

Burma

Myanmar Jade Industry Risks Becoming Regime's Slush Fund: Report

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Myanmar's jade industry risks becoming a military slush fund and source of political patronage that will enable the country's dictatorship to thrive, as the multibillion-dollar sector is currently controlled by the coup leaders, Global Witness warned on Tuesday.

The campaign group also called on the international community to immediately ban the import of all jade and gemstones mined in Myanmar. It said that China, as the main driver of demand for jade, also has a key role to play in addressing corruption and conflict linked to the trade.

"The grip of the military on the jade sector is so strong that it would be nearly impossible to purchase jade without providing money to the generals and their allies," said Keel Dietz, Myanmar policy adviser at Global Witness.

The organization said the coup had allowed the military to take back direct control of the jade industry's regulatory and licensing bureaucracy, including the Myanmar Gems Enterprise (MGE), a state-owned business.

"There is a serious risk that the military will recommence licensing, selling off permits in a massive fire sale to help it fund its operations," Global Witness said in "Jade and Conflict: Myanmar's Vicious Circle," a report containing the findings of its multiyear investigation into the industry.

The previous military junta had a long history of exchanging access to natural resources, and licenses for their exploitation, for political and military support. Myanmar's jade industry is worth more than US\$30 billion, according to Global Witness. That figure equates to almost half of Myanmar's GDP.

Myanmar's military increased its control of the country's lucrative jade trade in the years leading up to the coup, even as the civilian government led by the National League for Democracy (NLD) made efforts to reform the industry, according to the report.

In 2016, the NLD government suspended all jade licensing, promising to reform the troubled sector. However, the report said that military officials, military companies and their business allies frequently ignored the licensing suspension and resisted reform at every turn in order to further expand their already dominant role in the industry.

Myanma Economic Holdings Limited (MEHL), a military-controlled conglomerate, was the single largest jade and gemstone mining permit-holder at the time of the licensing suspension, according to Global Witness.

The company controlled 1,100 active permits at that time. Of those, it acquired 639 (or 58 percent) during the first few months of 2016 in a frantic resource grab just before the NLD officially took power. The largest license holder that was not an MEHL subsidiary controlled only 285 licenses at

the beginning of 2016, showing the extent of the military's dominance of the sector.

Post-coup instability has also opened new pathways for jade-related corruption as the rule of law deteriorates further, with the military poised to restart the suspended process of issuing mining permits in order to generate quick cash to help prop up its illegitimate administration, the group warned.

The report said that corruption within Myanmar's jade sector had reached the highest ranks of the military, including the family of coup leader and commander-in-chief Senior General Min Aung Hlaing. The group accused his son of receiving bribes to facilitate jade mining in Hpakant, Kachin State in 2018.

Global Witness warned that "The 1 February coup has aggravated these dynamics, triggering a wave of renewed violence in Myanmar's jade mining regions and potentially thrusting the industry further into lawlessness."

According to Dietz, "Min Aung Hlaing is a man who has presided over some of the worst crimes against humanity the world has seen in recent years, and now he has led a coup that has plunged Myanmar into a crisis that risks returning the country to the darkest days of military rule."

He added, "The involvement of his family in jade sector corruption may not come as a surprise to many but it speaks to the way in which this lucrative industry has helped sustain the power and influence of military elites and perpetuated conflict across the country, even as the NLD attempted to reform the industry."

Global Witness also pointed to the growing number of ethnic armed groups and militias involved in jade trading, such as the Kachin Independence Organization/Army (KIO/KIA), the United Wa State Party/Army (UWSP/UWSA) and the Arakan Army (AA).

The lawless environment around Hpakant has facilitated further corruption, allowing old foes to cooperate to mine faster and more dangerously before their licenses expire. Even as they engage in active fighting elsewhere in Myanmar, armed groups have turned Hpakant into a zone of cooperation, the report said.

"The Tatmadaw [Myanmar's military], armed militias and ethnic armed groups such as the KIA, UWSA and AA literally found common ground to dig up jade ever faster and more destructively, even as they were in conflict elsewhere in the country," Dietz said.

Jade money from Hpakant was being directly channeled into the trade in arms, fueling violent conflict in northern Myanmar, with the UWSA fulfilling part of its jade-related tax obligations to the KIA by providing weapons produced in its own factories, and the KIA then selling these weapons, sometimes at a discount, to the AA, Global Witness said.

The AA also cooperated with the KIA to collect jade payments to support its war against the Tatmadaw in Rakhine and Chin states, according to Global Witness.

In the absence of proper oversight and enforcement, the NLD's 2016 jade licensing suspension led companies affiliated with the military and other armed actors to further increase illegal and ruinous mining practices, it said.

Global Witness urged the international community to support a future legitimate government in removing the Tatmadaw and other armed groups from the jade industry and placing natural resource governance at the heart of peace talks.

“There will be no peace or democracy as long as men with guns control the vast wealth generated by one of Myanmar’s greatest natural treasures,” Dietz said.

“As the people of Myanmar risk their lives to stand up to the military regime, the priority for the international community right now should be bringing an end to the coup and helping ensure a democratic and legitimate government is returned to power. A crucial part of this is cutting off the financial flows to the military through targeted sanctions on their economic interests, including the jade sector,” Dietz added.

Following the coup, the US and UK imposed sanctions on Myanmar Gems Enterprise (MGE) as “a key economic resource” for the military regime.

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