

“Ploughing the land five times”: Opium and agrarian change in the ceasefire landscapes of south-western Shan State, Myanmar

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Abstract

This paper explores the relationship between the illicit opium economy and processes of agrarian change in south-western Shan State, Myanmar. This is a region where opium production has risen significantly since the 1990s despite the declining territorial control of insurgent groups long blamed for the country's illegal drug economy and alongside the deepening integration of the region's agriculture sector into national and global markets. This paper reveals how illicit opium cultivation has offered distressed smallholders a way to mitigate the worsening livelihood insecurities that have accompanied the commercialization of smallholder agriculture. Yet at the same time, opium cultivation has locked farmers into a set of highly unequal social relations that has enabled militias, businesspeople with ties to local (armed) authorities, moneylenders, and agricultural brokers to accumulate capital through their control over rural markets and credit systems while leaving poppy cultivators with little more than the means to reproduce their livelihoods. This paper thus shows how opium cultivation has enabled farmers to respond to worsening precarity by sustaining smallholder farming despite the worsening “reproduction squeeze” facing many households, although the opium economy has simultaneously played an instrumental role in reinforcing and deepening agrarian class relations.

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KEYWORDS

agrarian class relations, differentiation, drugs, illegal economies, Pa-O

1 | INTRODUCTION

Khun Aung Win¹ began cultivating opium poppy in 2008 and has been growing it ever since. He is a resident of Pinlaung Township in south-western Shan State, Myanmar. Like most of the families in his village, he identifies as Pa-O, one of Myanmar's larger ethnic nationalities with sizeable populations across south-western Shan State. His family have for generations cultivated tea and thanatphet trees, the leaves of which are used to roll cheroots, to generate the income they needed to supplement their subsistence livelihoods.² However, the collapse in prices for these crops through the 1990s and 2000s meant the income they generated barely covered production costs. "It was impossible to make money from tea and cheroot anymore," Aung Win reflects. "Our neighbours had already started growing poppy. In 2008 I decided I would too."

Pinlaung was one of three townships that became part of the "Pa-O Special Region" after a ceasefire agreement in 1991 between the Myanmar Army and the Pa-O National Organization (PNO), one of Myanmar's many ethnic armed organizations that had been fighting against the Myanmar government since the 1950s. The ceasefire led to a significant reduction in outright armed conflict in Pinlaung Township and enabled people to travel more freely. Several residents in Aung Win's village first learnt to cultivate poppy in the early 2000s by working as labourers on large poppy farms in nearby townships that were controlled by local militias backed by the Myanmar Army. "People needed to find extra work. Construction work would pay 3,000 kyat a day, but for harvesting opium people were earning 5,000 or 6,000 kyats per day. Some farms would even employ workers for the entire poppy season and provide food and a place to sleep."

Many farmers were initially reluctant to grow opium on their own land, aware of its illegality and fearful of attracting the attention of local authorities. However, this changed as households increasingly struggled to make a living from licit crops, something that Khun Aung Win attributes to rural markets that are structured to exploit small farmers. Since the 1990s, Myanmar's agricultural sector has been marked by a steady transformation away from subsistence farming and local trade towards a sector that is increasingly commercialized and in which smallholders are integrated into national and international markets (Bello, 2018; Doi Ra et al., 2021; Woods, 2020). This vision of agricultural modernization was crystallized in the Myanmar government's 2018 Agricultural Development Strategy (ADS)—backed by multilateral donors—which set out the government's aims for a "transformation towards a more commercialized and competitive agriculture" predicated on agribusiness-led development and the integration of smallholders into competitive value chains (MOALI, 2018). Although the pace of agricultural reforms in Myanmar increased after 2010, the vision set out in the country's 2018 ADS in many ways crystallized the gradual but sustained process of market liberalization and deepening capitalist social relations that has shaped Myanmar's agricultural sector since the 1990s.

Despite promises that such processes offer "win-win" solutions by simultaneously facilitating efficiency gains through agribusiness-led economic growth and providing better opportunities for smallholders, the experience of Khun Aung Win and many others like him tells a different story. The volatility of agricultural commodity prices coupled with rising living costs meant smallholders increasingly struggled to make a living either from the region's

¹This is a pseudonym to protect the farmer's identity. Interviews with Khun Aung Win were conducted in Taunggyi by the author in January 2013, March 2013, and September 2017.

²Thanatphet (*Cordia dichotoma* G. Forst)—sometimes also known as sebesten plum—is a medium-sized deciduous tree that grows well on hillsides of southern Shan State and has long been an important cash crop for Pa-O farmers.

traditional cash crops or from the crops they then tried to cultivate instead such as maize, garlic, and sugarcane (Khun Moe Htun, 2018, pp. 89–91; Woods, 2020).

Many of Khun Aung Win's neighbours started to grow opium on small plots of land, and, struggling with mounting debts, Khun Aung Win followed suit. His family grow the crop once a year, harvesting the opium in February, and use the income to buy food and other basic goods. They have also been able to use their opium crop as a security against which to borrow money at other times of the year. This is essential to farmers like Khun Aung Win who produce on credit and have no access to formal credit. Yet, the intersections between opium markets and credit systems have often locked poorer farmers into exploitative relations with moneylenders who charge interest rates as high as 5%–10% per month and often demand farmers sell the opium harvest to them at prices set by the moneylender as a condition for loans. In response to my question of whether opium production is a lucrative enterprise, Khun Aung Win gives a wry smile, “Yes. But not for us. There is now a saying in the villages of Pinlaung. The farmer must plough his land five times: once for the Myanmar Army, once for the armed groups, once for the militias, once for the wealthy in the village and once, finally, for his family.”³

Khun Aung Win's story is by no means unique. Myanmar is the second largest producer of illicit opium in the world; only Afghanistan cultivates more. Shan State is estimated to be the source of almost 90% of Myanmar's illicit opium crop (UNODC, 2019), and since the early 2000s south-western Shan State has become one of the most densely cultivated areas in the country (UNODC, 2018, p. 6).

Through exploring the experiences of farmers like Khun Aung Win, this article asks: How has the illegal opium economy in south-western Shan State been shaped by wider processes of agrarian change? And, in turn, how has the opium economy impacted upon, and shaped the trajectory of, these processes of agrarian change?

In addressing these questions, this article analyses the tensions and contradictions embedded in the relationship between opium and capitalist development. This paper reveals how illicit opium cultivation has offered distressed smallholders a means through which to mitigate the worsening livelihood insecurities that have accompanied deepening capitalist social relations. Yet at the same time, the opium economy has also played an instrumental role in deepening process of differentiation by locking farmers into a set of highly unequal social relations that enable those with political and economic capital—primarily rent-seeking militias, businesspeople with close ties to local (armed) authorities, moneylenders, and rural brokers—to accumulate wealth but leaves most poppy cultivators with little more than the means to reproduce their livelihoods. This paper thus explores how opium cultivation has enabled farmers to respond to worsening precarity through the role it has played in sustaining smallholder farming despite the worsening “reproduction squeeze” facing many households amidst processes of market integration while simultaneously reinforcing and deepening agrarian class relations.

The rest of this paper is divided into three parts. Section 1 sets out the paper's political economy framework for analysing the intersections between opium and agrarian change. Section 2 provides a brief overview of armed conflict, ceasefire dynamics, and the changing rural economy in south-western Shan State. This article focuses primarily on the three townships that comprise the Pa-O Special Region—Hopong, Hsihseng, and Pinlaung Townships—as well as the townships that border them. Section 3 then sets out the paper's empirical findings for why opium production expanded through the 1990s and 2000s. It explores how poppy cultivation simultaneously became the “alternative development” for distressed smallholders *and* offered new opportunities for accumulation for those with political and economic capital in the rural economy. In the conclusion, I offer a set of reflections on how the rise of the opium economy in south-western Shan State is a reflection of—and in turn has helped to intensify—deepening capitalist social relations in this region of Myanmar.

