



global witness

LORDS OF JADE

How a narcotics kingpin and his associates used opaque company structures to take a dominant role in Myanmar's most valuable natural resource business

DECEMBER 2015





Companies controlled by a rogues' gallery of generals, army companies, 'crony' tycoons and drug lords have turned the jade mining region of Hpakant into a dystopian wasteland. The companies deposit waste from their mining operations in huge tailings dumps with little regard for the hazards these pose to local people and to the environment. The collapse of one such dump, on 21 November 2015, killed over 100 jade 'hand-pickers' who were living in a makeshift settlement nearby. These pictures, by photographer Minzayar, capture grim scenes of the aftermath of the disaster. According to press reports, one of the firms that had been dumping at this site was Yadanar Young Chi.ⁱ As explained on page 18, Yadanar Young Chi is alleged by jade business insiders and observers to be part of the Wa-related group of jade companies that are the subject of this report; however the firm denies this. CREDIT: Minzayar

ⁱ Min Khi Thein and Esther Htusan / Associated Press, 'Search ends for victims of Myanmar jade mining landslide'; 25 November 2015, http://hosted.ap.org/dynamic/stories/A/AS_MYANMAR_LANDSLIDE?SITE=ILBLO&SECTION=HOME&TEMPLATE=DEFAULT, last accessed 27 November 2015. Ei Ei Toe Lwin / Myanmar Times, 'Jade mine landslide death toll exceeds 100'; 23 November 2015, <http://www.mmtimes.com/index.php/national-news/17754-death-toll-feared-highest-in-a-decade-after-landslide-hits-jade-town.html>, last accessed 27 November 2015. Communication from journalist; November 2015.

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SUMMARY

Myanmar's jade business may be the biggest natural resource heist in modern history. The sums of money involved are almost incomprehensibly high and the levels of accountability are at rock bottom. One of the most dominant and dangerous groups involved is a collection of companies controlled by Myanmar's most famous drug lord, Wei Hsueh Kang. This report shows how Wei Hsueh Kang and his associates, following the template of terrorists, kleptocrats and mafia the world over, have used a web of opaque company structures to build, and disguise, a jade empire.

Following the election victory of Aung San Suu Kyi's National League for Democracy party in November 2015, Myanmar's long-suffering population has a historic opportunity for change. But many obstacles lie ahead. One of the most significant and least understood is the jade business. Jade production was worth up to US\$31 billion in 2014 alone: equivalent to almost half Myanmar's officially recorded GDP. At the same time, the business is substantially controlled by political hardliners who command no popular support but might attempt a comeback or campaign of sabotage if they have the means to finance it. Prising the jade from their grip must be one of the top priorities for the new government if it is to deliver the lasting freedoms, peace and prosperity voters have demanded.

Drilling deeper into the question of who are the key players in the murky jade business, this report examines the role of Wei Hsueh Kang and his associates. Wei Hsueh Kang is a long-time financier of the United Wa State Army / United Wa State Party (UWSA/UWSP) ethnic armed group and the architect of the methamphetamine epidemic that

has ripped the social fabric of Myanmar, Thailand and other countries in the region. The US government has offered a US\$2 million bounty for information leading to his arrest or conviction, slapped him with judicial indictments and imposed sanctions on him, his associates and companies. How then, has he succeeded in claiming a seat at jade's top table?

Firstly, Wei Hsueh Kang and his associates have successfully exploited Myanmar's armed conflicts. In the early 1990s UWSA/UWSP leaders parlayed their ceasefire deal with Myanmar's military junta into licences to mine the prized Hpakant jade deposits in Kachin State. Since the resumption, in 2011, of the armed conflict between the government military and the Kachin Independence Army / Kachin Independence Organisation (KIA/KIO), the companies connected to the UWSA/UWSP have got stronger. Part of the reason is the unique bargaining power the UWSA/UWSP has with both sides. Neither the government army nor the KIA/KIO can afford to antagonise them, so companies able to invoke the Wa name can operate with impunity.

Secondly, they have managed to evade US indictments and sanctions imposed on Wei Hsueh Kang's Hong Pang group of companies by conjuring up a range of alternative corporate vehicles. Unlike Hong Pang, these companies have a very low profile, even in Myanmar, and disguise the fact that they comprise different parts of the same operation. They are run or represented by Hong Pang alumni, however, who are described by one jade business leader as "a gangster group doing black business". The core five firms between them exercise control over at least 50 jade mines and, according to some accounts, a wider pool of jade mining companies. These five firms recorded over US\$100 million in legal sales of jade at the 2013 and 2014 official government gems sales events (known as emporiums) but are reported to have made far more through smuggling.

The principal front man for these five companies, Zaw Bo Khant, has a close relationship with American machinery giant Caterpillar Inc., which has invited him on promotional tours of several countries. This reflects both the extent of Wei Hsueh Kang's evasion of sanctions and the risks that international investors face in Myanmar. In the case of Caterpillar, these risks have been exacerbated by the company's apparent failure to do adequate due diligence on the owners of its dealership in Myanmar.

The dominant role of Wei Hsueh Kang, alongside the range of military families, army companies and 'crony' tycoons profiled in Global Witness' *Jade: Myanmar's "big state secret"* report, poses a significant obstacle to reform of the jade business. If the new government is to confront it successfully, it will need to find ways of tackling the use of opaque company structures that are designed to disguise the identity of the real ('beneficial') owners.

*If you had an industry worth as much as **US\$31 billion** a year would you put it in the hands of these people?*



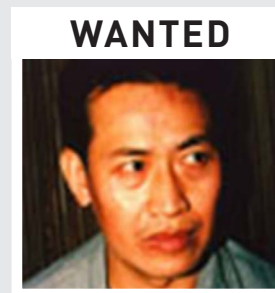
A former dictator who oversaw 20 years of rampant human rights abuses and corruption?



A former general famous for threatening to slap those who resist him?



A former general and ruling party leader whose family's mining operations killed up to 60 people in 2015?



A drug lord with a US\$2 million government bounty on his head?

Some of Myanmar's biggest jade companies belong to some of its most formidable opponents of reform. This raises the risk of jade revenues being used to obstruct the country's transition to democracy.

Amidst a longer list of recommendations (set out at the end of this report) concerning Myanmar's implementation of the Extractive Industries Transparency Initiative (EITI), we are urging the new government of Myanmar to prioritise the following actions:

- In line with EITI recommendations, require jade and other natural resource concession holders and companies bidding for concessions to disclose publicly the identities of the individuals by whom they are ultimately owned (the 'beneficial owners'). In addition, require disclosure of any associations with public office holders (past or present), and any history of involvement in corruption, environmental or human rights abuse, or the narcotics business.
- Make EITI provisions on data disclosure a requirement of new mining, gemstone and other laws governing jade and other natural resources.
- Reinstate the company shareholder details in Myanmar's company registry, adding in shareholders' national registration card numbers, and include in the registry additional information on the beneficial ownership of all companies involved in the gems, oil, gas and minerals industries.

At the same time, Global Witness is recommending that the new Myanmar government, in conjunction with international partners, conducts a thorough investigation into criminal activities in the jade industry – including those of drug traffickers and money launderers – as a basis for prosecutions.

Partner governments, notably the US, should support this effort by using international sanctions to incentivise improved practices by more responsible jade companies and to impede the operations of those that are engaged in illegal or otherwise abusive activities.

One section of this paper – Travels with My CAT, by Zaw Bo Khant – is taken from *Jade: Myanmar's "big state secret"*. Other sections cover similar themes to those summarised in Chapter 2 of that report but provide further detail and analysis.

What's jade worth and who's benefiting?

In October 2015 Global Witness published a report called *Jade: Myanmar's "big state secret"* which examined the workings and control structures of the country's secretive jade business. The report's key findings are as follows:

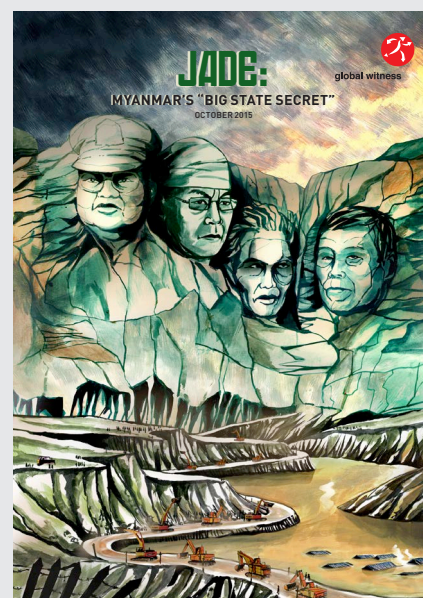
- 1. The jade business is worth far more than previously thought; possibly as much as US\$31 billion in 2014.** Chinese government trade data for 2014 indicates that the category of gemstone imports from Myanmar that covers – and overwhelmingly comprises – jade was worth US\$12.3 billion.¹ However, this represents less than a third of Myanmar's officially declared jade production by weight, even though China is where almost all Myanmar's jade ends up.²

Using Myanmar government production and sales data, and an estimate of the proportions of high, medium and low-grade jade as shares of production developed by Proximity Designs and the Harvard Ash Center, we undertook a new and in-depth analysis of the value of the jade business. Our estimates put the value of Myanmar's official jade production in 2014 alone as high as US\$31 billion. An alternative methodology, which uses an average price per kilogram of jade derived from the Chinese import data yields a figure of US\$38 billion.

