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**High-level desk-based assessment on OECD  
Annex II risks in Special Zone 2 Wa area in  
Myanmar – 2021 update**

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Front Cover: Panorama of Tachileik, Shan State, Myanmar.

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## SUMMARY

- This report is an updated version of the desk-based, high-level assessment of OECD Annex II risks relevant to Special Zone 2 first completed in 2015. Tin mining in the Man Maw district in Special Zone 2 of Myanmar has developed over the last decade to be a significant contributor to global supply, including through trade to China. Majority of tin (around 32,000 tonnes per annum in 2020) is estimated to be mined in the Man Maw district in Special Zone 2 compared to an estimated 7,000-7,500 tonnes produced in areas in other parts of Myanmar controlled by the central government.
- Geographically located within Shan State, Special Zone 2 is a separately governed self-administered area recognised under the Myanmar constitution centred around the Wa capital Pangkham (or Panghsang) and governed by the United Wa State Party (UWSP), a political organisation with an armed force called the United Wa State Army (UWSA). Special Zone 2 is also known as the northern Wa area.
- The Myanmar Government also granted control over separate southern Wa areas along the Thai border in exchange for previous military cooperation which are known as the ‘southern military command’ or the 171<sup>st</sup> Wa military region. There is no known tin mining in the Southern Wa areas.
- The Wa unilaterally refer to Special Zone 2 and the southern area together as the ‘Wa State’ although this term is not officially recognised by the central government nor internationally. Since the previous report in 2015, there is no material change to the Wa areas’ status within Myanmar.
- People belonging to the Wa ethnic group also live outside of the northern and southern Wa areas, including in Myanmar’s Shan and Kachin States, and in the neighbouring Yunnan province in China. The Wa have close ethnic and business ties with China, as well as apparently through the UWSA. Numerous reports show that the Chinese government has long provided significant economic and military support to the UWSA, although China denies backing any ethnic militias in Myanmar.
- The UWSA is Myanmar’s largest ethnic armed organisation (EAO), with an estimated 30,000 fighters as well as 10,000 auxiliaries. It has had a bilateral ceasefire agreement with the Myanmar central government since 1989, which has been respected. UWSA have continued to declare support for peace and to engage in dialogue with the central government bilaterally and through the Federal Political and Negotiation Consultative Committee (FNPCC), although they have not signed the National Ceasefire Agreement. At the time of writing the UWSA had neither supported nor condemned the military coup of February 2021.
- The UWSA do not formally represent Myanmar state security forces, are not internationally recognised and therefore can be considered a non-state armed group. However, by providing some level of governance and public security in the areas under its control, the UWSP could also be considered to have the normal right of a government to possess a security force.

Figure 1 Map of Wa areas (source: USIP)



- UWSA remains on the US OFAC SDN sanctions list for drugs trafficking. However, there has been evidence of progress and the UWSP has announced a ten-year plan to eradicate methamphetamines from its areas, including in the higher risk southern areas, by 2024. The separate sanctions regimes imposed on the Myanmar military since February 2021 by the US and other countries because of the February 2021 military coup do not include UWSA leaders.
- Since 2015, a marginal amount of information and evidence on potential illicit activities and human rights violations associated with Wa leaders has emerged. There are some continued reports that UWSA has committed gross human rights abuses including worst forms of child labour (use of child soldiers), forced labour (forced conscription), persecution of religious minorities and confiscation of land. While no new evidence directly linking abuses to the tin mining sector in Special Zone 2 has been identified, there is evidence that tin mining activities contribute to Wa financial resources and therefore support, directly and/or indirectly, UWSA.
- There is a lack of transparency around revenue flows within the Wa economy, as is evident in Myanmar's reporting under the EITI, with very limited coverage of the Wa mining sector. The entity of primary concern for money-laundering identified in the 2015 report no longer exists although some level of risk remains.
- Mining activities also reportedly contribute to local development in Myanmar, with evidence of, for example, improved infrastructure.
- The EU indicative list of Conflict-Affected and High-Risk Areas (CAHRA) published on the 1<sup>st</sup> of January 2021<sup>1</sup> and updated on 19<sup>th</sup> March 2021 identifies the Shan State as a CAHRA. While Special Zone 2 is geographically located within Shan State, the list does not recognise Special Zone 2 as its own self-administered area. More information is required to understand to what extent the risks present in Shan State would apply to Special Zone 2. Evaluating supply chain areas for CAHRAs in any case ultimately remains the responsibility of supply chain actors.
- Since the previous report in 2015, there is limited material change to reported risks potentially associated with UWSP, UWSA or minerals trade. High-level information on Special Zone 2 was presented in 2015 and does not appear to have led to new public information from supply chain actors. First-hand information on Special Zone 2 remains minimal and an on-the-ground assessment would be essential to understand local stakeholder perspective, as well as the circumstances of the tin mining sector in Special Zone 2. At the time of writing this report, access to Special Zone 2 through Myanmar is limited.

