exceeded the 200,000-kyat tax they demanded. The delay meant extra salaries for the soldiers and the muleteers and the food for the mules – the convoy's 500 mules ate over a tonne of rice daily (Cowell and Menges, 1973: 8).

PARASITIC PREDATION

The militarised violence in Shan State produced upheaval, dislocation and misery for much of the largely rural population. With no overriding authority to adjudicate claims over lucrative commerce or impose sanctions for transgressions, one might imagine groups operating with impunity or, as Thucydides suggested long ago, 'the strong do what they have the power to do and the weak accept what they have to accept'. One unexpected feature of Shan State are cases of self-restraint in the use of violence by some armed groups, when engaged in capturing opium convoys. These instances run counter to images of Shan State and other anarchic areas where contested and fragmented authority left powerful groups unconstrained in plundering valuable resources.

Chang Su Chuan, an SUA commander regarded as skilled in the tactics of caravan warfare, explained to Cowell that the long-term prospects for revenue generation from plundering opium caravans led the SUA to exercise self-restraint. This rationale reflected his concern that unrestricted predation would lead the opium merchants to take countermeasures to reduce their risks. Among his concerns were that the breaking up large opium convoys into smaller ones and shipping opium by truck or plane would increase the costs of tracking and shadowing caravans and the likelihood of successful evasion, which would decrease economic gains over time (Cowell and Menges, 1973: 8-9; Cowell, 1972-1973).

The concerns expressed by Chang Su Chuan represent an economic logic of parasitic predation running through Shan State. Just as parasites do not kill their hosts, successful rent-seeking by armed groups curbed the use of lethal force. This example and the restrained use of violence that might kill or maim pack animals in capturing opium caravans reflect how forward-looking financial concerns can constrain predatory violence. Olson (1993) describes this in his discussion of the effects of time horizons on banditry.

CONCLUSION

The multimillion-dollar opium trade that emerged in Shan State offered armed groups multiple avenues for profit. However, most revenue initially flowed to the KMT and their merchant partners. Local armed groups – including the ones challenging the government – encountered impediments that limited their access to opium revenues. This paper moves beyond a conventional focus on the presence of resources by considering the properties of opium, the physical

features of Shan State and the geographies of contested authority to show the significance of context to better understand the forces that shape the pattern of wartime taxation and violence in Shan State. Examining how actors interfaced with the structure of the opium sector provides a more detailed analysis of how different groups fared in gaining revenue.

This paper highlights the significance of predictability for understanding both the flows of opium and the efforts to tax it against the backdrop of the various factors structuring the sector. Sundry opium traders – merchants, armed groups and others – followed a logic premised on the predictable delivery of their valuable cargos. Rather than dodge taxation, their routes and use of armed escorts reflected strategies designed to mitigate unexpected interruptions or seizures. At the same time, the success of positioning roadblocks along the chokepoints for opium flows at the border also reflects the roadblockers' assessment of the predictability of revenues in these places.

Conflict scholars link opium to militarised violence. Research on civil wars have identified several pro-violence effects resulting from the opportunities afforded by the presence of opium and other natural resources. However, the emphasis placed on the presence of resources neglects an important element of revenue generation, namely, the different strategies armed groups pursue for collecting revenue from resources. Comparing opium flows with revenue streams for individual groups in Shan State shows that while opium profits were immense, only a few armed groups managed to make significant profits from it. Looking at Shan State through the lens of the politics of passage shows the difficulties of earning money from the opium trade, which helps account for the wide variation in resource financing among armed groups. This disparity highlights the need for scholars to pay closer attention to methods of generating income when assessing resource effects.

Examining the methods employed by armed groups and traders to accrue revenue from the opium trade shows the limits of resource-deterministic frameworks for understanding violence and a need, as Mitchell (2011) argues, to look at the underlying structures in which resources are embedded. For instance, in the 1970s, India was also a leading opium producer. Unlike Burma, opium growing in India was not a driver of armed conflicts. Instead, the government's authorisation of large-scale poppy growing for its pharmaceutical sector points to the importance of the broader context, such as its state-defined legal status, in which opium is situated. The restraint on the use of violence in predation by armed groups in Shan State also suggests that there is nothing inherent to opium that leads to violence and indicates a need to consider other factors.

Often overlooked in the study of roadblocks are their effects beyond the actual roadblock site. In Shan State, controlling chokepoints along smuggling routes enabled non-state armed groups to tax opium and other goods. However, roadblocks had other effects. The KMT reportedly restricted opium capital accumulation by rival armed groups, thereby curbing their ability to generate revenue and parlay it into greater coercive capabilities. The Burmese government also leveraged roadblocks to advance counter-insurgency goals. Their selective

enforcement of restrictions on the passage of opium along government roads provided a means for encouraging armed groups to become military-allied militias. Not only did this weaken armed resistance groups by reducing their potential opium tax base, but it also served as a means for peeling away units from these groups by conferring militia status on them. The uneven access to revenue helps account for the frequent splits and mergers among non-state armed groups that have made Shan State one of the most politically fragmented areas of the post-World War II period. Repeatedly, non-state armed groups have splintered when a unit has broken away to form an alliance with a better-funded armed group. These breakups have involved the establishment of new groups or mergers with another group.

The relative absence of roadblocks used for taxing the lucrative opium trade – aside from chokepoints, such as those at the Thai-Shan border and river crossings – differs from several other conflict regions where roadblock taxation is widespread. The Shan State case suggests that varying levels of state capacity help account for the patterns of taxation in which roadblocking took place at chokepoints. But looking more closely at the properties of opium and its effect on its marketing system and access to revenues also helps account for several dynamics of the trade. Opium's illegal status was likely one of the reasons that state officials did not pursue its taxation through roadblocks. The value compactness of opium that made its long-range trade profitable and worth incurring costs to secure its shipment is another feature that may also help account for these patterns. The rugged terrain of Shan State also likely played a role. It is hard to imagine the opium caravan trade taking place on plains – rather than mountains – without more taxation. Comparing the effects of a commodity's legal status and value density, along with the terrain that it crosses, provides promising avenues for further research on roadblocks and taxation.

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