Our intention, in publishing some specific figures, based on the incomplete data available, is not so much to have the last word on the value of Myanmar's jade business as to trigger a debate and encourage the full disclosure of the information the public needs to make more definitive assessments on an ongoing basis.

- 2. The jade business is dominated by a rogues' gallery of military hardliners, army companies, 'crony' tycoons and drug lords.** These include the families of former dictator Than Shwe, a serving minister, two deputy ministers and a former ruling party general secretary. Other key players include infamous military conglomerate Myanma Economic Holdings Limited and a previously obscure but very powerful group of companies known as Ever Winner, which has close connections with Myanmar's largest bank: KBZ.

The report argues that, in its current state, the jade business offers a giant slush fund to some of the most dangerous opponents of democracy and peace in Myanmar today. Meanwhile, local people are getting next to no benefits. This gross injustice is contributing to the conflict in Kachin State between the government armed forces (Tatmadaw) and the Kachin Independence Army / Kachin Independence Organisation (KIA/KIO).



Why is it important to know who are companies' real owners?

Internationally, there is a growing recognition of the need for the beneficial ownership of companies to be opened up to public scrutiny. A World Bank review of major corruption cases in 80 countries between 1980 and 2010 revealed that over 70% involved the use of corporate vehicles to conceal the real owners.³ From Slobodan Milosevic's use of thousands of Cypriot front companies to provide arms for the war against Bosnia and Kosovo, to the Italian mafia's use of shell companies to defraud the European Union out of money intended to regenerate Europe's poorest regions, there are countless examples of the harm hidden company ownership causes.⁴



In 2013, the Extractive Industries Transparency Initiative (EITI) – a global standard aimed at reducing corruption in the oil, gas and mining businesses – agreed to make beneficial ownership disclosure a criterion for compliance from 2016 onwards. A ground-breaking provision inserted into the revised EITI Standard recommended that countries maintain a publicly available register of the beneficial owners of companies that bid for, operate and invest in the extractive industries.⁵

In 2014, the EU passed laws requiring its 28 member states to create registers of beneficial owners of companies. The same year, the G20 group of countries adopted High Level Principles on Beneficial Ownership Transparency, declaring that “financial transparency, in particular the transparency of beneficial ownership of legal persons and arrangements, is a high priority”.⁶ In addition, the UK, Mongolia, the Philippines, Ukraine, Norway, Cameroon and Sierra Leone are among countries that have moved unilaterally to address beneficial ownership disclosure, either through their domestic EITI processes or via legal reforms.

“In many cases, the identity of the real owners – the ‘beneficial owners’ – of the companies that have acquired rights to extract oil, gas and minerals is unknown, often hidden behind a chain of corporate entities. This opacity can contribute to corruption, money laundering and tax evasion in the extractive sector.”⁷

Clare Short, Chair of EITI

Given the huge sums at play in the oil, gas and mining sectors, the risks of corruption involving companies with hidden ownership are particularly acute. Myanmar is famed for its natural resource riches, yet it has the lowest life expectancy of any ASEAN country and the second-highest rate of infant and child mortality.⁸ Questions have long been raised over missing revenues from gas, jade and other natural resources which do not reach official government accounts, let alone the people living in poverty who need them most.

In 2014 Global Witness contacted 47 companies that had recently been awarded oil and gas concessions and asked them to declare who their beneficial owners were. Initially few were willing to respond. However, after we published the results of our survey, more companies came

forward. In all, 25 of the 47 – including 10 privately owned companies – provided declarations on their owners. This suggests that even in a country with a very troubled history of natural resource mismanagement, it is possible to start the process of bringing company ownership data into the public domain.⁹

Two potential avenues for getting at the hidden beneficial ownership problem in the jade business are the EITI, which Myanmar joined in 2014, and the government’s company registry run by the Directorate of Investment and Company Administration (DICA), which is part of the Ministry of Planning.

The outgoing government of Myanmar has expressed some reluctance to include jade in EITI, perhaps because of the political heft of some of the industry’s dominant figures. However, there is agreement that the first report on Myanmar’s implementation of the scheme, due in January 2016, should encompass companies that are major vendors of jade at official sales events (known as emporiums). Many of the biggest players organise their jade businesses as clusters of seemingly separate companies in order to disguise the scale of their business and the beneficial owners.¹⁰ It is therefore critical that Myanmar’s EITI requires jade companies to make a declaration on who their real owners are.



If implemented in a comprehensive form, Myanmar’s EITI process could help to shine a light on the real owners of Myanmar’s biggest jade businesses. CREDIT: Minzayar

The DICA company registry offers an online portal to view basic information on businesses registered in Myanmar. Up until November 2014, it included data on companies’ directors, including their national registration card (NRC) numbers, and shareholdings. At this point, all data on directors and shareholders was excised with no explanation given. In mid-2015 the information on directors was reinstated but the records of shareholders and the stakes they own withheld.

This shareholder information needs to be reinstated as a matter of urgency and shareholders’ NRC numbers added. Publication of NRC numbers

is particularly important in Myanmar, as few people use family names. In the case of companies involved in the corruption-prone oil, gas and mining industries, the new government of Myanmar should also require that the company registry carries details of their beneficial owners. The information should be published in an ‘open data’ format, meaning that it *“can be freely used, re-used and redistributed by anyone – subject only, at most, to the requirement to attribute and share alike.”*¹¹ This matters because for transparency to stand a chance of generating accountability, the information concerned needs to be free for all to access and share.



The UWSA/UWSP administers Myanmar's largest ceasefire zone, known as Shan State Special Region 2, on the China border. The UWSA/UWSP has been granted an unparalleled level of autonomy, and it is the largest and most well-equipped non-state armed group in Myanmar, with an estimated 20,000-30,000 regular troops and up to 50,000 reserves.

Who are the United Wa State Army / Party, and what is the link with drugs and jade?

Following the implosion of the Communist Party of Burma in 1989, the United Wa State Army / United Wa State Party (UWSA/UWSP) – drawn largely from the Wa ethnic group – emerged as the most powerful armed faction.¹² Its leaders swiftly signed a ceasefire deal with the State Law and Order Restoration Council (SLORC) military junta, which designated the territory they controlled in northeastern Shan State as Shan State Special Region 2.¹³ They also enlisted the help of the ethnic Chinese Wei Hsueh Kang (*also written as Wei Xuegang*) – a major drug producer and trafficker previously aligned with an anti-communist Wa armed group on the Thai border – together with his two brothers.¹⁴ Wei Hsueh Kang became commander of the UWSA's Military Region 171 and subsequently UWSP financial affairs chief.¹⁵ Wa State / Shan State Special

Region 2 quickly became a production hub for heroin and, later, methamphetamines.¹⁶

Wei Hsueh Kang and other UWSA/UWSP leaders set up business ventures in a range of sectors in Myanmar – notably via the Hong Pang group of companies – and also in Thailand, and used these to launder drugs money.¹⁷ Jade mining became perhaps the most significant of these new business ventures. When the Myanmar government took control of Hpakant in the early 1990s, it dished out mining concessions as rewards and sweeteners; not least to the ethnic armed groups that had signed ceasefires.¹⁸ The UWSA/UWSP, who had built a close relationship with ceasefire architect and SLORC Military Intelligence chief Khin Nyunt, were amongst the main beneficiaries.¹⁹ The jade provided a lucrative revenue stream to supplement the Wa leaders' drugs business.²⁰ It also offered a means of laundering drugs money through official gems emporiums at which they could bid on their own jade at artificially inflated prices.²¹

The former Military Intelligence chief, Lieutenant General Khin Nyunt, was the primary architect of the military junta's ceasefire with the United Wa State Army. In 2002 he described the political significance of allocating gemstone mining concessions to 'ceasefire groups' as follows:



“The Union of Myanmar is a nation at which other nations are casting a covetous eye, as it is world-famous for its inexhaustible precious gems. When the Tatmadaw started to assume the duty of the State, it has, with the spirit of solidarity and unity, invited in all the national organisations which were launching armed opposition against the state; as a result, 17 nationalities’ armed groups have returned to the legal fold... The Government has... seen to it that they are able to do business. Arrangements have been made to enable the national organisations to do business such as gems mining. As the national organisations have worked hard with the aim of serving the interests of the people and the state, their business has become successful.”