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<sup>1</sup> Drafted by RAND Europe and commissioned by the European Commission Directorate General for Trade (DG TRADE). See <https://www.cahraslist.net/cahras>.

## INTRODUCTION, SCOPE AND METHODOLOGY

This report presents the results of a desk-based high-level assessment on OECD Annex II risks for Special Zone 2 Wa area in Myanmar. It is an updated version of an earlier report Synergy Global Consulting completed in 2015 for the International Tin Research Institute (ITRI Ltd), before ITRI changed its name to the International Tin Association Ltd (ITA) in February 2018.

Myanmar (previously Burma) operated as a republic following independence from Britain in 1948 and came under military rule in 1962. The country has seen almost uninterrupted civil conflict since independence, mostly arising in border areas inhabited by ethnic minorities. Recent years have seen some government reform, as the country adopted a new Constitution in 2008, and power was officially transferred to a quasi-civilian government in 2011. The most recent general elections were held in November 2020, which saw the NLD take 80% of contested seats, down marginally from 86% of the seats available in the 2015 elections.<sup>i</sup>

As an important step in the country's democratic transition, the 2015 and 2020 elections resulted in civilian ministers becoming responsible for most ministries, including the Ministry for Natural Resources and Environmental Conservation. However, the Constitution establishes that 25% of seats in Parliament go to the military, giving them veto power over any constitutional reforms, and continued control over certain ministries, including the Ministries of Defence and Border Affairs.

On the 1<sup>st</sup> of February 2021, the Myanmar military seized full control of the central government detaining members of the NLD and leading to violent protests in townships, outside of Special Zone 2 and mainly outside of Shan State, but including Mandalay and Yangon. Various countries issued international sanctions targeting the Myanmar national military including US Office of Foreign Assets Control (OFAC) and the European Union. At the time of writing the events of February 2021 do not appear to have directly affected Special Zone 2 (Wa area), which is a self-administered division separate from areas controlled by the Myanmar government.

Alongside these developments in Myanmar's national politics, the country emerged unexpectedly in 2014 as the world's third largest tin producer, with an annual national production increase estimated from 600 tonnes in 2009 rising to around 35,000 tonnes in 2014 and nearly 45,000 tonnes in 2019 and remaining at 39,000 tonnes in 2020<sup>ii</sup>. This increase in Myanmar tin production was largely due to development of a mine site in Man Maw district, in Special Zone 2, on the Chinese border, rather than Myanmar's small tin production areas in the more southern Tanintharyi Region along the Thai border<sup>iii</sup>. As this assessment will discuss in detail, Special Zone 2 is recognised as a self-administered division and is governed by a political organisation called the United Wa State Party (UWSP), rather than the Myanmar central government. The UWSP has an armed force called the United Wa State Army (UWSA), also referred to as an ethnic armed group or an ethnic armed organization (EAO) by the central government. In 1989, the UWSA were also granted control of non-contiguous areas along the southern border with Thailand by the central government in return for military cooperation even though the central government under the NLD demanded on several occasions that they vacate the area<sup>iv</sup>. There is no known tin mining in the UWSA's southern areas.