The research presented in this paper draws upon extensive fieldwork conducted by the author across south-western Shan State since 2012, comprising more than 120 interviews with farmers, village headmen, pastors, civil society organizations, local researchers and historians, politicians and government officials, and representatives of

³This is a common saying amongst both Pa-O and Shan communities across southern Shan State, and the saying varies in different locations. In some areas, references are also made to needing to pay the police and the costs of fulfilling religious obligations.

various armed organizations. Most of this fieldwork was conducted as doctoral research between 2012 and 2015. Further research was conducted on shorter follow-up fieldwork visits in 2017, 2018, and 2019.⁴ This research would not have been possible without the support of several Taunggyi-based researchers and civil society organizations. These organizations provided invaluable expertise and insights into the history and contemporary political economy of south-western Shan State. They were also instrumental in facilitating access to rural areas outside of Taunggyi, convening interviews, and acting as interlocutors and translators.⁵

2 | OPIUM AND AGRARIAN CHANGE: A RELATIONAL FRAMEWORK

2.1 | “De”-exceptionalizing drugs

Since the 1980s, neoliberal development strategies have gradually replaced socialist and quasi-socialist agricultural policies as the dominant development paradigm across much of mainland Southeast Asia (Castellanet & Diepart, 2015; Taylor, 2016). Throughout upland areas of Laos, Cambodia, Vietnam, and Myanmar, models of rural development, defined implicitly in capitalist terms, have focused on “opening up” “marginal” spaces to markets and capital, expanding private property rights, and commercializing agricultural modes of production. Market-oriented development policies have included improving connectivity through infrastructure projects, opening borders and liberalizing trade, expanding the production of cash crops in upland areas—notably rubber, maize, coffee, cacao, and fruit trees—and encouraging agribusiness modes of production through business-friendly reforms to land laws and foreign investment laws (Barney, 2009; Friederichsen & Neef, 2010; Hall et al., 2011; Li, 1999, 2014; Nevins & Peluso, 2008; Sikor & Vi, 2011; Taylor, 2016; Woods, 2011, 2020). Market-led development has been promoted alongside political projects aimed at consolidating state control over territories and sensitive national borders in regions where the reach of central states has historically been weak and, in the case of Myanmar especially, violently contested. In the analysis that follows, “borderland development” thus refers to the parallel pursuit of an economic project underpinned by market-led development and a political project aimed at dismantling insurgency and consolidating state control.

In regions of illicit drug cultivation, processes of borderland development have been explicitly framed as a means to overcome illegal economies by removing the livelihood insecurities that cause rural populations to grow opium, offering new economic opportunities for sustainable licit livelihoods, and dismantling war economies (ADB, 2014, pp. 152–153; Cohen, 2009; Lu, 2017; TNI, 2012). Drugs have typically been treated in policy narratives and much of the literature as “exceptional” commodities with a set of inherent attributes: They are viewed as driving armed conflict and state fragility, financing rebel groups in areas beyond government control, and symbolizing economic marginality and underdevelopment (Cornell, 2005; UNDP, 2001; UNODC, 2010, 2017). These narratives have been particularly powerful in places such as Myanmar, Laos, and Thailand where illegal drug production has been centred in upland, ethnic minority areas and is linked to practices of shifting cultivation. In such contexts, illegal opium production has often been inflected with racialized discourses that present opium as a symbol of “highlander primitiveness, backwardness and poverty” (Cohen, 2009, p. 425).

⁴Research between 2012 and 2015 was supported by an ESRC PhD studentship (Award Number: 1079159). Research in 2017 was supported by the ESRC (Award number: ES/P009867/1: *Building sustainable peacetime economies in the aftermath of war*). Research since 2018 has been supported by the UKRI Global Challenges Research Fund (GCRF Award Reference: ES/P011543/1: *Drugs and (Dis)order: Building sustainable peacetime economies in the aftermath of war*). The Myanmar research in the GCRF project has been co-led by the author, Dr Mandy Sadan, colleagues at the Shan Herald Agency for News (SHAN) led by Sai Aung Hla, and colleagues at Kachinland Research Centre (KRC), led by Dan Seng Lawn. In a few cases, interview material in this paper is drawn from interviews conducted since 2018 by SHAN colleagues on the GCRF project. Acknowledgement of this is referenced in the footnotes in the paper.

⁵As a foreign researcher, it proved difficult to access certain regions of south-western Shan State, especially militia-controlled areas. Several civil society organizations were instrumental in arranging interviews with residents from these regions when they travelled to Taunggyi, thus mitigating the risks and scrutiny that the author's presence would have attracted had these discussions taken place in their home villages.

Consequently, the cultivation of illegal opium has invariably been treated as residual to—or outside of—development processes. This approach has encouraged simplistic and linear narratives surrounding the relationship between drugs and development, which assume that the expansion of market economies and the consolidation of state control over conflict-affected drug-producing regions will overcome the drivers of illegal drug cultivation (Meehan, 2021). However, by defining illegal drug cultivation as a consequence of isolation from markets and the lack of state control—and by making state-building and market-led development the means through which to tackle drugs—drug policy narratives obscure a more complex set of relationships that exist between illicit drug economies and processes of agrarian change in Myanmar's contested borderlands.

2.2 | Integrating opium and agrarian change

Treating drugs as residual to processes of borderland development creates three significant analytical blind spots that this article seeks to address. First, it ignores how processes of capitalist development can exacerbate livelihood insecurities facing smallholders and thus reinvigorate—rather than dismantle—the motivations for cultivating opium as a way to mitigate these threats. Second, it ignores how processes of borderland development can offer new opportunities for drug-fuelled accumulation for those with economic and political capital. Third, treating drugs as residual to development has caused existing analysis to overlook how the different terms through which actors are drawn into the opium economy—as means of livelihood survival and as a means for accumulation—have in turn become instrumental in deepening processes of social differentiation and intensifying agrarian class relations. Taking its conceptual cues from the wider agrarian studies literature on Southeast Asian uplands, this paper sets out a tripartite framework for integrating the illicit opium economy into understandings of processes of agrarian change through an analysis of the dynamics of immiseration, accumulation, and social differentiation.

2.2.1 | Immiseration

Opium has a number of distinct qualities: It is a high-value commodity that can generate a marketable harvest on small plots of marginal, steep land within a few months. This is in contrast to many other upland cash crops, such as coffee, tea, or fruit trees, which take years to mature. Sustained global demand and the concentration of illegal opium cultivation in only a few places in the world ensure a consistent market and relatively stable prices. Opium's illegality and high value have also meant that buyers travel to remote areas and often provide credit to farmers to ensure farmers sell to them. These characteristics have typically been highlighted in the literature as particularly beneficial to rural populations evading the state or caught in armed conflict who retreat to remote upland areas to evade violence, recruitment, and taxation (Scott, 2009, pp. 18–19, 205).

Policymakers claim that integrating upland regions into global markets will alleviate the poverty and economic marginality that drives smallholders to cultivate opium by providing the foundations for sustainable licit smallholder farming and by generating greater off-farm economic opportunities (ADB, 2014; FAO, 2012; MOALI, 2018, pp. 11–15). However, a wide body of scholarship on agrarian transitions in upland Southeast Asia warns that processes of market-led development create risks and opportunities that are distributed highly unevenly and lead to new drivers of poverty and insecurity (Akram-Lodhi, 2005; Li, 2002, 2010; Meehan, 2021; Rigg, 2005; Sikor & Vi, 2011; Woods, 2020). A more critical understanding of the unequal social relations produced by market-led development offers important entry points for understanding why the “qualities” of opium may remain important—or indeed become increasingly significant—to the livelihood strategies of poor smallholders.

Most strikingly, agribusiness investments in plantation production of cash crops have exacerbated land tenure insecurity. These risks of “dispossession from above” are exacerbated in conflict-affected frontier regions where a nexus of state, military, and private sector power has often facilitated the expansion of agribusiness modes of

production by enabling and enforcing the large-scale transfer of land from smallholders to private investors through a combination of legal measures (such as land laws that ignore customary land tenure), corruption, and violence (Ballvé, 2012; Cohen, 2009; Doi Ra et al., 2021; Eilenberg, 2014; Rasmussen & Lund, 2018; Shi, 2008; Woods, 2011).