Through the 1990s and 2000s, the US authorities imposed a range of sanctions on Wa leaders and their business lieutenants and issued judicial indictments relating to their role in drug trafficking. These are summarised in the ‘Most Wanted’ box below. In 2007, as the pressure increased, Wei Hsueh Kang shed his official role as UWSP politburo financial affairs chief while remaining, in the words of analysts Bertil Lintner and Michael Black, “the bankroller of the organization”.²³

Analysts of Wa State stress that some members of the UWSA/UWSP leadership have a genuine

political agenda, albeit one very much focused on greater self-administration of the territory they control.²⁴ With varying levels of emphasis, these experts highlight how the narco-state tendency is substantially driven by ethnic Chinese elites, such as the Wei brothers, who have exploited the Wa rank and file in much the same way as the Communist Party of Burma before them.²⁵ There is general agreement, however, that there is considerable overlap between the more politically and economically-minded elements of the UWSA/UWSP hierarchy.²⁶

Global Witness research suggests that it is the same business clique headed by Wei Hsueh Kang and associated with drug production that is running UWSA/UWSP-associated jade ventures in Hpakant. This grouping – which includes a son-in-law of UWSA/UWSP leader Pao Yu Hsiang (*also written as Bao Youxiang*) named Aik Haw – uses the UWSA name as political leverage over the government army (Tatmadaw) and the KIA/KIO and as a means of intimidating competitors.²⁷ One outstanding question is whether Wei Hsueh Kang and his associates currently control these jade ventures on behalf of the UWSA/UWSP, in an entirely personal capacity or somewhere in between. This is hard to gauge, although long-time observers of Wa State suggest that the UWSA/UWSP leaders still work hand in glove with Wei Hsueh Kang, even

though they now try to downplay the connections between them.²⁸

The breakdown in the ceasefire between the Myanmar government and the KIA/KIO in June 2011 has significantly boosted the position of the UWSA/UWSP-associated companies in Hpakant. Neither of the warring parties wants to tread on the toes of the Wa.²⁹ The Tatmadaw, for the time being at least, does not want to confront the UWSA militarily, and knows that disrupting its jade business will likely prompt an increase in Wa support to the KIA/KIO.³⁰ The KIA/KIO, with its back to the wall, cannot afford to displease the UWSA/UWSP given the two groups' strategic partnership and UWSA's role as an important arms supplier.³¹



The jade mining township of Hpakant is in the grip of a heroin and methamphetamine epidemic. The UWSA/UWSP-controlled area of Shan State has a history of producing both drugs. CREDIT: Minzayar

Most Wanted – the US government’s two decades’ pursuit of Wei Hsueh Kang and the UWSA/UWSP leadership

- August 1993: a court in New York charges Wei Hsueh Kang with conspiracy to import and distribute more than 400 kilograms of heroin in the United States.³²
- Following the indictment, the US State Department offers a reward of up to US\$2 million for information leading to Wei`s capture and successful prosecution.³³
- June 2000: following the passage of the Kingpin Act the previous year, President Bill Clinton issues an order to freeze the assets of 12 top international drug traffickers, including Wei Hsueh Kang.³⁴
- June 2003: the UWSA and UWSP, classified as a single entity, are added to the Kingpin Act sanctions list.³⁵
- January 2005: a New York court indicts Wei Hsueh Kang and his two brothers; UWSA/UWSP leader Pao Yu Hsiang and three brothers and one other UWSA officer on heroin and methamphetamine trafficking charges.³⁶ In addition, the indictment calls for the forfeiture of “directly traceable assets of the defendants, including all assets of the Hong Pang Group, a holding company, and affiliated companies in the jewellery, communications, agriculture and construction businesses, all of which represent the proceeds of the defendants’ narcotics trafficking activities.”³⁷
- November 2005: the US government imposes sanctions on a range of Wei Hsueh Kang associates and companies registered in Thailand.³⁸
- November 2008: sanctions listings are expanded to include UWSA/UWSP leader Pao Yu Hsiang and his brothers, as well as a string of Wei and Pao-controlled companies in Myanmar, notably the Hong Pang and Tet Kham company groupings.³⁹

Narcotics Rewards Program: Wei Hsueh-Kang

BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS

WANTED



(Alias: Prasit Chivinnitipanya)

Date of Birth: 5/29/52

Place of Birth: China

Height: 5'6" **Weight:** 125 lbs

Eyes: Brown **Hair:** Black

Race: Asian **Nationality:** Chinese

Wei Hsueh-Kang, the commander of the United WA State Army's (UWSA or WA) Southern Military Command, is wanted on Federal drug violations in the Eastern District of New York. The WA is currently the dominant heroin trafficking group in Southeast Asia, and possibly worldwide. Wei Hsueh-Kang is believed to be in hiding in Burma.

The U.S. Department of State is offering a **REWARD OF UP TO \$2 MILLION** for information leading to the arrest or conviction in the United States of Wei Hsueh-Kang.

If you have information, and you are outside the United States, please contact the nearest U.S. Embassy or Consulate. In the United States, please contact the DEA, FBI, or ICE office in your city.

ALL IDENTITIES ARE KEPT STRICTLY CONFIDENTIAL

The US authorities' efforts to bring Wei Hsueh Kang to justice include imposing sanctions on him, his companies and associates, and also offering a US\$2 million reward for information leading to his arrest or conviction.

Perpetual evolution – the shape-shifting Wa-associated jade businesses

“If one company name is destroyed, the people behind it stay the same and they use another name,”

Jade businessman on the Wa-related jade companies.⁴⁰

Many in the jade business comment on the chameleon-like facility with which UWSA/UWSP-associated jade ventures change their names and profiles.⁴¹ Originally the main UWSA/UWSP-related company mining jade was Wei Hsueh Kang’s Hong Pang.⁴² But as the US government targeted Wei’s businesses, the Hong Pang brand was shelved. Former Hong Pang director Li Myint, a relative of Wei who is subject to US sanctions, informed Global Witness that the Hong Pang companies were wound up in 2004.⁴³

So, what became of the UWSA/UWSP jade enterprises? Global Witness has reviewed a range of documents and gathered testimony from a wide spectrum of well-informed sources that lead us to the following conclusions:

- Hong Pang’s jade business has effectively morphed into jade mining operations in Hpakant run under the names of several different companies. The most important of these, Myanmar Takaung, works in conjunction with four other licensed mining firms: Ayeyar Yadanar, Yar Za Htar Ne, Thaw Tar Win and Apho Tan San Chain Hmi (registered under its English name Value Standard). Listed or former Hong Pang directors and managers are instrumental in the running of all five companies.**

 - Jade businessmen and observers of the business routinely describe Myanmar Takaung as Hong Pang or as being Hong Pang under a different name.⁴⁴
 - Two international experts who have researched Myanmar’s drugs industry for many years told Global Witness that they believe that Myanmar Takaung and Thaw Tar Win are effectively reincarnations of Hong Pang. In the words of one, “It’s a shell game, they just changed the shell”.⁴⁵
 - Hong Pang Mining Company director and shareholder **Khin Maung Myint**, together with Hong Pang group’s Yangon manager **Zaw Bo Khant**, established Myanmar Takaung Gems Company in 2004.⁴⁶ Zaw Bo Khant is now managing director and 100% shareholder of the company.⁴⁷
 - Zaw Bo Khant is listed in DICA records as a director of Thaw Tar Win Gems and Ayeyar Yadanar Gems and Jewellery companies.⁴⁸ He is further identified in official documents as a representative of Thaw Tar Win and Apho Tan San Chain Hmi.⁴⁹ A source familiar with Myanmar Takaung’s operations told Global Witness that Zaw Bo Khant also represents Yar Za Htar Ne.⁵⁰
 - The three Thaw Tar Win companies, all run by **Sai Philip Yee**, are registered to the same address as two firms part-owned by Hong Pang Construction and Electronic Industry companies director **Yan Aung Win**, who is also a director of Thaw Tar Win Construction.⁵¹
 - Yan Aung Win is listed as the managing director and a shareholder of jade mine concessionaire Apho Tan San Chain Hmi and named as the firm’s representative in two official lists of jade mines seen by Global Witness.⁵² Apho Tan San Chain Hmi is a group of three companies which are all registered to the same address as the Hong Pang group.⁵³
 - The Hong Pang group’s original managing director and shareholder **Li Myint** told Global Witness that he oversees jade mining operations in the Ayeyar Yadanar and Yar Za Htar Ne concessions in Hpakant.⁵⁴ Zaw Bo Khant says he is the main sub-contractor for Myanmar Takaung, although Li Myint denies this.⁵⁵
 - Aik Haw** – registered as a Hong Pang companies director under the name Aung Win – has attended at least one government gems emporium as a designated representative of Myanmar Takaung, using the same Aung Win alias.⁵⁶