While tin mining in Myanmar holds considerable potential for assisting economic development, there are also risks which could relate to the mining activities at Man Maw. The objective of this report is to describe the general political, social and military environment in Special Zone 2, including in relation to risks associated with conflict-affected and high-risk areas ('CAHRA') and Annex II of the OECD Due

Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas ('OECD Guidance').

**CAHRAs** are defined in the OECD Guidance as areas: "Identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterised by widespread human rights abuses and violations of national or international law."

CAHRAs are defined in Regulation (EU) 2017/821 of the European Parliament and of the Council and Commission Recommendation (EU) 2018/1149 of 10 August 2018 on non-binding guidelines for the identification of conflict-affected and high-risk areas as: "Areas in a state of armed conflict or fragile post-conflict as well as areas witnessing weak or non-existent governance and security, such as failed states, and widespread and systematic violations of international law, including human rights abuses."

OECD Due Diligence Guidance Annex II risks include serious human rights abuses, involvement of non-state armed groups, illegal taxation, extortion and control by private/public security forces, bribery and fraudulent misrepresentation of the origin of minerals, money-laundering, and non-payment of taxes, fees and royalties due to government.

The report is divided into three sections:

- **Section I** provides an overview of Special Zone 2 and the Southern Wa area, the UWSP and UWSA, the state of government recognition, and their relations to other groups and foreign countries.
- **Section II** provides an overview of publicly available information on the UWSA and UWSP leaders and their alleged business affiliations, including in the mining sector, and a general overview of the mining industry in Special Zone 2.
- **Section III** provides an overview of conflict-affected and high-risk area (CAHRA) evaluation and a high-level assessment of available information on OECD Annex II risks in Special Zone 2.

The information gathered in this report has relied on desk-based research of relevant publicly available secondary sources published by experts familiar with Myanmar politics and society. Since secondary sources may only produce aggregate information and are updated with varying periodicity, the findings and any gaps in the information provided would need to be corroborated with national and sub-national resources and information, including non-secondary information, and an on-the-ground assessment for a more in-depth and accurate assessment.



## SECTION I: Overview of the Wa areas, United Wa State Army and United Wa State Party

*This section highlights the main findings regarding the political and security environment in Special Zone 2 and the Southern Wa area, as well as the current state of recognition of the UWSP, UWSA and the Wa areas from the central government.*

The Wa areas, also known as ‘Wa State’ as unilaterally declared by the UWSP<sup>v</sup>, refers to two areas; Special Zone 2 located in North-eastern Myanmar along the border with China and the non-contiguous Southern Wa area on the border with Thailand. Special Zone 2 is administered by the United Wa State Party (UWSP) with its own government structure, laws and armed force (United Wa State Army or UWSA) and is formally recognised as a self-administered division under the Myanmar Constitution. UWSA have also been present in the Southern Wa areas since 1989 under an arrangement with the central government in exchange for cooperation with the Myanmar military. The UWSA is seeking autonomy for the ‘Wa State’ from the central government of Myanmar but does not look to secede from the Union of Myanmar<sup>vi</sup>.

Special Zone 2 is mostly populated by the Wa people<sup>vii</sup>, an ethnic group that is among the Mon Khmer-speaking peoples (also known as Austroasiatic). In Myanmar, the Wa are related to the Palaung, another Mon-Kher ethnic minority found in eastern Myanmar southern China, and northern Thailand<sup>viii</sup>. Many Wa also live outside the area controlled by the UWSA in Myanmar’s Shan and Kachin States, and in the neighbouring Yunnan province in China.