More insidiously, the struggles facing poorer households amidst deepening agricultural commercialization have manifested in a worsening “reproduction squeeze” (Bernstein, 2010; Li, 2014). Agribusinesses and better-off smallholders have typically been better positioned to benefit from the “economies of scale” offered by more intensive modes of production because they have more land and greater capital to invest in inputs (including wage labour) (Harriss, 1987; Woods, 2020). In contrast, poorer households make more marginal gains and typically produce on credit in order to afford the increasing volumes of inputs required (fertilizers, pesticides, and single generation seeds). This makes them vulnerable to shocks, such as price volatility, adverse weather, or the termination of input subsidies. In order to access credit, smallholders are often forced to enter into exploitative agreements with creditors to sell harvests below market prices (Fairbairn et al., 2014; Gerber, 2014). Even where this is not the case, pressures to pay off debts push smallholders to sell immediately after harvests when prices are at their lowest. Reliance upon informal credit systems and the use of land as collateral has often meant that the promise of modernity has been experienced as greater precarity, indebtedness, and dispossession through “piecemeal” land transfers to service debts (Li, 2010).

Scholarship on agrarian transitions in upland Southeast Asia also challenges the claim made by policymakers (e.g. World Bank, 2008) that development processes will provide viable livelihood options outside of agriculture, either in non-farming rural employment or through migration to urban areas to work in industry. This is particularly relevant for Myanmar where agriculture employs more than 50% of the population and the country's development policy over the past decade has been framed on a structural transformation away from an agriculture-based economy to an industry and service-based economy (ADB, 2014, pp. 61–83; MOALI, 2018). However, the claim that populations no longer able to survive in the agricultural sector will subsequently be absorbed into the labour market has not been borne out in large parts of rural Asia (Li, 2009, 2010; Vicol et al., 2018, p. 453). This has created a situation whereby “places (or their resources) are useful, but the people are not, so that dispossession is detached from any prospect of labour absorption” (Li, 2010, p. 69). Even in contexts where non-farm employment is available, the inherent precarity and low pay of non-farm work, coupled with the lack of any social safety net, sustain a logic for households to retain smallholdings as a fallback strategy (Rigg et al., 2018). Furthermore, as Cohen's (2000) work on Akha poppy cultivators in northern Laos shows, even where farmers have had “exit options”—in this case resettlement to work in lowland wet-rice cultivation—such transitions can expose populations to new vulnerabilities. Akha populations faced worsening economic security, severe health issues—primarily from malaria—and were integrated as an exploited and impoverished labour force for the benefit of Tai lowlanders. Responses to worsening vulnerability, and whether and how to “exit” rural economies, are thus not simply a matter of job availability but are shaped by attachments to land and place and the prejudice, exploitation, and hierarchies of power that upland non-majority ethnic nationality populations have often faced when resettling.

Importantly, the squeeze on livelihoods is also rooted in how neoliberal development processes offset the responsibilities for social reproduction—defined as “the everyday activities involved in maintaining and reproducing life, labour, and love”—onto households (Hedström & Olivius, 2020, pp. 385–386). This is especially apparent in Myanmar's borderlands where development policies have prioritized large-scale infrastructure projects and agribusiness expansion, typically accompanied by militarization and heightened land tenure insecurity, whereas investment in welfare provision and social services has been almost non-existent (Hedström & Olivius, 2020, pp. 390–394; Olivius & Hedström, 2021).

These insights question the assumption that market-led development will ameliorate the poverty and livelihood insecurity that have long driven smallholders to engage in illicit drug cultivation. Instead, it provides a set of starting points—explored empirically in this paper—for moving beyond a framework that attributes opium production solely to armed conflict and isolation from markets and instead expands analysis to encompass how market-led development processes can also create new “pathways” into the illicit opium economy for distressed smallholders.

2.2.2 | Accumulation

The combination of sustained global demand and the risk premiums created by global prohibition regimes means that drugs generate high profit margins. Analysis of drug-fuelled accumulation is often presented in quite simplistic binary terms that differentiate between impoverished cultivators and major drug-trafficking organizations. Missing from such accounts is a more granular analysis of the diverse modes of production and patterns of accumulation surrounding drug crops even prior to refining and trafficking. Patterns of accumulation are shaped by the uneven distribution of economic and political capital within the rural economy. In terms of economic capital, opium—like legal commodity production—can offer opportunities for accumulation for better-off households who have the capacity to dedicate greater amounts of land, paid labour, and agricultural inputs into production and for those who control rural credit systems and commodity chains that link small-scale opium production with wholesale buyers. The official status of opium cultivation as illegal also magnifies the importance of political capital in determining the scope for capital accumulation. In this context, political capital relates to the capability to manage relations with local authorities to offset the risks of eradication and to be able to invest drug revenues into the legal economy.

There is the assumption that processes of state consolidation in “unruly” upland spaces will deliver a reduction in levels of drug production because the expansion of state authority will extend the rule of law, dismantle war economies, and disempower rebel groups blamed for orchestrating the drug trade. However, these claims are not borne out in the empirical evidence on Myanmar (Lintner, 1999; McCoy, 1999; Meehan, 2011, 2015; Snyder, 2006) or other drug-producing countries (for Afghanistan, see Goodhand, 2008, 2009; for Colombia, see Ballvé, 2012; Thomson, 2011). This literature draws attention to how government efforts to consolidate control in contested drug-producing regions have often been underpinned by forms of brokerage and informal coalitions between government actors and local elites, such as armed organizations, landowners, and businesspeople. Negotiations surrounding the allocation of rents linked to the drug economy have often been central to these kinds of brokerage arrangements (Meehan, 2011, 2015; Snyder, 2006). Thus, state-building projects in conflict and drug-affected borderlands have rarely sought to dismantle illicit drug economies; rather, informal agreements regarding opportunities to operate in the illegal economy, levels of impunity and protection provided by the state, and the scope to invest illicit revenues into the legal economy have often become integral to shifting configurations of power within ceasefire and “post-conflict” landscapes.

For those actors that are able to combine economic and political capital, privileged spaces for drug-fuelled accumulation can open up *within* wider processes of borderland development. This provides a second entry point, explored empirically in this paper, for why the illicit opium economy in south-western Shan State has expanded alongside wider processes of borderland development.

2.2.3 | Differentiation

Exploring the different terms through which actors are drawn into illegal drug crop economies amidst wider development processes—as means of livelihood survival and as a means for accumulation—offers important starting points for analysing the role that drug economies play in shaping trajectories of social differentiation and deepening agrarian class relations. Through the empirical material that follows, this paper advances the following argument: The expansion of illicit opium cultivation in south-western Shan State has been a response to worsening livelihood insecurities facing smallholders amidst market-led development and deepening capitalist social relations. In turn, the illicit opium economy has itself become an important mechanism through which processes of social differentiation have intensified. Paradoxically, illicit opium cultivation embodies both a response to and a driver of emerging class relations in the Shan countryside and provides a powerful lens through which to explore dynamics of agrarian change. This paper thus seeks to offer an initial starting point for exploring how the study of illicit drug crop economies can offer new insights into wider debates surrounding processes of social differentiation (Akram-Lodhi, 2005; White, 2018; Zhang et al., 2015).

3 | ARMED CONFLICT, SYSTEMS OF BORDERLAND RULE, AND THE CHANGING AGRARIAN ECONOMY IN SOUTH-WESTERN SHAN STATE, 1948–2018

The expansion of opium cultivation across south-western Shan State since the mid-1990s occurred during a period of declining armed conflict and growing state presence, as well as the increasing integration of the region's agricultural sector into national and global markets. This problematizes dominant narratives that attribute drug production to armed insurgency, the absence of state authority, and isolation of rural areas from markets. Below, I provide a brief overview of the shifting contours of armed conflict and changing agrarian dynamics across south-western Shan State in order to situate my empirical analysis of how the opium economy has become rooted in systems of borderland rule and deepening capitalist social relations.

3.1 | Shifting conflict dynamics in south-western Shan State, 1948–2018

Violent conflict has cast a long shadow over the livelihoods of rural populations throughout Myanmar's borderlands for much of the country's history since independence in 1948 and has played an instrumental role in shaping borderland power structures. In south-western Shan State, armed conflict has been underpinned by multiple fault lines. Insurgency in this region—like many other parts of Myanmar—has been driven by long-standing grievances against attempts by successive post-colonial governments to centralize power across the country's ethnically diverse borderlands and to impose a racialized national ideology that has entrenched the dominance of the country's ethnic majority Bamar population. Armed conflict has also been underpinned by localized tensions between non-state armed organizations, shaped by ethnic and ideological divisions and competition for control over territory, populations, resources, and trade routes.