Mine site licensed to Ayeyar Yadanar Company, Gwi Hka, Hpakant. Former Hong Pang group managing director Li Myint told Global Witness that he runs the mining operations for Ayeyar Yadanar. Myanmar Takaung managing director and former Hong Pang manager Zaw Bo Khant is listed as one of Ayeyar Yadanar's directors. CREDIT: Minzayar



Signboard for Ayeyar Yadanar Company, Hpakant. Staff told Global Witness that Ayeyar Yadanar is simply another name for Myanmar Takaung. CREDIT: Minzayar

2. These five companies carry out jade mining operations together and can be regarded as part of the same business group.

- A register of 49 jade mines in Hpakant controlled by Myanmar Takaung that was compiled by officials at some point between February 2012 and mid-2014 indicates that blocks licensed to Thaw Tar Win, Yar Za Htar Ne, Ayeyar Yadanar and Apho Tan San Chain Hmi are part of the overall Myanmar Takaung jade mining portfolio.⁵⁷
- A group of experts on the jade industry describes Myanmar Takaung, Yar Za Htar Ne and Ayeyar Yadanar as operating together in Hpakant.⁵⁸
- So does a leading jade businessman, who also mentions the involvement in the group of Thaw Tar Win.⁵⁹
- Testimony from Myanmar Takaung employees indicates that mines held under the names Ayeyar Yadanar and Yar Za Htar Ne are actually run by Myanmar Takaung.⁶⁰
- As noted, the operations of Ayeyar Yadanar and Yar Za Htar Ne, and possibly Myanmar Takaung, are all run by Li Myint.⁶¹
- As explained above, official and industry sources identify Zaw Bo Khant as the person responsible for the jade mining operations in Hpakant of all five companies.⁶²

3. Wei Hsueh Kang is a beneficial owner of the jade mining ventures of the five companies and exercises ultimate control over them.

- The two international narcotics industry experts who identify Myanmar Takaung and Thaw Tar Win as rebranded versions of Hong Pang believe these two companies are under the control of Wei Hsueh Kang.⁶³ One expert identifies Thaw Tar Win boss Sai Philip Yee as a direct representative of Wei Hsueh Kang.⁶⁴
- A partner in business ventures associated with the UWSA/UWSP told Global Witness that “Myanmar Takaung, Hong Pang, Thaw Tar Win and Ayeyar Yadanar are all controlled by Wei Hsueh Kang, who is in charge of economic enterprises for the UWSA.”⁶⁵

- Two other well-informed jade businessmen interviewed by Global Witness describe Wei Hsueh Kang as being linked to or owning Myanmar Takaung or associated jade mining companies.⁶⁶
- A senior leader of a political group that has ties to the UWSA/UWSP refers to Wei Hsueh Kang as being the power behind the Wa-associated jade companies operating in Hpakant, saying that “he owns lots of companies [in Hpakant] but not under his own name”.⁶⁷
- The reported familial connection between Wei Hsueh Kang and Li Myint, the operations manager for at least two or three of the Wa-related jade mining companies, and formerly the managing director for Wei’s Hong Pang group, adds further weight to the case.

4. This group of five companies may represent the business interests of the UWSA/UWSP.

- Myanmar Takaung, Ayeyar Yadanar and Yar Za Htar Ne are often described by others in the jade business as Wa or as being controlled by the UWSA/UWSP.⁶⁸
- A former member of KIA Battalion 6, which organises tax collection in Hpakant, describes Myanmar Takaung as being owned by the UWSA.⁶⁹
- According to one well-informed source, the Tatmadaw’s intelligence service has drawn the same conclusion and has launched an investigation into the activities of Myanmar Takaung, Yar Za Htar Ne and Ayeyar Yadanar, on the assumption that they are a front for the UWSA/UWSP.⁷⁰

In response to written questions about Wei Hsueh Kang and his associates, Myanmar Takaung managing director Zaw Bo Khant told Global Witness in a letter in July 2015 that “I really don’t know the persons and groups [in] your statement of allegations.”⁷¹ In a meeting in Yangon later the same month, he said he “found it very strange” to be asked about Myanmar Takaung’s links with Wei Hsueh Kang, Aik Haw and the United Wa State Army.⁷²

As regards Myanmar Takaung's relationship with Thaw Tar Win, Ayeyar Yadanar, Yar Za Htar Ne and Apho Tan San Chain Hmi companies, Zaw Bo Khant wrote that he had no relationship with any of them.⁷³ In the meeting with Global Witness he reiterated his denial that Myanmar Takaung worked with these other four firms. Zaw Bo Khant initially said that he had not worked with Hong Pang but then, reminded of his past role as a public spokesman for the company, said that he had done some work for Hong Pang relating to road construction.⁷⁴ Despite the fact that he is listed as a director of Thaw Tar Win Gems, Zaw Bo Khant specifically denied having any connection with the company.⁷⁵

Khin Maung Myint, the former managing director of Myanmar Takaung, responded to written questions from Global Witness about connections between Myanmar Takaung and Wei Hsueh Kang, Aik Haw and the United Wa State Army. Regarding Myanmar Takaung he said that "this business is not connected to any other organisations".⁷⁶ He

added that he had sold his shares in Myanmar Takaung's jade business in 2010.⁷⁷

Former Hong Pang group boss Li Myint responded to written questions from Global Witness together with his subordinate Kyaw Kyaw Oo. Kyaw Kyaw Oo initially contacted a courier company contracted by Global Witness to say that he had heard that his friends Aik Haw, Khin Maung Myint and Dr Tun Kyi (director of several Ever Winner group companies featured in the *Jade: Myanmar's "big state secret"* report) had received letters and he wanted to know why he had not yet got one.

When the courier company subsequently delivered a letter to Kyaw Kyaw Oo, he introduced himself as an employee of Myanmar Takaung. However, the written response Kyaw Kyaw Oo sent on behalf of himself and Li Myint denied that either of them had any connection with Myanmar Takaung or with Aik Haw.⁷⁸ The letter further denied any association with Wei Hsueh Kang, UWSA/UWSP leader Pao Yu Hsiang and the Wa armed group more generally.⁷⁹



Komatsu is one of a number of international machinery companies whose equipment is being used by Wei Hsueh Kang's jade business to dismember Hpakant's landscape. What safeguards has Komatsu put in place to ensure its machines are not causing harm to local people and the environment? CREDIT: Minzayar

An expanding share of the pie

“We can take all the jade from Hpakant within three years”

Myanmar Takaung company representative⁸⁰

The official register of 49 Myanmar Takaung jade mines documents the company’s rapid expansion and its takeover of sites nominally held by other firms. These include mines licensed to KIA/KIO company Buga, military firm Northern Star and Ruby Dragon – a major jade mining company run by Pa-O tycoon Nay Win Tun, who is profiled in Global Witness’ *Jade: Myanmar’s “big state secret”* report.⁸¹ The exact nature of these takeover deals is unclear, however, as in early 2015 the state-owned enterprise and regulatory body Myanmar Gems Enterprise awarded licence extensions for some of these purchased blocks to the companies that had supposedly sold them to Myanmar Takaung.⁸²

Recent research by Global Witness suggests that the register of Myanmar Takaung mines is no longer complete; the operations of the UWSA/UWSP-associated companies have continued to expand:

- One prominent example concerns Myanmar Takaung’s move into a mine controlled by ‘crony’ tycoon Tay Za’s Htoo Group (profiled in *Jade: Myanmar’s “big state secret”*). During 2014 and 2015 Global Witness interviewed a range of sources who claimed that Tay Za had sold some of his jade mines to Wa companies.⁸³ Global Witness put these allegations to Htoo Company, which denied transferring any of its mines but did not respond to written questions about its relationships with Myanmar Takaung and other Wa-related companies. However Global Witness investigations in Hpakant in March 2015 revealed that Htoo Group’s Kaday (#3) mine – a joint venture with the Ministry of Mines – was indeed being mined by Myanmar Takaung.⁸⁴ In a meeting with Global Witness,

Zaw Bo Khant said that he knew Tay Za but denied that Myanmar Takaung was working in Htoo Group’s mine.