### *The United Wa State Army: History and state of government recognition*

The ethnic conflict in Myanmar has been ongoing since independence in the late 1940s. Most ethnic minorities organized themselves politically and militarily against the central government, which is mainly controlled by the Bamar ethnic group, and which became particularly hostile and violent after a military junta took power in Rangoon in 1962. The history of the Wa resistance is slightly different compared to other EAO’s in Myanmar. For many years, Wa troops represented a large part of the Communist Party of Burma’s (CPB) ranks, which had its headquarters in Panghsang, in modern day Special Zone 2. The CPB, which fought the central government from 1949 to 1989, and controlled a large area in Eastern Shan State, had a large majority of its troops made up of ethnic minorities. Shortly after the CPB collapsed in 1989, the United Wa State Army was created by Wa military commanders to ensure the Wa remain out of government control. In 1989, the newly created EAO benefited from other major political events taking place in Rangoon and became the first EAO to sign a ceasefire with the government, which is still in place today. That year also saw Rangoon’s name changed to its present-day title, Yangon.

The UWSP has long demanded the status of full State (within the Union of Myanmar) for the areas that it governs or that are under its control<sup>ix</sup>, which has never been granted by the central government. However, the ceasefire agreement signed in 1989 granted autonomy in what was then called “Wa Special Region” or “Special Region 2”, now commonly referred to as “Special Zone 2”<sup>x</sup>. The ceasefire agreement also stipulated that troops of the central government could not enter areas under control of the UWSA<sup>xi</sup>.

After the 2007 Saffron Revolution<sup>xii</sup>, the central government decided to launch its Roadmap to Democracy and promulgated a new Constitution in 2008. The document makes no mention of a

Special Zone, but instead recognizes a Self-Administered Division for the Wa, covering a smaller area than the total areas that UWSP and UWSA currently controls (see below), but that would grant them a large degree of autonomy. The Constitution does not explicitly mention the UWSP as the official local governing structure but establishes that a self-administered area shall have its own “leading body”<sup>xiii</sup>.

Despite the disagreement on the nature of the Wa areas, the UWSP is not demanding a fully separate and independent sovereign state<sup>xiv</sup>. In 2011, they signed an agreement not to secede from the Union of Myanmar<sup>xv</sup>, and the ceasefire first signed in 1989 with the central government was renewed. Since then, at least until February 2021, the UWSA and the central government have held regular talks, and two ministries of the central government, the education department, and the border development affairs department, have had representatives in Special Zone 2<sup>xvi</sup>.

The UWSA is today Myanmar’s largest non-state armed group with an estimated 30,000 troops, as well as 10,000 auxiliaries<sup>xvii</sup>.

*The UWSA’s Southern command*

A main source of tension between the UWSA and the central government rests on the geographic definition of the Wa areas. The Myanmar Constitution grants 6 townships (Hopang, Mongma, Panwai, Nahpan, Metman and Panghsang<sup>xviii</sup>) for the Wa Self-Administered Division, but the UWSA occupies a wider territory. In the North-east, it claims sovereignty over several more areas (namely Mongpawk and Mongphen), but the main issue remains the armed group’s positions in South Shan State outside Special Zone 2, on the Thai border (the 171<sup>st</sup> Wa military region, see map). No known tin mining takes place in the Southern Wa areas. After a brief alliance between the UWSA and the central government to fight a powerful drug cartel in Shan State in 1996, the central government granted UWSA control

