

EMBEDDED ILLEGALITY: DRUGS AND DEVELOPMENT IN A MYANMAR-CHINA BORDER CITY

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Since the late 1980s, borderland regions across Southeast Asia have increasingly been reimagined as zones of economic opportunity. Development discourses have promoted cross-border integration as a key tool for generating economic growth and addressing poverty and armed conflict in marginalized borderlands.

What does economic development look like in drugs and conflict-affected borderlands? To address this question, this T.note explores the economic transformation of the strategic border city of Muse on the Myanmar–China border. Despite ongoing armed conflict in northern Myanmar, Muse has become the country's most important border crossing and today handles more than 80% of licit overland Myanmar–China trade. Over the past decade, Muse has also become a key node on the China–Myanmar Economic Corridor, which forms an essential part of China's Belt and Road Initiative.

For much of the period since Myanmar's independence in 1948 until the late 1980s, the Myanmar–China border was officially closed, while the illicit opium trade became central to the region's war economy, financing

all sides of the conflict. Changing conflict dynamics in the late 1980s and early 1990s brought a fragile stability to many borderland regions. Ceasefires between the Myanmar government and ethnic armed organizations coincided with the decision by Myanmar's military rulers to partially liberalize the country's economy and to open its borders with China and Thailand for trade and investment. China, too, looked to promote cross-border ties as part of a wider strategy of economic integration with Southeast Asia.

Muse became the first border crossing with China to be under direct government control and has become the largest of Myanmar's border crossings. However, Muse's rapid rise has been mapped onto longstanding histories of unresolved armed conflict, fragmented sovereignty and illegal cross-border flows that continue to this day.

Despite Muse's strategic and economic importance, the city continues to be governed through a complex and fragmented nexus of formal and informal actors, rather than a system of more consolidated and centralized state control. One of Muse's defining features is the proliferation of militias backed by the Myanmar Army.

Fuel stations on the main road into Muse. Many of these are owned by army-backed militias.
Source: Shan Herald Agency for News.

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They operate checkpoints – alongside or on behalf of the army – to police and tax goods and people, and provide coercive muscle for various forms of dispossession on behalf of both the army and private companies. Chinese-speaking militias also act as important cross-border business brokers across language and cultural barriers in a way that Burmese investors or military figures cannot.

The role that militias have played in shaping Muse's development also extends far beyond the city's boundaries. They have acted as counter-insurgency forces and have secured territory around key trade routes and sites of resource extraction throughout northern Myanmar. In return, militias have been rewarded with economic opportunities in Muse. Muse has thus become an important hub for key rents used in the coalition-building that has underpinned the Myanmar military-state's efforts to stabilize and secure control across a much wider borderland region.

Northern Myanmar's flourishing illegal drug economy has become embedded in Muse's economic transformations in multiple ways. Negotiations around the drug economy have underpinned the tangled world of informal coalitions and brokerage agreements between the military and local militias. Allowing militias to become heavily involved in illegal activities has enabled these groups to be self-financing, reducing pressures on military budgets. It has also provided the Myanmar military with a way to strengthen its control over these organizations. At the same time, militias have viewed the drug trade as a way to generate the revenue needed to strengthen their position in borderland power structures. Within this system, significant informal revenue has flowed from militias – and the illegal businesses linked to them – to the army, the police and local government departments. Thus, much of the budget for the formal authorities that do operate in Muse is ultimately derived from the illegal and 'grey' businesses that operate in and through the city.

Local populations are constantly required to navigate illegality and informal systems of authority. This has often perpetuated their vulnerability to violence and intimidation at the hands of local militias. However, the position that militias hold in Muse's political economy has meant that they also offer opportunities. The sense of empowerment – however illusory – from joining a militia and carrying a weapon can be particularly appealing to young men living in an environment of violence, limited opportunities and regular abuse at the hands of authorities.

The informal governance structures that have emerged in Muse have also created a highly permissive environment around drugs, where the rule of law is consistently superseded by the privileges and protection provided by informal political ties. Many drug-selling networks within the city are linked to local

militias or the army and thus avoid reprimand. Drugs have thus become relatively cheap and easy to access, while there is little education or public discourse on drug issues. In this context, drug use has become a common coping mechanism for people faced with the stresses and hardships of armed conflict, displacement and disrupted family life, and who struggle to make a living from insecure and exhausting jobs. Levels of drug use and drug harms are high in Muse (although official figures are not publicly available).

Muse's transformation into a strategic border hub problematizes those development narratives that claim that the integration of borderlands into markets and national political structures will provide an antidote to violence, criminality and illegal activities. Muse's growth since the late 1980s demonstrates how processes of borderland development in conflict-affected spaces invariably draw on longstanding informal systems of rule and criminalized war economies, rather than leading to the extension of formal state institutions and the rule of law. Illegality is embedded in Myanmar's political and economic structures in ways that have become even further entrenched since the February 2021 military coup.

These dynamics also shape the highly uneven distribution of the costs and benefits of development in the Myanmar–China borderlands. Muse has become a privileged space for the Myanmar military, army-backed militias and the businesses allied with them. However, the permissive environment surrounding violence and illegality has impacted heavily on local populations, exposing them to ongoing forms of intimidation, violence and drugs harms. The benefits of development in Muse have been concentrated in the hands of a small nexus of power involving the military, militias and the private sector, and the costs have been socialized, creating new forms of enrichment – and vulnerability.

“**As Muse has transformed into a strategic border hub, the illegal drug economy has become deeply embedded in systems of rule, economic development and everyday life.**”

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