- Another indication of Myanmar Takaung’s continued expansion comes from interviews with inhabitants of Seng Ja Bum Village, which is west of Hpakant Town and close to the mines run by Than Shwe family-owned Kyaing International and also Ayar Jade.⁸⁵ These local residents claim that an adjacent mining operation is being run by Myanmar Takaung, even though the site is not marked as such on government maps.
- Finally, jade businessmen and others claim that there is a wider pool of companies under control of the Wa group – at least fourteen according to one of its business partners – and that this includes Yadanar Young Chi and Wai Aung Kabar (Wai Family) Gems, a firm whose compound was the scene of a massive explosion in August 2012.⁸⁶ Yadanar Young Chi and Wai Aung Kabar (Wai Family) Gems both deny having any connection with the UWSA/UWSP or associated individuals.⁸⁷ For his part, Myanmar Takaung managing director Zaw Bo Khant denied having any dealings with either of these firms.⁸⁸

According to jade industry insiders, during the May 2012 to September 2014 jade mining suspension, the only companies that were able to keep operating were those linked to the Wa-related group.⁸⁹ This appears to reflect the UWSA/UWSP’s bargaining power over both the Tatmadaw and the KIA/KIO.⁹⁰ In the words of one jade businessman: “If you don’t use the Wa name, you cannot operate in Hpakant”.⁹¹

Alongside the expansion of their portfolio of jade mines, the top dog status of the UWSA/UWSP-associated companies is visibly reflected in their fleet of giant Komatsu PC2000 backhoe diggers. According to a machinery company distributor, Myanmar Takaung recently spent US\$80 million on 40 of these machines; augmenting a pool of around 400 vehicles of various types that it operates in Hpakant.⁹²

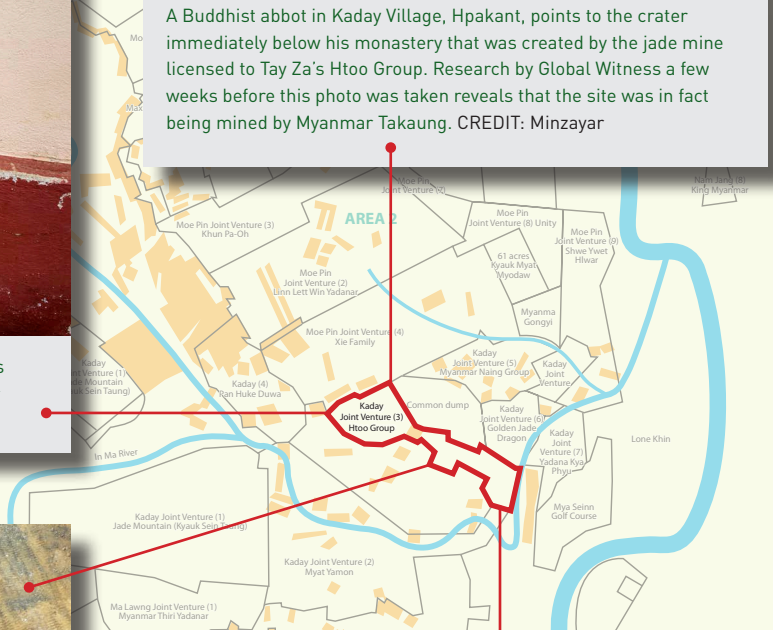
Jade mining concessions in the Lone Khin area of Hpakant



A Buddhist abbot in Kaday Village, Hpakant, points to the crater immediately below his monastery that was created by the jade mine licensed to Tay Za's Htoo Group. Research by Global Witness a few weeks before this photo was taken reveals that the site was in fact being mined by Myanmar Takaung. CREDIT: Minzayar



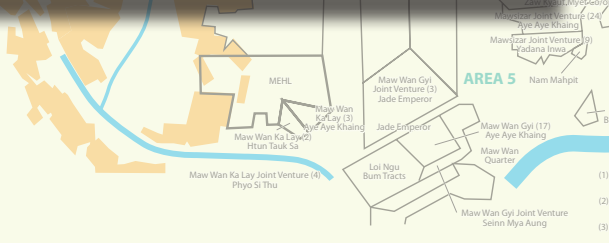
Cracks in one of the Kaday monastery buildings which the monks blame on the violence of the jade mining operations in the crater below. CREDIT: Minzayar



Myanmar Takaung machines working the Kaday (#3) jade mine licensed to Htoo Group.



Htoo Group owner Tay Za with Myanmar Takaung managing director Zaw Bo Khant. Htoo Group did not respond to questions about its dealings with UWSA/UWSP-related companies and Zaw Bo Khant denied that Myanmar Takaung was working Tay Za's mines.



- (1) Jan Khat (1) Shwe Wath Myay/Mantayay
- (2) Jan Khat (2) Unity
- (3) Jan Khat (1) Bayani
- (4) Jan Khat (2) Taung Ni Taung
- (5) Jan Khat (5) Nan Oo Yadanar
- (6) Jan Khat (6) Maha Jade



Myanmar Takaung has recently unleashed a fleet of 40 Komatsu PC2000 backhoe diggers – described as “like a two storey building” – on Hpakant’s broken landscape. Each of these machines is reported to cost US\$2 million.

These Komatsu PC2000 backhoes appear to be the largest currently in use in Hpakant and are described by one jade businessman as looking “like a two storey building”.⁹³ The same source told Global Witness that companies using these machines take four days to work over a site which other firms can only complete in a month.⁹⁴ This claim resonates with an observation made by another jade trade insider that “Chinese” companies are now using huge machines and vehicles that enable them to finish in four days what would previously have been considered a month’s work.⁹⁵

While the UWSA/UWSP-associated companies have spent heavily on machinery for digging jade, they do not appear to have invested in systems to dispose of the tailings safely. Twice in March 2015, a 500 foot high tailings dump built up by Yar Za Htar Ne and the Aung Hein Min company in the Sik Mu / Seng Tawng area collapsed. Accounts from local residents and media suggest that dozens may have been killed.⁹⁶

Although Zaw Bo Khant denied any knowledge of or working relationship with Yar Za Htar Ne, he did respond in writing to questions from Global Witness about these accidents, saying “The collapse of waste dumps often occurs at jade

mining sites because of heavy rain. [Such] problems have to be secured by all companies at the mining area and we also participated in activities.”⁹⁷ In the meeting with Global Witness in July 2015, he said that companies needed expert advice on how to exercise better corporate social responsibility and added “my idea is that [a government fund for CSR] is spent on schools”.⁹⁸

Former Hong Pang boss Li Myint, who states that he carries out jade mining in partners’ concessions and names Yar Za Htar Ne as one of these partners, also responded to questions about these accidents as follows:

“We dump our waste only at the place designated by the Ministry. Victims killed by landslides at a tailings dump were the jade hand-pickers and they were not assigned by us. Such accidents occurred because the hand-pickers did not listen to our frequent warnings of potential landslides.

Whenever and wherever accidents occurred, we provided our assistance to them with our manpower and machinery. We feel deeply sorry whoever faces death. All of our companies follow environmental protection and safety standards under the supervision of Ministry of Mines and local authorities.”⁹⁹



Myanmar Takaung vehicles dumping waste from the firm's jade mining operations, Gwi Hka, Hpakant, 2015. A tailings dump used by Myanmar Takaung's sister company, Yar Za Htar Ne, twice collapsed in 2015. According to local residents and press reports, dozens may have been killed. CREDIT: Minzayar

“A gangster group doing black business”¹⁰⁰

“The Wa use money, power and weapons; they even kill people. Local people cannot confront them.”

Jade businessman¹⁰¹



UWSA/UWSP leader Pao Yu Hsiang. The Wa-associated jade mining companies in Hpakant operate like a protection racket, using the UWSA/UWSP name to bully other firms into making business deals with them.

