

# OPIUM AND ‘DEVELOPMENT’ IN MYANMAR: THE POLITICAL ECONOMY OF A RESURGENT CROP

Patrick Meehan

Myanmar is the second largest producer of illegal opium in the world after Afghanistan. Most of the country’s drug crop is produced by poor farmers in upland areas of Shan State close to China, Thailand and Laos. For much of Myanmar’s post-colonial history, Shan State has been engulfed in a protracted war between an array of ethnic armed groups fighting against the central government.

Today Shan State is the source of over 95% of opium in Southeast Asia, the majority of which is converted into heroin within the country’s borders. Although most of the country’s heroin is trafficked into neighboring China, where demand for the drug has risen dramatically over the past three decades, rising drug addiction has also had a devastating impact upon communities throughout Myanmar.

The drug economy across Shan State has typically been blamed for the region’s violent conflicts, underdevelopment and lawlessness. Opium production is perceived to flourish in regions beyond state control and in areas excluded from processes of economic development and integration. The spate of reforms initiated in Myanmar since 2010 have been hailed as offering renewed opportunities to stem the flow of illegal drugs emanating from the country’s border regions.

However, this narrative is based on an idealized vision of Myanmar’s transition that rarely reflects upon the kind of “peace” and “development” that is materialising across the country’s borderlands. Indeed, Myanmar’s rising drug production over the last decade has been driven by an increase in poppy cultivation in stable areas of Shan State, complicating the conflation of opium and insurgency common to many narratives of Myanmar’s illegal drug trade.

Understanding what drives drug production in Myanmar requires examining how the drug economy has become embedded within processes of economic development as well as underdevelopment over the past twenty years, and how drugs are embedded within emerging governance structures in areas under state control, as well as remaining a part of the borderland war economy. The vast majority of farmers who cultivate poppy across Shan state do so as a way to alleviate poverty. Farmers emphasize the consistent demand for opium and its reliability as a cash crop. Whilst farm-gate prices do fluctuate, farmers know there will always be buyers, a situation which has been enhanced by incessant global demand for drugs and eradication drives in neighboring China, Thailand and Laos over the previous half century.

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A farmer tends to the tea crop in southern Shan State, 2016. Tea prices have fallen significantly in recent years, encouraging some farmers to grow opium instead.

Source: Patrick Meehan



Consistent demand also allows farmers to borrow money against future opium harvests. Over time these arrangements have locked many farmers into exploitative relations with moneylenders. However, in the absence of formal rural finance systems, the ability to use opium as collateral against which to borrow money remains an important advantage in the eyes of those who grow it. As a low bulk commodity that can be easily preserved, opium compares favorably to other cash crops for which transportation can be expensive and for which there is huge necessity to reach markets quickly. Poppy can also be grown on steep hillsides, allowing farmers to generate income from marginal land that would otherwise yield little. It can generate a profit within four months, in stark contrast to other upland commodities such as coffee and fruit trees.

These dynamics are well documented in many of the [policy reports](#) on drugs in Myanmar. However, invariably ignored in these documents is how the qualities intrinsic to poppy production have become more, rather than less, important to many households amidst the wider political and economic changes unfolding across the country's borderlands.

The past two decades have been witness to one of the most profound periods of agrarian change in Myanmar's history, marked by a fundamental shift towards a market economy underpinned by a drive towards large-scale commercial farming.

This transition has been underpinned by changing legal frameworks governing investment and [access to land](#), which have empowered the government to commandeer 'wasteland' – in practice land without legal title – for 'productive' purposes. Much of this land has either been transferred to private companies as agribusiness, forestry or mining concessions or has been allocated to the Army. Over the past two decades, under the rhetoric of modernization and poverty alleviation, smallholder farmers across Shan State – many of whom exercise customary land tenure – have been confronted with a [nexus of military, government and private sector power](#) empowered by a legal structure that facilitates and legitimizes dispossession.

Further compounding the challenges faced by rural communities in Shan State has been the decline of many of the region's long-standing cash crops. Over the past decade, prices farmers can get for [tea](#), cheroot, chilli and garlic in southern Shan State have all fallen significantly. In response, many farmers embraced the opportunity to grow new cash crops marketed by agribusinesses.

Many farmers have turned to using hybrid high yield variety (HYVs) seeds, without a full awareness of the year-on-year increases in the use of fertiliser and pesticides that these seeds require and the price volatility in global commodity markets. Farmers are

often required to borrow money for agricultural inputs from moneylenders at extortionate interest rates, reliant upon profiteering middlemen to transport their harvested goods to market, and increasingly susceptible to fluctuating weather patterns in light of the extensive amounts of water required by HYVs. The development of intensive agricultural practices in absence of a broader pro-poor rural development strategy has greatly increased farmers' vulnerability to poor harvests and indebtedness. The need for cash and the vulnerability of farming households to debt has also emerged as a result of the sheer number of armed groups now operating across Shan State.

Within this context, growing opium or working on poppy farms has become an important mechanism for managing risk. Alongside migration to China and Thailand, drug cultivation has become vital to generate revenue and service debts. Although growing poppy does entail risks – bad weather and sporadic eradication drives can decimate harvests – opium also offers farmers a means to manage threats to their livelihoods that have emerged over the past twenty years.

The dynamics surrounding the opium economy can be understood as a microcosmos of the broader structural changes shaping the rural economy in Shan State. Opium cultivation embodies a survival strategy for poor households to mitigate the risks created by agricultural commercialization and predatory local authorities. The importance of the drug economy to local livelihoods and to financing formal and informal local authorities also demonstrates how opium has become embedded within [emerging governance structures](#) and processes of economic transformation in Shan State.

Donors and policymakers must engage with how drugs have become embedded in the processes of economic development that are assumed to be the mechanisms through which poverty alleviation, drug reduction and peace can be achieved. Well-intentioned but de-politicized rural development and counter-narcotic strategies will continue to be frustrated, unless policy-makers understand that opium cultivation is as much a consequence of 'development'-induced poverty as it is from a lack of development.

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