The first decade of Myanmar's independence saw a triangular political conflict in south-western Shan State between the central government, the region's long-standing Shan hereditary rulers (known as Saopha), and an emerging armed nationalist movement amongst the region's ethnic Pa-O population. Led by the PNO, this movement rallied initially against the Saopha system, which they saw as a feudal anachronism and exploitative of upland non-Shan nationalities. The PNO grew to more than 5000 recruits, centred in the mountains south of Taunggyi, and conflict escalated with the Saophas' private militias and with government forces (Christensen & Sann Kyaw, 2006, pp. 16–18; Hackett, 1953, pp. 696–697; Smith, 1999, p. 168). In 1959, under heavy government pressure, the Saopha agreed to relinquish their hereditary powers in return for lump-sum pensions. The PNO viewed this as a successful culmination of a decade-long conflict that had cost an estimated 3000 lives. The PNO embraced the national government's "exchanging arms for democracy" initiative in 1958 and established a political party that contested the 1960 general election (Smith, 1999, p. 169).

However, a new wave of insurgency swept across the country following the 1962 military coup that brought an end to Burma's fledgling democracy and installed a military dictatorship under the command of General Ne Win. Across south-western Shan State, multiple armed organizations vied for supremacy. These included remnants of the Chinese Nationalists (Kuomintang [KMT]) that had fled into Shan State at the end of the Chinese Civil War in 1949, units of the Communist Party of Burma (CPB), the PNO (which underwent a major split in 1973 into pro- and anti-communist factions), and various Shan armed organizations.

Up to the late 1980s, central government control across south-western Shan State extended little beyond major towns. However, the dynamics of the region's armed conflict changed significantly in the 1990s. In 1988, nationwide pro-democracy protests rocked General Ne Win's government. In its place, a new military administration was formed called the State Law and Order Council (SLORC, renamed the State Peace and Development Council [SPDC] in 1997), which renamed the country Myanmar in 1989. After decades of violent counter-insurgency campaigns, the new SLORC military government adopted a different approach to the country's multiple armed conflicts and offered

ceasefires to various armed organizations. In April 1991, the PNO reached a ceasefire with the Myanmar government.⁶ Alongside various business concessions, the ceasefire agreement gave the PNO nominal authority over three townships—Hopong, Hsihseng, and Pinlaung—which formed the Pa-O Special Region (see Figure 1⁷). Although the PNO has become increasingly fragmented internally, the ceasefire arrangements with the government have endured, and in 2008, the Pa-O Special Region was formally recognized as one of six “Self-Administered Zones” in the country's new constitution. In 2009, the PNO agreed to the government's request to change its status from a ceasefire group to a Border Guard Force (BGF) and came under firmer oversight from the Myanmar Army's Eastern Regional Command, headquartered in Taunggyi.⁸

The region's conflict dynamics had been further transformed in 1996 by the surrender of Khun Sa, a Shan-Chinese leader notorious for his involvement in cross-border drug trafficking (McCoy, 1999). Khun Sa's forces, known after 1987 as the Mong Tai Army (MTA), numbered more than 12,000 troops and controlled much of the Thai–Shan border as well as extensive territory as far north as Loilem. Although many MTA troops surrendered with Khun Sa, a significant minority (approximately 1000 men) continued fighting against the Myanmar government, renaming themselves the Shan State Army (SSA) and establishing a political wing—the Restoration Council of Shan State (RCSS)—in 1999. Over the next 25 years, the SSA gradually established itself as a significant fighting force with strongholds along the Thai border and areas of operation throughout southern and central Shan State.

The Myanmar Army sought to capitalize on the PNO ceasefire and the MTA's surrender to establish firmer control across south-western Shan State. This was reflected by a growing number of permanent military bases established in the Pa-O Region and neighbouring townships and a series of brutal counter-insurgency campaigns against the SSA (Risser, Oum Kher, & Sein Htun, 2003). Having established a network of military bases to provide “nodes” of control (Farrelly, 2013), the Myanmar Army sought to govern rural areas through informal arrangements with local proxies. The PNO has played this role throughout much of the Pa-O Special Region. In neighbouring townships, several ex-MTA commanders forged agreements with the Myanmar Army in the late 1990s (Buchanan, 2016, p. 17). In essence, these deals allowed ex-MTA groups, which were now rebranded as government-sanctioned militias or “regional development groups,” to retain their weapons and to capitalize on various legal and illegal business opportunities, especially drugs. In return, they were expected to accept Myanmar Army oversight and to ensure that territory under their jurisdiction became no-go zones for the SSA and other insurgent groups.

These strategies have created a patchworked borderland, where stability has been predicated upon complex and opaque territorial arrangements and informal agreements involving army units, civilian government departments, ceasefire groups, army-backed militias, and insurgent groups. Negotiations around the drug economy—in terms of impunity, protection, profit-sharing and opportunities to launder money into the legal economy—are an important aspect of these informal arrangements. As will be shown in Section 4, this provides an important dimension underpinning why opium production has expanded across south-western Shan State since the late 1990s.

⁶The PNO's decision to accept the ceasefire was motivated by fears of being trapped between the MTA—at that time the largest ethnic armed organization in southern Shan State—and the Myanmar Army. Another faction of the Pa-O movement—the Shan State Nationalities People's Liberation Organization (SSNPLO) that had split from the PNO in 1973—also agreed a ceasefire with the government in 1994 but received inferior ceasefire terms. Neither the PNO nor SSNPLO ceasefires were universally accepted by their members. Small factions of each group established bases on the Thai border. In 2009, a number of these factions united to form the Pa-O National Liberation Organization (PNLO). The PNLO agreed a ceasefire with the Myanmar government in 2012 and became a signatory of the government's Nationwide Ceasefire Agreement.

⁷The information in the bottom-right table provides a snapshot of Myanmar Army militarization in 2012/2013 at the time of the author's period of extended fieldwork. The data is drawn primarily from a 2011 report by the Thai Burma Border Consortium (TBBC, 2011, p. 63), which I corroborated during fieldwork conducted in 2012 and 2013. Some of these units have since rotated.

⁸In this case, the term *Border Guard Force* is a misnomer as the PNO region does not share any international borders. Many other BGFs operate in territories along the country's borders.



FIGURE 1 South-western Shan State

3.2 | Changing agrarian dynamics in the ceasefire landscapes of south-western Shan State

The SLORC administration that came to power in 1988 abandoned General Ne Win's isolationist, quasi-socialist economic policies. Instead, the military government declared its objective to be the "proper evolution of the market-oriented system" in an attempt to address the country's parlous financial situation (Myat Thein, 2004, p. 124). In 1988, the SLORC legalized cross-border trade through government-controlled trade gates and sought to "open up" the country's resource-rich borderlands for economic "development," notably logging, mining, dam-building, and the construction of oil and gas pipelines. In the agricultural sector, the government adopted a programme of gradual liberalization by removing government price controls on major agricultural commodities, easing restrictions on production, marketing, and international trade, and allowed a greater role for the private sector (Myat Thein & Maung Maung Soe, 1998). The government also implemented a series of laws aimed at attracting domestic and foreign investment in agriculture and promoting agribusiness development. The most notorious of these was the 1991 "Wastelands Law," which provided the government with a legal framework to allocate "wasteland"—defined as land with no officially recognized legal title—for large-scale agribusiness development. This effectively included all customary and communal land, regardless of whether it was being farmed (FSWG, 2011; TNI, 2012). The government deemed huge swathes of the country, amounting to 40% of Myanmar's total cultivable land, to be "wasteland" and announced plans to develop permanent agriculture on 4 million ha of it by 2030, much of which was in the country's borderlands (TNI, 2012, p. 34). Myanmar's post-2010 civilian government has reinforced this system through the passing of the Vacant, Fallow, and Virgin Lands Management Law in March 2012 (Doi Ra et al., 2021). A central component of Myanmar's post-2010 development strategy has been to modernize the agricultural sector through commercial agribusiness-led development and to instigate a structural transformation away from an agriculture-based economy to an industry and serviced-based economy (FAO, 2012; MOALI, 2018; Raitzer et al., 2015). Alongside these domestic agricultural reforms, agribusinesses throughout Southeast Asia, especially Thai and Chinese companies (following China's "Going Out" strategy), have increasingly integrated Myanmar's "agricultural frontiers" into their global supply chains (Thomas, 2013; Wang, 2016; Woods, 2020).