Apart from the scale of their assets and operations, the main distinguishing feature of the Wa-related companies is the way in which they are able to invoke the UWSA/UWSP name and its unique strategic position to bend other companies to

their will. The tactics they are reported to use are straight out of a gangster's playbook and include the following:

- Offering companies the protection of the UWSA/UWSP name in exchange for payment or a share of production.¹⁰² This protection option has reportedly been taken up not only by smaller firms but also big names such as Myanmar Naing Group, the firm controlled by sons of Than Shwe, and Yadanar Taung Tann, which is run by Asiaworld tycoon Steven Law.¹⁰³
- Coercing other businesses into coming under the UWSA/UWSP umbrella by blocking road access to their mines.¹⁰⁴
- Making threats – these include less than subtle references to how UWSA/UWSP company representatives have had people killed in the past.¹⁰⁵
- Using lawsuits to harass other businesses whom they accuse of stealing their jade.¹⁰⁶

In his letter to Global Witness, Li Myint denied these allegations, saying that:

“We neither force other businesses into making a partnership nor demand payment from these other businesses. We only work with those who are willing to work as our partners depending on the situation of the business. We built the roads in the vicinity of our mine sites after consulting with our neighbouring miners. Some were difficult to consult with.”¹⁰⁷

The role of Aik Haw

While Wei Hsueh Kang may be the puppet-master and Zaw Bo Khant the front man, much of the supervision of the UWSA/UWSP-related jade mining ventures in Hpakant appears to be in the hands of Wa businessman Aik Haw.¹⁰⁸ Aik Haw, also known by the names Ho Chun Ting, Aung Hein, Aung Win and a string of others, is a long-time business associate of Wei Hsueh Kang and the son-in-law of UWSA/UWSP leader Pao Yu Hsiang.¹⁰⁹ He is subject to US sanctions for his involvement in the drugs-related businesses run by the Wei and Pao families and a US Department of Treasury publication lists him as a “key financial associate of Wei Hsueh Kang, Pao Yu Hsiang and the UWSA”.¹¹⁰ Analysts Bertil Linter and Michael Black describe Aik Haw as “handling money-laundering operations for the Baos [*alternative spelling of Paos*] and Weis”.¹¹¹ An international expert on the narcotics trade characterises him as “a short stocky thug”.¹¹²

Aik Haw plays a critical role in managing business and political relationships on behalf of the UWSA/UWSP companies in Hpakant.¹¹³ According to a source who has worked in KIA/KIO business ventures, Aik Haw acts a middle man between the jade mining concessionaires and the KIA/KIO: he handles negotiations with the companies on how much tax they will pay and personally profits from this arrangement.¹¹⁴ One Kachin jade businessman described Aik Haw as a tax payment broker for the KIA/KIO.¹¹⁵ Another responded to a question about the role of the UWSA and Aik Haw in KIA/KIO tax collection by describing how the UWSA acts as a middleman and takes a hefty commission.¹¹⁶ In a letter to Global Witness, the KIA/KIO denied that Aik Haw played such a role.

Aik Haw also appears to be the key deal-broker when it comes to arrangements between the Wa-related companies and other jade mining firms. One jade company representative told Global Witness that Aik Haw had negotiated the purchase by UWSA/UWSP-associated companies of mines from both Htoo Group and also Kyaing International.¹¹⁷

Aik Haw has a long association with jade, going back to the 1980s, when he assisted in a jade mining operation run by a relative in the Mohnyin area, south west of Hpakant.¹¹⁸ Later, under the name Aung Hein, he was managing director of Tet Kham Gems Company, which was an important vehicle for the Wa-associated business group’s gems ventures until the company was put on the US sanctions list in 2008.¹¹⁹ He is also listed – under the alias Aung Win – as a director and shareholder of six Hong Pang firms, including Hong Pang Mining Company.¹²⁰



Pao Yu Hsiang’s son-in-law Aik Haw has been involved in business ventures linked to the UWSA/UWSP leadership for many years. He is reported to handle the Wa-related jade mining group’s relations with other companies and also the KIA/KIO.

Travels with my CAT, by Zaw Bo Khant

Global Witness' investigations into the web of companies associated with drug lord Wei Hsueh Kang and the UWSA/UWSP turned up an unexpected connection in the form of US machinery giant, Caterpillar Inc.

Myanmar Takaung managing director Zaw Bo Khant is also the director and shareholder of Myan Shwe Pyi Mining, whose associated company Myan Shwe Pyi Tractors describes itself as "Myanmar's premier Caterpillar dealership" and uses the branding MSP CAT.¹²¹ Zaw Bo Khant's brother is one of Myan Shwe Pyi's customer service managers.¹²²

Since 2011, Zaw Bo Khant has been hosted at Caterpillar facilities around the world, including:



Australia¹²³



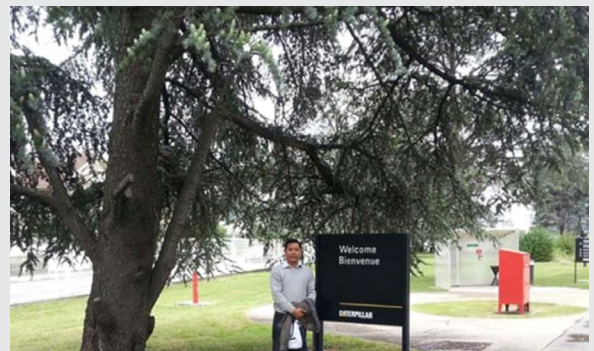
Spain¹²⁴



The United Kingdom¹²⁵



Germany¹²⁶



France¹²⁷



... And along the way, found time for sightseeing, champagne on the Eiffel Tower, several rounds of golf, and buying a Rolex Oyster Perpetual watch which he notes cost "euro 39,050" (39,050 euros equates to over US\$50,000).¹²⁸



Caterpillar's unwitting association with companies controlled by Wei Hsueh Kang highlights the risks to international firms operating or selling their products in Myanmar. The US and other governments should introduce enhanced public reporting requirements; not just for investors but also for businesses, like Caterpillar, that work through local dealerships in Myanmar. CREDIT: Minzayar

Caterpillar told Global Witness that, as far as it is aware, any business courtesies provided to Zaw Bo Khant during his visits to Caterpillar facilities are in line with the company's Code of Conduct which prohibits bribes, kickbacks or any other measure which is unethical or which would tarnish Caterpillar's "reputation for honesty or integrity".¹²⁹ In addition, Caterpillar has said that whilst it cannot monitor the use of every piece of its equipment around the world, it expects customers to use its products in a responsible, lawful and productive manner.¹³⁰

The US giant has further explained that it primarily sells its products through independent dealers. In line with its Code of Conduct, it carries out "robust screening procedures to ensure that its transactions do not violate relevant export control laws".¹³¹ It emphasises that neither Zaw Bo Khant nor Myanmar Takaung feature on US sanctions lists, and goes on to state that Caterpillar's due diligence has not demonstrated that companies

named by Global Witness are owned or controlled by "a sanctioned party".¹³²

Caterpillar's unwillingness to take the information provided to it by Global Witness more seriously is both disappointing and short-sighted. As explained above, there is strong evidence that Wei Hsueh Kang and his associates have used an array of front companies precisely in order to avoid US sanctions and indictments. As such, there is a good reason why the 'public faces' of UWSA/ UWSP-linked companies will not be on current US sanctions lists. Moreover, Zaw Bo Khant's previous role as manager for Wei Hsueh Kang's Hong Pang companies is well known and should be grounds enough for a responsible company to make further enquiries.¹³³

The international firms which make and supply machinery to mining operations in Hpakant risk causing serious harm to local people by building relationships with the wrong companies. In these

circumstances, the onus is on manufacturers to be completely transparent regarding who they are doing business with. They should be proactively seeking information on their local partners and other associates, rather than simply referencing the US sanctions list as a tick-box exercise. The US government has recognised the particular risks facing western companies looking to invest in Myanmar, and US companies are therefore required to publish information on their business activities and their approach to corruption, human rights, environmental and other risks.¹³⁴ These requirements do not currently apply to companies which operate through, for example, independent dealerships, but Global Witness asked Caterpillar if it could produce a report in line with the designated standards on a voluntary basis.¹³⁵ Unfortunately, the company takes the view that as “There is no current obligation for Caterpillar to file such a report... therefore Caterpillar does not intend to file such a report.”¹³⁶

Global Witness is recommending that the US government expand its reporting requirements to compel companies with investments in Myanmar to publish details of the beneficial owners of their in-country partners. Moreover, US-registered companies that operate through franchises or dealerships, such as Caterpillar, should be required to report in the same way as investors. This responsibility does not just lie with the US, however. Governments of other countries where investors in Myanmar are incorporated should follow suit and introduce reporting requirements to the same standards.

