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As Myanmar approaches historic election, new report reveals secret jade trade is worth up to US\$31 billion, and controlled by military elites and drug lords.

Myanmar's vast jade trade is being secretly controlled by networks of military elites, drug lords and crony companies associated with the darkest days of junta rule, an explosive 12-month investigation by Global Witness reveals today.

As the country approaches a general election on 8 November, the report, "Jade: Myanmar's 'Big State Secret'", shows that the elites who have most to lose from an open and fair future also have access to a multi-billion dollar jade 'slush fund'. This should sound loud alarm bells for reformist elements in the Myanmar government and its international partners, particularly the US.

New findings and analysis by Global Witness put the value of Myanmar's jade production as high as US\$31 billion in 2014 alone. This figure equates to nearly half of the entire country's GDP, and over 46 times national spending on health, yet the local population sees little benefit.

The report reveals how the families of notorious figures including former dictator Than Shwe and ruling party bigwigs Minister Ohn Myint and Maung Maung Thein are major players in jade. Elsewhere, US-sanctioned drug lord Wei Hsueh Kang plays a dominant role through a web of front companies, while Myanmar's army is helping itself to a gigantic slice of the pie via its own conglomerates and an elaborate extortion racket run by officers in Kachin State.

"Myanmar's jade business may be the biggest natural resource heist in modern history. Since 2011, a rebranded government has told the world it is turning the page on the ruthless military rule, cronyism and human rights abuses of the past. But jade – the country's most valuable natural resource and a gemstone synonymous with glitz and glamour – reveals a very different reality," said Global Witness analyst Juman Kubba.

"This massive, dirty business is still controlled by a rogues' gallery of former generals, US-sanctioned drug barons and men with guns. Hidden behind obscure companies and proxy owners, these elites cream off vast profits while local people suffer terrible abuses and see their natural inheritance ripped out from beneath their feet."

The jade business is wreaking havoc on the people and environment of Kachin, where the stone is mined. Conditions around the mines are often fatally dangerous and drugs and prostitution are endemic, while those who stand in the way of the guns and machines face land grabs, intimidation and violence. The jade is worth equivalent to US\$21,000 per year for each person in Kachin State, yet locals are systematically cut out of the business. The loss of livelihoods and massive environmental damage is stoking unrest and resentment in a highly volatile region.

Jade is a significant driver of Myanmar's most serious armed conflict, between the central government and the Kachin Independence Army / Kachin Independence Organisation (KIA/KIO). The industry generates funds for both sides in a war which has claimed thousands of lives and seen 100,000 people displaced since it reignited in 2011. This creates incentives for military commanders and hardliners in government to prolong the conflict and protect the ill-gotten assets they stand to lose if the jade business is run more openly and fairly. The report argues that the question of who manages and benefits from Kachin State's jade must be addressed now and built into a comprehensive peace agreement to end the conflict.

“While the situation uncovered in the report is dire, the opportunities for change are real and urgently need to be taken. Alongside their pursuit of peace negotiations, reformers in government last year signed Myanmar up to the Extractive Industries Transparency Initiative (EITI), an international scheme designed to stop corruption and abuse in the oil, gas and mining sectors. EITI offers a credible framework for change, but unless officials take urgent steps to implement its recommendations openly and fully in the jade business, the process risks being a sham,” said Juman Kubba.

Jade is also a key test of US foreign policy in Myanmar. The US has a partnership on the extractive industries with Myanmar government and is a key supporter of EITI. It also has specific sanctions on the jade sector, imposed during the Than Shwe dictatorship to deny money and power to abusive members of the military junta. Yet this report shows that many of those same individuals dominate the jade business today, alongside other infamous figures who are subject to US sanctions for their involvement in the drugs trade.

Global Witness is arguing that the US and Myanmar’s other partners should benchmark the lifting of sanctions and future aid disbursements to reforms of the jade industry. These must prioritise sharing control and benefits more equitably with Kachin State, and making the business accountable to the Myanmar public.

“With a range of sanctions on individuals named in this report, and a leading role in the fledgling extractive industries reforms, the US is uniquely placed to help take the jade out of the hands of the military, cronies and drug lords. It must make this a priority for its partnership with the new government that emerges from November’s elections,” said Juman Kubba.

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Notes to editors

- 1) The report will be available at www.globalwitness.org/myanmarijade from 23 October 2015. For advance embargoed copies please contact ocourtney@globalwitness.org
- 2) The basis for Global Witness’ US\$31 billion estimate of Myanmar’s jade sector in 2014 is laid out in Appendix 1 to the report. In summary, the calculation is based on:
 - Myanmar government data on jade production in 2014.
 - Estimates for the average price of each grade of jade, based on a detailed breakdown of sales at the 2014 Myanmar Gems Emporium (the major official sales event aimed at international buyers in that year), and sales information for a domestic sale of utility (low quality) jade in October 2014.
 - Estimates of the proportion of jade production which is ‘imperial grade’ (high quality), ‘commercial grade’ (medium quality) and ‘utility jade’ (low quality), taken from the report published by Harvard Ash Center/Proximity Designs in 2013.

The US\$31 billion figure is an estimate of the value of official jade production only. It does not take account of any jade which is not officially recorded at the jade mine sites.

- 3) Global Witness has also produced an alternative estimate of the value of jade production in 2014, based on Chinese trade data. Chinese government import data for 2014 indicates that the category of gemstone imports from Myanmar that covers – and overwhelmingly comprises – jade was worth US\$12.3 billion. However, this accounts for less than one-third of total jade production in 2014; the remainder is not reflected in official jade imports to China, despite China being the place where almost all Myanmar's jade ends up. If one calculates an average price per kilogram of jade imports as indicated by Chinese 2014 import data and combines it with Myanmar government production figures for the same year, this produces an estimate of almost US\$38 billion; again suggesting that the value of the jade sector was above US\$30 billion in 2014.