The relative stability of the Pa-O region following the 1991 PNO ceasefire, its fertile farmland, and its proximity to both the Thai border and to markets in central Myanmar has meant that since the 1990s, this region has been increasingly impacted by the series of laws and policies aimed at liberalizing the agricultural sector and the subsequent deepening of capitalist social relations. Following the easing of restrictions on private enterprise, small-scale agricultural brokers played a key role in the commercialization of smallholder agriculture by providing credit, subsidized inputs, and connecting farmers to larger markets in Aungban, Taunggyi, Mandalay, and Yangon. Agribusiness ventures have also expanded in south-western Shan State, the most prominent of which has been the Sino-Thai CP Group that has promoted maize production through smallholder schemes. Across the Pa-O Special Region, the amount of land used for maize production is now second only to rice (Woods, 2020, p. 6).

Amidst declining levels of outright armed conflict and deepening agricultural commercialization, the Pa-O Special Region and neighbouring townships have witnessed a significant expansion in illicit opium production. There is a long history of small-scale opium production in certain highland regions of south-western Shan State, notably across parts of the Loimaw range in Hsihseng and the Mae Nai range in Hopong. However, levels of poppy cultivation and the importance of opium to the region's agrarian political economy increased significantly since the late 1990s. By the mid-2000s, the UN started to report "commercial" levels of opium production across Pinlaung, Hopong, and Hsihseng Townships, as well as across neighbouring Pekhon, Loilem, and Nansang Townships (UNODC, 2006, pp. 112–115; UNODC, 2007, pp. 109–112; UNODC, 2008, p. 54). By the early 2000s, many farmers had started to cultivate poppy twice a year and, in some cases, even three times a year.⁹ Despite opium bans enforced by the government and the PNO in certain years (notably 2005 and 2008), poppy cultivation has remained widespread

⁹Interviews conducted by the author with Pa-O farmers, researchers, and civil society organizations: January 2013, March 2013, and September 2017.

(UNODC, 2018, p. 6). According to UNODC data, southern Shan State now accounts for almost 40% of Myanmar's illicit opium production with south-western Shan State being one of the most densely cultivated areas in the country (UNODC, 2018, p. 6).

Exploring the ways in which processes of capitalist development have intersected with the strategies deployed by Myanmar military-state elites to consolidate control over contested territories provides an important starting point for now analysing the agrarian political economy of south-western Shan State since the 1990s and opium's place within it.

4 | RISING OPIUM PRODUCTION IN SOUTH-WESTERN SHAN STATE: IMMISERATION AND ACCUMULATION IN A CHANGING RURAL ECONOMY

4.1 | Immiseration: Opium as the alternative livelihood for distressed smallholders

4.1.1 | The simple reproduction squeeze

Through the 1990s, many farming households in the Pa-O region experienced a “simple reproduction squeeze,” defined by Bernstein (1979, pp. 427–428) as a “deterioration of the terms of exchange of the cash crops [they] produce relative to the commodities [they] need for simple reproduction.” Prices for the main upland cash crops cultivated in the Pa-O region fell significantly in the late 1980s and early 1990s. This was particularly marked for thanatphet leaves, which were sent to factories in Mandalay and Bago where they were used to roll cheroots that were sold throughout the country (Khun Moe Htun, 2018, pp. 84–85; Matsuda, 2019; Nang Aye Aye Cho, 2014, Nang Kham Nyo Oo, 2011). There are no data available on exact price changes for thanatphet in the Pa-O region, but national trends in prices for tobacco products provide a useful indication (there was no export market for cheroot) and corroborate the experiences of farmers recorded in interviews by the author. In real terms, prices in Myanmar for cheroots and cigarettes fell by more than half between the late 1980s and mid-1990s.¹⁰ This was largely a result of the overhaul of General Ne Win's isolationist economic policies and the gradual liberalization of the national economy. Imports of foreign cigarettes and raw materials to produce cigarettes rose dramatically in the late 1980s and early 1990s: According to government figures, imports of tobacco and tobacco goods increased from 14 tonnes in 1989/1990 to 1769 tonnes in 1995/1996, and imports of cigarettes increased almost 10-fold between 1995/1996 and 1999/2000 from 56,000 to 502,000 kg (Nyo Nyo Kyaing, 2003, p. 16). Imported cigarettes were meant for duty-free sales only, but cheap foreign brands were popular and soon became widely available. Large numbers of cigarettes were also smuggled into the country from China as conflict in northern Shan State receded and border trade expanded in the 1990s, although these are not recorded in official statistics. Domestic cheroot production declined by almost 20% between 1985 and 1994 (Nyo Nyo Kyaing, 2003, p. 12). As prices for thanatphet leaves fell, many farmers struggled to cover the costs of production (Khun Moe Htun, 2018, pp. 89–90). As one Pa-O farmer recollected,

Producing cheroot leaves required firewood and a lot of workers. The leaves are steamed in a hot pan and then only the good quality leaves are chosen. People work twenty-four hours a day to keep the fires burning that are used to dry the leaves. When the price is bad people didn't harvest cheroot leaves because the price won't cover what they have to pay [for production]. The leaves also had to be perfect to be sold. They can't have any holes in them. This means farmers also have to use a lot of pesticides.¹¹

¹⁰Prices for 100 cheroots (adjusted at 1985 constant prices) fell by more than 60% between 1985 and 1995 (Nyo Nyo Kyaing, 2003, p. 29).

¹¹Interview conducted by the author in Taunggyi, May 2019. Nang Aye Aye Cho (2014, pp. 96–109) provides a detailed account of thanatphet leaf production.

Farmers also struggled to generate revenue from tea, which had been another important upland cash crop.¹² Through the 1990s and 2000s, tea prices barely kept pace with rising inflation and labour costs, and domestic tea production faced increasing competition from imports, especially from China after 2002 (Soe Sandar Oo, 2013). At the same time, populations throughout Myanmar faced a significant rise in the cost of living. Although reliable local figures do not exist, the national Consumer Price Index (CPI) calculated that between 1986 and 1996, the cost of living in Myanmar increased by more than 600%.¹³ The government's sudden demonetization of the currency in 1985 and 1987 further exacerbated the challenges that many households faced because it wiped out their savings.

Collapsing prices for cash crops also hampered farmers' access to credit. Rural credit has—and continues to be—a perennial problem for farmers throughout Myanmar (Kloppinger-Todd & Sandar, 2013), as it is across much of South and Southeast Asia (Hall et al., 2011, pp. 145–169; Ramachandran & Swaminathan, 2002; Shah et al., 2007). The majority of households produce on credit, accessed informally from better-off neighbours, agricultural brokers, or moneylenders. The terms surrounding loans are dependent upon the assets against which they are secured. Nang Kham Nyo Oo's (2011) study of six villages in Hopong Township records how loans offset against land or other assets were set at around 5% interest per month, whereas unsecured loans could command interest rates as high as 10%–25% per month. As prices for local cash crops continued to fall through the 1990s, many farmers found themselves caught in a cycle of debt-induced dispossession.

Rural populations also faced new financial pressures and threats to their livelihoods because of Myanmar Army militarization after the 1991 PNO ceasefire, despite the area's official status as a “Special Region” under PNO control (see Figure 1). Myanmar Army units were required to “live off the land” in line with a policy that became explicit in 1997 when the War Office informed the Army's Regional Commanders that units “were to meet their basic logistical needs locally, rather than rely on the central supply system” (Callahan, 2007, p. 46; Selth, 2002, p. 136). The military confiscated land to build barracks (which often included large tracts of farmland) or to sell to private companies. Many army units generated revenue by confiscating land only to then rent it back to those who had farmed it for generations (PYO, 2017). As one local government officer interviewed in Hsihseng recollected,

Four Army units came and were based in Hsihseng Township in 1993. [Light Infantry Battalion] 423 and 424 took about 1,900 acres of land from local farmers for their bases. 425 and 426 took 960 acres for their bases also. Before they arrived, the local people used those lands for farming. There had been no empty land but the Army came and took those lands without any compensation or even notifying the people.¹⁴

Following the ceasefire, the reach of local civilian administration into rural areas expanded, and populations faced increasing demands for taxation from the PNO and various government agencies including the police, the Forest Department, and the Settlement and Land Records Department (SLRD).¹⁵

Large-scale development projects initiated after the ceasefire also led to further militarization and dispossession of farmland with minimal or no compensation. For example, soon after the PNO ceasefire, iron mining expanded at Pinpet in the hill range southeast of Taunggyi. This project, which subsequently included the construction of steel and cement factories, resulted in the confiscation of tens of thousands of acres of farmland (PYO, 2009; Rhoads & Wittekind, 2018). Other major projects include the Tigyt coal mine and the Upper Paunglaung Dam in Pinlaung

¹²See Nang Aye Aye Cho (2014, pp. 111–117) for a detailed overview of tea production in the Pa-O region.