Zaw Bo Khant responds

Following the publication of the *Jade: Myanmar’s “big state secret”* report, Zaw Bo Khant gave journalists his reactions.¹³⁷ Alongside non-specific claims that most of the facts and figures in the report are wrong, Zaw Bo Khant emphasised that he is the sole owner of Myanmar Takaung and that he has had no connection with companies related

to Wei Hsueh Kang since he worked for Hong Pang Construction ten years ago.¹³⁸ He asked why Global Witness had not, when we met him, asked more questions about the relationships between Wei Hsueh Kang and former Hong Pang directors Li Myint and Khin Maung Myint.¹³⁹ Regarding his dealings with Caterpillar, Zaw Bo Khant stated that the company “never gave me any gifts, but we play golf”.¹⁴⁰



Taking time out from a busy tour of Caterpillar facilities in Europe, Zaw Bo Khant snapped up this Rolex Oyster Perpetual watch for a cool US\$50,000.

In his interview with local newspaper *The Voice*, Zaw Bo Khant also commented that he “gives major jade-mining sub-contracts to Li Myint... It means I let him use my mining area. He has to cover the operational costs. Both of us pay the taxes to the government and share the profits with each other. That’s it. That’s common practice in Hpakant”.¹⁴¹

This is interesting for a number of reasons. One is that Global Witness previously wrote to Zaw Bo Khant in July 2015 to ask him for his comment on the allegation that “in Hpakant the operations of Myanmar Takaung, Thaw Tar Win Gems, Ayeyar Yadanar Gems, Yar Za Htar Ne Gems and Apho Tan San Chain Hmi companies are overseen by Aik Haw, Li Myint and Thet Pin.”¹⁴² Zaw Bo Khant responded that he was the owner of Myanmar Takaung and added: “[I have] no relation with other persons and company as you mentioned at all. I really don’t know the persons and groups [in] your statement of allegations.”¹⁴³

Secondly, the comments support Li Myint's description of his role in the jade mining business: "We are operating our jade mining operations on the plots of other companies as a joint venture. This means we mainly run the jade mining operations on the plots acquired by other companies and we divide the profit with them. For example: Yar Za Htar Ne Gems, Ayeyar Yadanar Gems, etc."¹⁴⁴

However, whereas Li Myint stated in his letter that "Myanmar Takaung Trading and Myanmar Takaung Gems have no connection with us," Zaw Bo Khant described him as Myanmar Takaung's main mining sub-contractor.¹⁴⁵

Zaw Bo Khant's explanation of the relationship with Li Myint appears to reinforce what other evidence strongly suggests: that the jade mining business previously labelled Hong Pang has simply continued under a different set of company names but with many of the same people – including Zaw Bo Khant and Li Myint – still very much involved.

Global Witness wrote to Zaw Bo Khant in November to ask if he had any further points to make that he wished to see included in our follow-up publication but did not receive a response.

How much money is involved?

Some of the UWSA/UWSP-related companies operating in Hpakant feature in the official lists of pre-tax jade sales made at the Myanmar Gems Emporium events held in 2013 and 2014. Excerpts from these lists are set out in the tables below. The amounts, although running into the tens of millions of dollars, appear modest relative to the level of control the group now exerts over Hpakant's jade mines. A possible explanation comes from one industry insider with connections with the Wa-related jade group who claims that, during the government's 2012-2014 mining suspension, they were smuggling around US\$100 million worth of jade per month.¹⁴⁶

In a letter to Global Witness, Myanmar Takaung managing director Zaw Bo Khant denied any involvement in smuggling and stated that "we sold the jade only at the emporium organised by Ministry of Mines".¹⁴⁷ In a meeting with Global Witness in July 2015 he reiterated the same point. Li Myint likewise denied any involvement in smuggling.¹⁴⁸

2014 Myanmar Gems Emporium

Name	Number of lots	Sales in euros	Equivalent in US dollars ¹⁴⁹
Yar Za Htar Ne (joint venture)	50	€24,197,390	US\$32,898,771
Ayeyar Yadanar (private)	6	€3,504,777	US\$4,765,095
Ayeyar Yadanar and Myanmar Sein Yaungchi (private)	3	€129,032	US\$175,432
Myanmar Takaung (private)	6	€2,139,182	US\$2,908,432
Apho Tan San Chain Hmi (private)	6	€368,895	US\$501,550
Apho Tan San Chain Hmi and Htut Hteit Aung (private)	6	€1,294,912	US\$1,760,562
TOTAL		€31,634,188	US\$43,009,842

2013 Myanmar Gems Emporium

Name	Number of lots	Sales in euros	Equivalent in US dollars ¹⁵⁰
Yar Za Htar Ne (joint venture)	50	€34,236,306	US\$45,147,417
Myanmar Takaung (private)	39	€10,330,616	US\$13,622,983
TOTAL		€44,566,922	US\$58,770,400



Myanmar's new government needs to prise the jade business from the grip of figures such as Wei Hsueh Kang. To succeed, it will need considerable support from its international partners. CREDIT: Minzayar

Conclusion

The dominant role of Wei Hsueh Kang and his associates poses a very serious obstacle to reform of Myanmar's jade sector. Whether or not their companies are a financing vehicle for the UWSA/UWSP, it is clear that they are exploiting the Wa name to intimidate peers and competitors in the business and to deter scrutiny and interference by both the Myanmar authorities and the KIA/KIO.

As our *Jade: Myanmar's "big state secret"* report shows, there are a range of powerful and dangerous groups and individuals at jade's top table and it would be wrong to suppose the Wa-related firms are the only ones that need to be held accountable. Their political position and their links to the drugs industry demand particularly careful handling, however.

With several of the key individuals already subject to US sanctions, foreign pressure can offer a useful source of leverage here. It is crucial that the new government of Myanmar, the KIA/KIO and the US authorities sit down at the earliest opportunity to discuss how they can work together to loosen the grip of the Wei Hsueh Kang companies from the country's most valuable natural resource.

More broadly, the use of a web of front companies to disguise the business interests of Myanmar's most notorious drug lord underscores the need for wider action to force companies operating in Myanmar's natural resource industries and beyond to disclose their beneficial owners. When it comes to jade – and also oil, gas and mining – EITI can offer a particularly valuable entry point which the new government of Myanmar should capitalise on and use as a precursor to binding legislation.



Hand-pickers risk their lives on a daily basis looking for jade in the waste left by large companies such as those controlled by Wei Hsueh Kang and his associates. The collapse of a mining companies' tailings dump on 21 November 2015 consumed scores of rickety shelters constructed by hand-pickers and over a hundred were buried alive. CREDIT: Minzayar

Recommendations

To the Government of the Republic of the Union of Myanmar:

1. Ownership and management

- Develop new ownership, management and revenue sharing arrangements with Kachin State for jade and other natural resources in conjunction with the KIA/KIO and local civil society groups, as part of a comprehensive peace agreement. Ensure that these arrangements maximise the social and economic benefits for the local and national populations, taking account of the needs of both current and future generations.
- Immediately review and revise bidding processes for jade concessions in consultation with Kachin and Myanmar civil society to make them open and fair. This should include introducing explicit protections that bar companies or individuals with conflicts of interest, or a history of involvement in corruption,

environmental or human rights abuse, or the narcotics business.¹⁵¹

2. Investigation and enforcement

- Conduct a thorough investigation into criminal activities in the jade industry – including those of drug traffickers and money launderers – and prosecute perpetrators.
- Cancel any jade mining licences obtained through corruption or held by companies that have broken the law or contributed to human rights or environmental abuses.
- Investigate jade-related corruption involving army, police, government officials and companies; prosecute perpetrators and hold to account those with command responsibility.

3. Transparency

- Prioritise full implementation of EITI in the jade sector. As such, publish, in open data format, information on: jade licence bidding processes; who current licence-holders are and what licences they hold; jade production volumes; government revenues from jade

concessions (broken down by project); other revenues from jade, including revenues from government shares of state-owned enterprises; full contract and licence terms (including environmental and social protections); and arrangements with state-owned enterprises.

- In line with EITI recommendations, require jade and other natural resource concession holders and companies bidding for concessions to disclose publicly, in open data format, the identities of the individuals by whom they are ultimately owned (the 'beneficial' owners). In addition require disclosure of any associations with public office holders (past or present), and any history of involvement in corruption, environmental or human rights abuse, or the narcotics business.
- Ensure that the activities of state-owned enterprises involved in the extractive industries are fully covered by the EITI process. Require the accounts of state-owned enterprises (including entities that are partly or wholly owned by the army) to be independently audited and details of all jade revenue receipts and transfers to the government to be published.
- Reinstate, in open data format, the company shareholder details in Myanmar's company registry, adding in shareholders' national registration card numbers, and include in the registry additional information on the beneficial ownership of all companies involved in the gems, oil, gas and minerals industries.
- Publish, in open data format, a detailed breakdown of government expenditure so as to allow local people to track where jade money ends up.
- Establish an independent monitor to ensure that environmental and social protections are implemented promptly and fully, with regular public reports on breaches identified and how they are being addressed.