**Burma Army and UWSA camps along southern Shan State border**

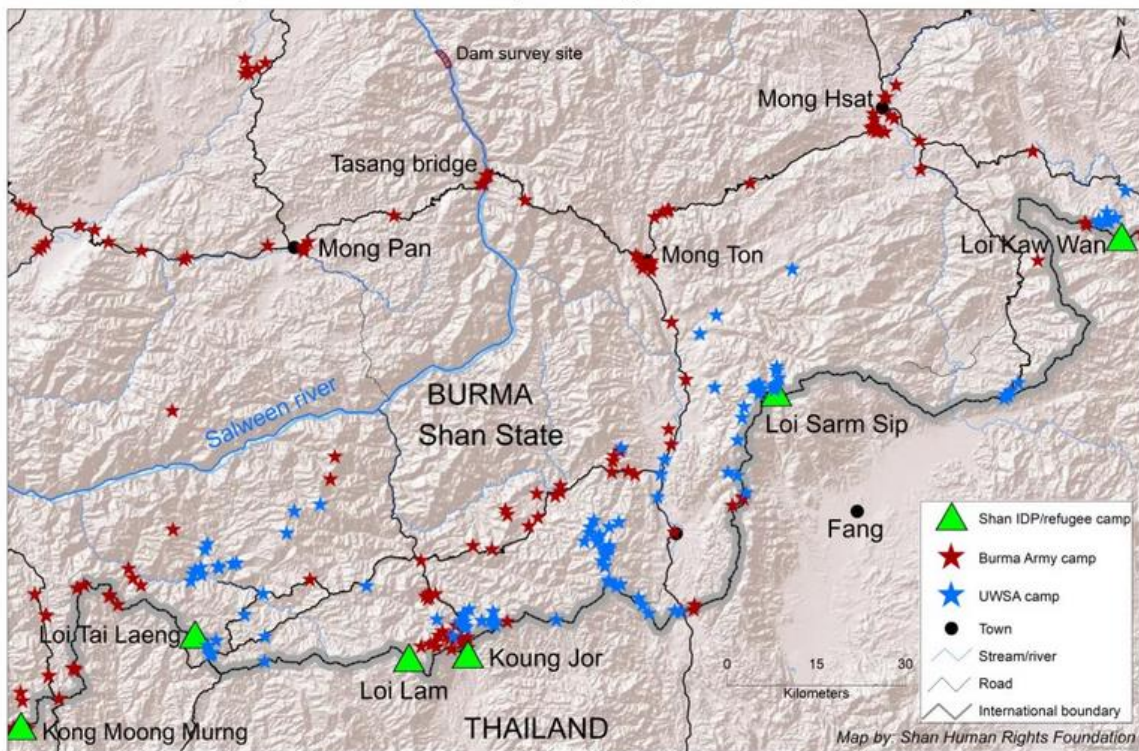


Image: Shan Human Rights group



over areas on the Thai border centred around Huay Aw in Mong Tong. A 2019 source<sup>xxix</sup> indicates that “according to a former US official who served in Myanmar the UWSA helped bring down Khun Sa’s Mōng Tai Army—a drug-running, Shan army led by ethnic Chinese from Myanmar—which until then had dominated most areas between Myanmar’s Shan State and Thailand. In return, Myanmar’s military authorities let the UWSA retain control over a large, well-organized, Wa-populated base area along the Thai border, which we know as southern Wa today”. In the late 1990s, the armed group relocated nearly 80,000 Wa people from the Northern territory to the South<sup>xx</sup> in an apparent effort to eradicate opium production in the Wa hills and to extend the borders of the self-declared Wa State.<sup>xxi</sup> Whether the individuals were willing to move or not remains unclear, but one report from the Lahu National Development Organisation charges the UWSA with forced relocation of its people, with negative consequences for the local population of the Southern area<sup>xxii</sup>.

More recently, in 2019, various sources<sup>xxiii</sup> have indicated that the UWSA were heightening the vulnerability of over 6,000 displaced villagers from Shan, Akha and Lahu ethnic minorities in camps along the Shan State-Thai border, whose food support was cut by international donors over a year ago. The map from the Shan Human Rights Foundation shows the extent to which UWSA has solidified control over its southern areas, which has reportedly caused disruption to the Shan, Akha and Lahu ethnic minorities including alleged confiscation of land, crops and livestock without compensation.<sup>xxiv</sup>

Although Myanmar’s military authorities accepted UWSA presence and military support in these areas, the areas are not recognized by the central government as part of the Special Zone 2 Wa self-administered division, and the central government has demanded on several occasions that they return to the North<sup>xxv</sup>.

A June 2014 Asia Foundation report suggests there is a difference between Special Zone 2, where the UWSA’s positions are clearly demarcated, and the Southern command where territorial distinctions of areas ruled by the UWSA have generally faded overtime, with members of the UWSA in some cases maintaining explicit or implicit agreements for rights to maintain bases and checkpoints in certain areas<sup>xxvi</sup>.