¹³This figure is calculated from official government statistics provided by the Ministry of National Planning and Economic Development (cited in Tin Maung Maung Than and Mya Than, 1997, p. 219). From a base of 100 in 1986, Myanmar's CPI increased to 233.73 in 1990/1991 and to 735.51 in 1995/1996. These figures are contested—and may even be an underestimate—because they use official prices, which were hard for ordinary people to access (black market prices were higher) and because Yangon prices were used despite the fact that prices were often higher outside of the capital (Steinberg, 2001, pp. 156–157).

¹⁴Interview conducted by members of the GCRF research team (see Footnote 4) in Hsihseng Township, June 2019.

¹⁵Much of the land in Myanmar is governed by customary land tenure, which is not officially recognized by national land laws. Officials in the SLRD have been able to generate significant off-budget revenue from local populations by leveraging the privileged role they play in registering or transferring land and settling disputes.

Township (KWU, 2008; PYO, 2011). Dam construction began in 2005 and was preceded by forced relocation of local communities 40 miles east to an area of Hopong Township. One local civil society organization explained the process:

Although the authorities claimed to provide new housing for people who were displaced, this was in hilly areas where it was hard to make a living. The land around where they were moved to was already farmed by other communities and this created tensions. Farmers tried to cut down forest to make way for fields, but they were then banned from cutting down trees. We saw amongst the people depression, poverty, people stealing from others' fields, more social tensions, and many people migrated.¹⁶

Amidst growing financial pressures, households also aspired to access goods and services that became increasingly within reach as levels of conflict receded and border trade expanded. These included better access to education and health services, and efforts to afford goods such as generators, TVs, and motorbikes. However, efforts to afford “modernity” did not come cheaply, and even government services required significant contributions from local communities. In the Pa-O region, the government provided schoolteachers on the condition that communities paid teachers' salaries and covered the costs of improving school buildings. Without these contributions, schools fell into disrepair and teachers left.¹⁷ Communities were also required to contribute more than half the costs for government schemes to build roads and provide electricity, some of which never materialized (Khun Moe Htun, 2018, p. 93).

4.1.2 | The shift to opium cultivation

For many farming households that were struggling with falling revenues and increasing living costs, the opium economy came to offer a vital lifeline. Opium cultivation was not new to the Pa-O region, but levels of production and its importance to local livelihoods increased significantly since the late 1990s. This was due to the combination of intrinsic agroecological qualities that made poppy well suited to replace other upland cash crops and wider changes in the political economy of the drug trade across Shan State that ensured trade networks quickly emerged to connect upland areas in the Pa-O region to long-standing illegal drug enterprises and regional markets.

Opium poppy in Southeast Asia grows best at elevations of more than 800 m above sea level and needs well-drained soil (DEA, 1992; Sao Saimong Mangrai, 1965). It is well suited to the steep inclines in upland areas throughout the Pa-O region and thus offered a direct replacement for thanatphet and tea, which are grown at similar elevations. Poppy requires few inputs, and seeds from 1 year can be stored for use the following year. The crop is rain-fed and generates reasonable yields without extensive use of irrigation, fertilizers, or pesticides. Yields are certainly higher with these inputs, but these are not prerequisites for production and do not represent significant barriers to entry. Poppy generates significant revenue for smallholders from only small plots of land and can provide farmers with a marketable harvest within 4 months.¹⁸ Other cash crops suitable for upland cultivation—fruit trees, tea, coffee, and rubber—take years to mature and require significant upfront investment. Poppy's short maturation period limited the financial risks for farmers who decided to try poppy cultivation and offered smallholders the chance to generate revenue quickly, something that was especially attractive to those struggling with debt.

As a low-bulk, value-dense commodity that can be stored for long periods of time, opium is also cheap to transport, even from remote regions where roads are poor. This contrasts with other licit crops that were trialed through

¹⁶Interview conducted by the author in Taunggyi, September 2017.

¹⁷Interviews conducted by the author with Pa-O civil society organizations and local researchers in Taunggyi and Hopong in September 2017.

¹⁸Based on interviews conducted by the author across the Pa-O Region between 2012 and 2015, households would typically cultivate poppy on 0.25–0.5 ha, and this would generate in the region of 3–6 kg of raw opium. The farm-gate price for raw opium was in the range of 400,000–700,000 kyat per viss (a local measurement that equates to 1.6 kg). At the time of the research, this equated to approximately US\$250–450/kg.

the 1990s and 2000s. One resident of Pinlaung Township reflected on a potato alternative development scheme that was trialled in his home village in the mid-2000s:

The crop was good but there was no market for it. The nearest major market was 20 miles away. Transporting the potato was extremely hard. People had to carry 15–25kg loads. The cost of labour meant farmers made a loss and returned to growing opium the following year.¹⁹

The viability of opium cultivation as an alternative livelihood for distressed farmers in the Pa-O region was made possible by the expansion of opium trading networks through south-western Shan State. This was linked to two significant shifts in the wider political economy of Shan State's opium trade. The first of these shifts was the surrender of Khun Sa in 1996. Throughout the late 1980s and early 1990s, Khun Sa's MTA had monopolized the opium/heroin trade networks across much of the Thai–Shan border. His surrender resulted in a more fragmented configuration of power across southern Shan State. Several ex-MTA groups established themselves as government-sanctioned militias, retaining their weapons and controlling pockets of territory. As shown in Figure 1, several of these militias settled in territories adjacent to the Pa-O Special Region. These militias brought with them know-how for running drug businesses—including links to investors and cross-border trafficking networks from their MTA days—and they now enjoyed a degree of impunity as a result of the deals they had struck with the Myanmar Army. Through the late 1990s and early 2000s, opium production expanded in several militia-controlled areas, notably parts of Nansang Township under the control of the Nayai and Matkyan militias. Poppy farms in these areas recruited wage labour, which attracted workers from neighbouring townships who subsequently cultivated opium on their own land, as recounted by Khun Aung Win at the start of this article.

The fragmentation of opium trading networks after Khun Sa's surrender also created openings for new actors to become involved in the drug economy, including businessmen linked to factions within the PNO. The Myanmar Army was willing to turn a blind eye to these developments as both the PNO and ex-MTA militias were now nominally aligned with them. As one local historian in Taunggyi surmised, “as long as the gun barrel is not pointed at them [the Army] they are happy to let anything go.”²⁰ Drug businesses linked to the PNO and ex-MTA militias facilitated the spread of opium production across the Pa-O hills by establishing trade networks, which often worked in the following way: Businesses recruited “agents” in each village to encourage farmers to grow poppy, typically by providing credit and a guaranteed buyer. At harvest time, these local agents bought the opium from farmers in the village at a fixed price and stockpiled it before passing it up the supply chain. Opium trading networks also helped to integrate other crops produced in remote areas into regional markets. For example, farmers in Pekhon Township recounted how opium traders would also purchase chilli from them.

The second major shift in Shan State's opium economy was a series of opium bans that were launched by various ceasefire groups in eastern Shan State in the late 1990s and early 2000s in an attempt to gain international recognition and remove themselves from US sanctions lists (Milsom, 2005; TNI, 2009). These bans created a “balloon effect” that stimulated production in other areas of Shan State, notably the Palaung hills in northern Shan State and the hill ranges across south-western Shan State (Meehan, 2016). These opium bans must be placed in the wider context of bans that had already been implemented in other neighbouring opium-producing areas—notably Yunnan and Sichuan in the 1950s, northern Thailand since the 1970s, and in northern Laos in the 2000s—and sustained global demand for heroin, including rising consumption in neighbouring China since the 1980s (Chin & Zhang, 2015; Liu, 2011; Zoccatelli, 2014). These regional dynamics ensured that prices for opium kept pace with the rising costs of living at a time when other cash crops barely covered the costs of production. Amidst the hardships that many farmers faced through the 1990s, opium cultivation became highly appealing despite the risks involved.

¹⁹Interview conducted by the author with a Pa-O researcher in Taunggyi, March 2013.