4. Legal and tax reform

- Make the above EITI provisions on data disclosure a requirement of new mining, gemstone and other laws governing jade and other natural resources.
- Review and revise existing laws to bring them into compliance with the EITI Civil Society Protocol. Introduce legal protections for the rights of civil society and the media to monitor and to hold officials and companies to account over the management of natural resources without fear of physical, legal, or other forms of retribution.
- Simplify and clarify taxes on jade, with input from the private sector, local government and civil society and strengthen revenue collection systems to reduce tax evasion, particularly at the mine site.
- Review and revise laws, regulations, policies governing the jade sector and the terms of licences and contracts for jade concessions to ensure they encompass environmental and social protections in line with international standards including: the UN Human Rights Council's Guiding Principles for Business and Human Rights; the Voluntary Principles on Security and Human Rights; the International Finance Corporation's Sustainability Framework; and the International Council on Mining and Metals' Sustainable Development Principles. Amongst other measures, a grievance redress mechanism should be established, in a form agreed after public consultation within Kachin State, with effective penalties for companies which fail to comply with environmental and social protection requirements.
- Pass legislation that prohibits the military, police and other security services, and their individual serving officers, from establishing, operating, or exercising beneficial ownership over companies.

To all donor governments, international financial institutions, and other partners of the Myanmar government:

- Make funding and other forms of support to the Myanmar government and (in the case of the US) the lifting of sanctions conditional on delivery of the above reforms.
- Support efforts by the new Myanmar government to hold to account those responsible for criminal activities in the jade industry by using international sanctions to incentivise improved practices by more responsible companies and to impede the operations of

those that are engaged in illegal or otherwise abusive activities.

- Provide technical support to the government's efforts to implement EITI, particularly with reference to reforms of the jade sector; and to efforts to incorporate EITI principles into laws on natural resource management such as those covering gems, minerals and petroleum.
- Provide technical support to the government, KIA/KIO and Kachin civil society's development of new ownership, management and revenue sharing arrangements for the management of jade and other natural resources as part of a comprehensive peace agreement.
- Support, financially and politically, civil society organisations in Kachin State and across Myanmar that are working to increase accountability in the management of natural resources.
- In the case of the US government, expand existing reporting requirements to compel companies with investments in Myanmar to publish the identities of the beneficial owners of their in-country partners and to require companies that operate through franchises or dealerships to report to the same standards as investors.
- In the case of other partner governments, introduce reporting requirements for companies that match the enhanced US reporting requirements described in the previous recommendation.

To the KIA/KIO:

- Publish data on management of the jade sector by KIA/KIO authorities, in line with EITI, including details of the KIA/KIO taxation regime, expenditure and oversight.
- Draw up policy proposals for how Kachin State would manage the jade sector under a federal system, with input from a diverse range of civil society groups in Kachin State.
- Investigate jade-related corruption involving KIA/KIO officers and officials; prosecute perpetrators and hold to account those with command responsibility.

To jade mining and trading companies:

- Disclose information, in open data format, in line with EITI requirements. This includes: tax and other payments to government from jade concession holders (broken down by project); names and identifying information (including national identification numbers) of the individuals who own and/or control them; and jade contract and licence terms (including any environmental or social provisions). State-owned enterprises, including army companies, should disclose their stakes in jade mining and trading ventures and transfers of money to other branches of government in line with EITI.
- Immediately review existing mining operations and halt activities that breach national or international laws and standards on environmental, social, human rights and worker rights.
- Establish and implement policies and procedures to minimise and mitigate environmental, social and human rights impacts of jade mining operations, in line with international standards including: the UN Human Rights Council's Guiding Principles for Business and Human Rights; the Voluntary Principles on Security and Human Rights; the International Finance Corporation's Sustainability Framework; and the International Council on Mining and Metals' Sustainable Development Principles.

To current or prospective international investors in Myanmar:

- Carry out rigorous due diligence on existing or prospective local partners, particularly those with potential connections to the gemstone sector.
- Publish, in open data format, the names and national registration card numbers of all individuals who own and/or control stakes in local ventures, together with background information on these individuals.

ENDNOTES

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131. Letter from Caterpillar Inc. to Global Witness; 2015.
132. Letter from Caterpillar Inc. to Global Witness; 2015.
133. See for example Bertil Lintner & Michael Black, 'Merchants of Madness: The Methamphetamine Explosion in the Golden Triangle', Silkworm Books; 2009, p. 99.
134. As the US government eased sanctions on Myanmar, it put in place new reporting requirements for US companies investing US\$500,000 or more in the country. Under these rules, which took effect in 2013, US companies that fall into this category are required to report annually on their Myanmar operations, providing details including an overview of their business activities, information on their anti-corruption and human rights policies, and any corruption or human rights risks identified together with actions taken to address these risks. For further details, see: Embassy of the United States in Rangoon, Burma, 'Reporting Requirements'; <http://burma.usembassy.gov/reporting-requirements.html>, last accessed 6 November 2015. At the time of writing, Caterpillar Inc. has not filed a report for 2013, 2014 or 2015. In May 2015, a group of institutional investors wrote a joint letter to non-complying companies, including Caterpillar Inc., urging them to submit timely and comprehensive reports in line with the US rules. Conflict Risk Network, 'Investors call for robust corporate reporting on Burma/Myanmar'; 24 June 2015, <https://www.linkedin.com/company/zevin-asset-management-zam->, last accessed 6 November 2015.
135. Global Witness telephone conversation with Caterpillar Inc.; 2015.
136. Letter to Global Witness from Caterpillar Inc.; 2015.
137. Michael Peel / Financial Times, 'Myanmar's murky jade trade thrives despite political reforms'; 23 October 2015, <http://www.ft.com/cms/s/0/cb0202fa-78b7-11e5-8564-b4bb9a521c63.html>, last accessed 16 November 2015. The Voice, 'A jade entrepreneur says that the Global Witness report contains incorrect information'; 27 October 2015, <http://www.thevoicemyanmar.com/index.php/news/item/8711-gwi>, last accessed 16 November 2015.
138. Ibid.
139. The Voice, 'A jade entrepreneur says that the Global Witness report contains incorrect information'; 27 October 2015, <http://www.thevoicemyanmar.com/index.php/news/item/8711-gwi>, last accessed 16 November 2015.
140. Michael Peel / Financial Times, 'Myanmar's murky jade trade thrives despite political reforms'; 23 October 2015, <http://www.ft.com/cms/s/0/cb0202fa-78b7-11e5-8564-b4bb9a521c63.html>, last accessed 16 November 2015.
141. Ibid.
142. Global Witness letter to Zaw Bo Khant; 2015.
143. Letter to Global Witness from Zaw Bo Khant; 2015.
144. Letter to Global Witness from Li Myint and Kyaw Kyaw Oo; 2015.
145. Letter to Global Witness from Li Myint and Kyaw Kyaw Oo; 2015. The Voice, 'A jade entrepreneur says that the Global Witness report contains incorrect information'; 27 October 2015, <http://www.thevoicemyanmar.com/index.php/news/item/8711-gwi>, last accessed 16 November 2015.
146. Global Witness interview with businessman; 2014. [Global Witness interview 311].
147. Letter to Global Witness from Zaw Bo Khant; 2015.
148. Letter to Global Witness from Li Myint and Kyaw Kyaw Oo; 2015.
149. The sum given here in US dollars is based on the conversion rate of 1.3596 US dollars to the euro which was the average daily exchange rate across the days that the 2014 Myanmar Gems Emporium took place, <http://www.oanda.com/currency/converter/>.
150. The sum given here in US dollars is based on the conversion rate of 1.3187 US dollars to the euro which was the average daily exchange rate across the days that the 2013 Myanmar Gems Emporium took place, <http://www.oanda.com/currency/converter/>.
151. For detailed recommendations on preventing corruption in the award of oil, gas and mining licences, see the 'Citizens' Checklist' set out in Global Witness, 'Rigged'; January 2012, available at <https://www.globalwitness.org/reports/rigged/>.



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Global Witness
Lloyds Chambers
1 Portsoken Street
London E1 8BT
United Kingdom

mail@globalwitness.org
www.globalwitness.org

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