²⁰Interview conducted by the author in Taunggyi, March 2013.

4.1.3 | The enduring importance of opium cultivation to smallholder livelihoods

The decision by smallholders across the Pa-O Region to continue to cultivate opium year after year represents a response to worsening debt and livelihood insecurity linked to deepening capitalist social relations. Many farmers embraced emerging market opportunities by expanding the amount of land they dedicated to licit cash crops and investing more heavily in production, encouraged by agricultural brokers who provided farmers with credit, agricultural inputs, and connected them to markets. Some farmers enjoyed high yields initially, although as soil fertility was exhausted, poorer smallholders struggled to afford the increasing production costs required to maintain yields, especially once brokers stopped subsidizing inputs and following years when commodity prices were low (Woods, 2020, p. 8). High-yielding seeds, fertilizers, and pesticides required significant upfront costs and have economies of scale that benefitted better-off farmers who had more land and more capital to invest and were less reliant upon informal credit mechanisms. However, increasing costs of production and the volatility of global markets made many smallholders vulnerable to debt. Market prices in Myanmar of commodities such as onion, garlic, and sugarcane are highly sensitive to regional production and trade patterns, and are particularly influenced by neighbouring China, which produces 80% of the world's garlic and is the third largest global producer of sugarcane. As one Pa-O agriculturalist reflected,

One of the biggest challenges for farmers is that they try to follow what is profitable, but the prices for crops are very unstable. Many people chose to grow corn a few years back because the price was high. It used to just be CP Corn but now there are many companies. They encourage farmers to grow corn by selling them seeds and fertilisers. But this year [2019] the price for corn is very low.²¹

Many smallholders incurred heavy losses, and distress sales of assets—including land—to service debts has been a common phenomenon.

Opium cultivation and labour on opium farms enabled poorer smallholders to mitigate the risks they experienced in the licit agricultural sector. Indeed, as has been well documented elsewhere, farmers' decision to cultivate illegal crops is usually more about managing risk than maximizing profit (Mansfield, 2016). Cultivating poppy enabled farmers to generate revenue quickly and offered a means through which to service debts and avoid selling assets. Opium also enabled households to maximize revenue from upland areas. This has been particularly important in cases where farmers have been dispossessed of, or were forced to sell, sought-after farmland in lowland areas but have retained access to farmland in upland areas where the gains from opium vis-à-vis other crops are accentuated. The opium economy also creates relatively well-paid wage labour and thus provided a way for households to supplement their income without having to migrate. This has included wage labour opportunities for women who often travel with male family members to work on poppy farms. Although female farm labourers in the rural economy are generally paid less than their male counterparts, labourers in some areas of south-western Shan State reported that these wage discrepancies are lower on poppy farms than in the legal economy because employers perceive women to exercise greater precision when lancing poppy heads.²²

Poppy cultivation still entails significant risks for smallholders from opium bans, arbitrary taxation, and adverse weather; heavy rain at the wrong time can destroy poppy saplings or wash away opium sap. However, farmers expressed a belief that they were better equipped to manage the risks surrounding opium than the risks they experienced from price volatility when cultivating legal crops. For example, farmers across the Pa-O region often plant poppy on two or three different sites and stagger planting over several weeks to reduce the risk of losing an entire crop to adverse rain patterns or eradication drives. This practice also extends the harvest period and reduces the amount of non-household labour they have to hire. Farmers typically cultivate opium on small plots alongside food

²¹Interview conducted by members of the GCRF research team, Taunggyi, May 2019.

²²Interviews conducted by the author with Pa-O researcher in Taunggyi in March 2013 and September 2017. The gendered dimensions of the opium economy are not addressed in this article, but this will be the subject of forthcoming work.

crops, thereby protecting a basic level of subsistence. Furthermore, many of those interviewed believed that despite the coercive “muscle” that local (armed) authorities could wield against them, there was still greater scope to manage the threats of eradication or heavy taxation by negotiating payments or agreeing to “destroy only some parts [of their fields] for the authorities to show in the media.”²³ This contrasted with the powerlessness they felt towards the faceless compulsion of market forces surrounding licit crops.

4.2 | Drug-fuelled accumulation

In order to account for rising opium production in south-western Shan State, it is important to understand not only the role that opium has played in smallholder livelihoods but also the opportunities that the drug economy has created for certain actors to accumulate wealth. Much of the wealth derived from the illegal drug trade is accumulated by those who refine opium into heroin and operate cross-border trafficking networks to lucrative foreign markets. However, even in the early stages of production prior to heroin refining and trafficking, the scope to accumulate wealth from opium varies significantly and is shaped by the unequal social relations that are deeply embedded in the rural economy. The dynamics of drug-fuelled accumulation are strongly linked to variations in the scale of opium production and the ways in which rural credit systems and opium markets are structured.

4.2.1 | Larger scale opium cultivation

Despite opium's high value, poorer smallholders have limited scope to generate significant revenue from poppy cultivation. Access to labour and labour costs are arguably the most significant check on production. Poppy cultivation is labour intensive, especially at harvest time—which is short—when each poppy head must first be cut manually before the opium sap is then collected the following day. Poor households—especially those with few household members of working age—struggle to recruit labour because demand for workers increases significantly during harvest time and they cannot compete with the wages offered by larger farms (see below). Most smallholders rely on household labour or reciprocal labour arrangements within their community. Farmers will only cultivate land they can be sure that they will have the labour power to harvest because preparing and weeding the land is onerous and, in some areas, the “protection fees” demanded by local authorities are calculated on the amount of land on which poppy is sowed. Furthermore, the fact that smallholders produce on credit limits the extent to which farmers are willing to employ more intensive farming practices, because they need to balance the potential yield improvements from investing in fertilizer and pesticides versus the risks of debt should bad weather or eradication drives destroy their crops.

Better-off households—such as those with larger landholdings or those whose income is heavily supplemented by remittances—have greater capability to overcome these constraints on production. They can recruit labour from outside the household, sometimes recruiting the same workers year after year for the entire poppy season (Khun Moe Htun, 2018, p. 104). Better-off households are also less reliant upon credit and use their own capital to invest in production costs. Indeed, some households also provide credit to others and accumulate revenue from interest (sometimes paid in opium at harvest time). Some better-off households also have established relationships with local authorities (both PNO and Myanmar government)—for example, by taking up local administrative positions—which ensure they are better protected against threats of eradication. For some, opium has thus offered an opportunity to accumulate modest forms of wealth and to improve their standard of living, primarily through improving their homes and purchasing motorbikes, generators, fridges, and satellite TV. Some have also invested opium capital to purchase more land or to start small businesses, such as animal husbandry or shops or guest houses in Taunggyi and other nearby towns.

²³Interview conducted by members of the GCRF research team in Hsihseng Township, June 2019.

Since the early 2000s, a number of larger scale opium farms have also been established across parts of south-western Shan State, primarily in areas controlled by army-backed militias who have leveraged their relationships with the military to ensure these illicit activities go unchallenged.²⁴ These larger scale enterprises have generated significant capital from opium. These farms employ labourers—often for the entire season—and provide food, accommodation and sometimes even small plots of land for workers and their families.²⁵ Some are also involved in heroin refining and operate local drug-selling networks and cross-border trafficking enterprises (SHAN, 2008, 2012).

The nexus of informal militia governance and drug-fuelled accumulation is captured clearly in the following brief case study of the ex-MTA Nayai militia. After Khun Sa's surrender in 1996, Zhou Sang, a former administrative officer in the MTA's headquarters at Homong, returned to his home township of Nansang and formed a militia that came to control territory between Mongsit and Nayai close to neighbouring Hopong and Hsihseng Townships.²⁶ Following an agreement with the Myanmar Army's Taunggyi-based Eastern Regional Command, dated by state media as October 12, 1998, the government announced that the militia had "returned to the legal fold" and has since referred to the organization as the "MTA Nayai Region Development Group" (New Light of Myanmar, 2007). Alongside another ex-MTA group, known as the Matkyan militia, Nayai has played a dominant role in the opium economy in south-western Shan State. There are large poppy plantations in territory controlled by the militia, which employ labourers from neighbouring regions of Hopong and Hsihseng, and the group also purchases opium from farmers across these townships.²⁷ According to Khun Aung Win, whose story opened this article, "Matkyan and Nayai tend to offer better prices to farmers, knowing that otherwise the Pa-O farmers will prefer to sell to their PNO brothers." The militia has a reputation for producing high-quality "slippers," a slang term for blocks of heroin, which come in pairs (hence the term), weighing approximately 700 g (SHAN, 2010). Both the Nayai and Matkyan militias have used the capital generated from drugs to invest in various legal enterprises locally and in Taunggyi. These enterprises include logging, fish farms, corn production, mulberry plantations (for silkworms), hotels, and an imported car business.²⁸

4.2.2 | Informal credit systems and rural opium markets

The dynamics of capital accumulation have also been shaped by the way that credit systems and rural markets surrounding opium are structured. Most smallholders produce on credit and are reliant on loans to purchase inputs such as fertilizers and pesticides. Households also depend on credit to service existing debts, ameliorate food insecurity, cover the costs of family occasions, and manage unexpected shocks such as medical emergencies or poor harvests.²⁹ Formal credit is almost non-existent—the Myanmar Agriculture Development Bank offers only small loans mostly to rice farmers—and is out of reach for non-Bamar ethnic nationality populations in upland regions.

As poppy cultivation spread across south-western Shan State, larger scale moneylenders based in towns and cities expanded the provision of rural credit beyond the kinds of small-scale borrowing amongst friends, relatives, and neighbours that households had long relied upon. As one farmer explained, "money makes money. Some moneylenders are local, others came from Mandalay, and are often Chinese. Some are small but others are part of large networks. Anyone with enough money could do this, but really these groups are quite closed and it is hard to become one."³⁰

²⁴Conducting research on large poppy farms is challenging as they are located in areas that are hard for researchers (foreign or local) to access. The information presented here is drawn from interviews conducted by the author in March 2013 and September 2017 with labourers who had worked on these farms. These interviews were facilitated by a number of local interlocutors in Taunggyi and Hopong who wish to remain anonymous. Commercial cultivation on opium in areas under militia control has also been reported by the UN (e.g. UNODC, 2008, p. 84).

²⁵Interviews conducted by the author with poppy farm labourers, January and March 2013, Taunggyi.

²⁶Interviews by the author with Shan researcher, April 2013, Chiang Mai, and with senior military officials in the PNLO, January 2013, Taunggyi.

²⁷Interviews by the author with Pa-O researchers, civil society organizations and farmers, January 2013, March 2013, September 2017, Taunggyi.

²⁸*Ibid.*

²⁹Focus group discussion with farmers from south-western Shan State, March 2013, Nyaungshwe.

³⁰*Ibid.*

There are strong intersections between credit systems and opium markets. To access loans—usually set at interest rates of 5%–10% per month—farmers are required to sell their opium harvest to the creditor. Moneylenders employ a network of rural brokers who play a dual role of administering loans to cash-strapped households and buying opium from them, thereby connecting farmers to buyers. This system enables investors to accumulate wealth through three mechanisms: from the interest charged on loans; from fixing prices for opium at levels that allow them to make a profit when selling the opium along the commodity chain; and from “tied sales,” which ensure they amass large volumes of opium by demanding that farmers sell their harvest to them as a condition for borrowing money (Bharadwaj, 1985, p. 13; Olsen, 1993, pp. 84–85).

As one farmer from Hopong reflected,

Here, so much of the profit is taken by brokers. These are linked to businessmen in the towns who buy all of our crop and transport it. Farmers cannot step outside this system because if they do the broker will no longer work with them. And then farmers have no-one to borrow money from. We farmers are powerless because these people are the only way we can borrow money. Sometimes they even measure the harvest wrong and find ways to charge extra fees.³¹

Although the credit mechanisms surrounding opium are similar to those within the legal economy, opium's illegality heightens the unequal power relations between farmer and creditor. Farmers rely on brokers to provide a discreet way to sell their crop by collecting the opium directly from their village, thereby minimizing the risks they face from authorities. The challenge of finding a buyer independently and the fact that opium cultivation is illegal make it hard for farmers to challenge the prices set by buyers or to mobilize any kind of collective bargaining. Farmers are well aware that local credit systems are exploitative, but the fact that their livelihoods are dependent upon borrowing money forces them to engage with this system. Furthermore, the fact that creditors and opium buyers are invariably linked to local armed authorities means that the threat of violence—usually implicit but sometimes direct—ensures compliance. As one poppy farmer reflected, “in the past some farmers tried to make the opium heavier by adding things ... but buyers are now experienced in checking. They cut open the opium to assess the colour and texture. In one case a farmer was killed for doing this ... no-one does this anymore.”³²

5 | CONCLUSION: OPIUM AND DEEPENING AGRARIAN CLASS RELATIONS

This study reveals the dialectical relationship between opium and agrarian change in south-western Shan State. Processes of capitalist agricultural transformation underpinned the expansion of opium cultivation through the late 1990s and 2000s. In turn, the opium economy has played a pivotal role in subsequently shaping the trajectory of deepening capitalist social relations.

The worsening reproduction squeeze experienced by smallholders in south-western Shan has played an important role in leading more farmers to engage with the illegal opium economy. It has provided a way to counteract the forms of immiseration and dispossession that have accompanied processes of capitalist development. Opium has enabled households to generate relatively stable revenue amidst the increasing price volatility of the region's long-standing cash crops and has enabled households to access credit and to service debts without succumbing to distress sales of assets. This has been particularly important in a context where off-farm employment is limited, poorly paid, and precarious and where development strategies predicated on agribusiness expansion and large infrastructure projects have heightened vulnerabilities facing many households while simultaneously failing to provide any kind of

³⁰Ibid.

³¹Interview conducted by the author, May 2019, Taunggyi.

³²Interview conducted by the author with a poppy farmer from Hopong, December 2018, Taunggyi.

social safety net (Hedström & Olivius, 2020, pp. 390–394). Even where smallholders have lost farmland—due to forced dispossession or to service debts—opium has enabled households to reproduce themselves by farming relatively small and marginal upland plots, through taking on wage labour on poppy farms, and/or through being able to borrow money to rent land on which they can grow both poppy and food crops.

The illegality of opium production has also meant that smallholder agriculture continues to be in the interests of capital. Indeed, opium's illegality and the conspicuousness of poppy fields have, to a significant extent, inhibited the concentration of the means of opium production. Although some larger poppy farms have emerged in militia-controlled areas, smallholders remain important to how the opium economy works, largely because of the role they play in shouldering the risks of eradication and punishment. In south-western Shan State, the opium economy has thus limited the emergence of “surplus populations”—dispossessed rural populations that are not easily absorbed into the non-agrarian economy—which has been a common phenomenon of agrarian transformations in other parts of Southeast Asia (Li, 2009). Instead, it has enabled poorer smallholders to continue to reproduce themselves even within a context of worsening precarity driven by land tenure insecurity, militarization, volatile and falling prices for long-standing cash crops, increasing levels of debt, and the lack of any kind of social safety net. In some cases, opium has also enabled better-off smallholder to accumulate modest amounts of capital to improve their living standards and diversify their livelihoods.

However, at the same time as the opium economy has provided a lifeline to smallholders, it has also locked the majority of them into social relations that have reinforced and deepened processes of social differentiation. Through engaging with the opium economy, poorer households are forced to interact with, and show loyalty to, opium markets, credit systems, and local authorities that exploit them. Poorer households have become reliant upon a poppy economy that enables rent-seeking militias, moneylenders, rural brokers, and businesspeople with ties to local authorities to accumulate wealth but leaves most poppy cultivators with little more than the means to reproduce their livelihoods. Indeed, drug-fuelled accumulation has become central to the development of, and growing inequality in, Taunggyi and other regional towns.

The opium economy has thus, paradoxically, both provided protection and intensified exploitation of precarious smallholders across south-western Shan State. Opium cultivation has provided poor farmers with a way to mitigate the chronic livelihood insecurities they face, enabling smallholder agriculture to endure; yet, at the same time, it has drawn smallholders into processes of deepening class differentiation.

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DATA AVAILABILITY STATEMENT

Most of the data that supports the findings of this study have been generated by the author through interviews conducted between 2012 and 2019. These data are not currently publicly available due to privacy and ethical restrictions. Interview data in the paper that have been generated by the Drugs and (Dis)order project will be made available at the end of 2021. The repository location and access conditions will be available via the project website (<https://drugs-and-disorder.org>).

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