### *Rising tensions since 2009*

There has been no direct combat between the UWSA and the central government since the signature of the ceasefire agreement in 1989<sup>xxvii</sup>. However, after 2008 the government’s wish to extend its control over the whole territory of Myanmar has led to a rise in tensions with several EAO’s<sup>xxviii</sup>. In 2009, the central government launched its Border Guard Force (BGF) scheme, to absorb the EAO’s into the Myanmar Army<sup>xxix</sup>. The groups that signed a ceasefire agreement were offered to transform into battalions under the command of the Myanmar Army. Most EAO’s, including the UWSA<sup>xxx</sup>, rejected the government’s offer, fearing they would lose all autonomy.

In response to the EAO’s refusal, the Myanmar military launched a major offensive against a militia linked to the Kokang ethnic group in northern Shan State in 2009. A small territory just north of Special Zone 2, until then controlled by the Myanmar National Democratic Alliance Army (MNDAA), was occupied by government forces in August 2009<sup>xxxi</sup>. In 2011, the central government put an end to a 17-year ceasefire with the Kachin Independence Army (the KIA, a separatist group from Northern Myanmar) and launched an offensive against them. Consequently, the UWSA reinforced its military posts both in its Northern and Southern areas, amid concerns that the military could focus its attention on Wa areas next<sup>xxxii</sup>.

After 2011, however, the government's efforts to transform the EAO's into the BGF faded, replaced with efforts to negotiate a National Ceasefire Agreement (NCA) between government and representatives of various EAO's. Fifteen different groups were invited to participate, but seven declined or dropped out. While the UWSA participated in early talks, they have so far refused to enter the NCA although they have publicly stated support for peacebuilding and continued to engage in negotiations with the central government<sup>xxxiii</sup>. The eight organisations that did enter the agreement equated to around 20 percent of Myanmar's EAOs, while the remaining members viewed the NCA as amounting to a set of terms for their surrender<sup>xxxiv</sup>. According to some reports, UWSA are emphasising their own bilateral ceasefire agreement with the central government and do not recognise the NCA since they did not participate in its negotiation<sup>xxxv</sup>.

The NCA was agreed upon in March 2015 and included a commitment to "establish a union based on the principles of democracy and federalism". President Thein Sein signed it in October 2015, shortly before the election victory of Aung San Suu Kyi's NLD in November 2015. The NLD then became the NCA's new custodian, having built considerable electoral capital with a commitment to advance the peace process. Several major peace conferences, known as Union Peace Conferences, have taken place since. Yet, while negotiators have made modest progress, such as agreeing 51 points for a future Union Peace Accord, the central government has not been able to convince the most powerful EAO's to sign<sup>xxxvi</sup>.

Conflict has intensified in Myanmar, including in northern Shan and Rakhine States although there is limited information to suggest direct UWSA involvement. In late 2018, the UN's Independent International Fact-Finding Mission on Myanmar released a 440-page account of findings from a 15-month examination of the situation in Rakhine, Kachin, and Shan states. The Mission claims to have established in all three states upon a reasonable standard of proof that the Myanmar national military (the Tatmadaw) "systematically targeted civilians, including women and children, committed sexual violence, voiced and promoted exclusionary and discriminatory rhetoric against minorities, and established a climate of impunity for its soldiers"<sup>xxxvii</sup>. The UN Mission's chair called for investigation and prosecution of top military leaders within the Myanmar military for genocide, crimes against humanity, and war crimes that have occurred since late 2017.

The UN report did not claim any of these crimes perpetrated by the Myanmar military as taking place in Special Zone 2. It offers little detail on the Wa, noting that it received "extremely limited information" on the UWSA<sup>xxxviii</sup>. Nevertheless, the Mission stated that it had "amassed a reliable body of information" demonstrating a pattern of EAOs in relation to specific issues such as recruiting children into their armed forces, in violation of international law."<sup>xxxix</sup> The UWSA is one of the EAO's identified for such child recruitment.

At the time of writing, there were no reports suggesting that the conflict resulting from the Myanmar military coup in February 2021 affected Special Zone 2.

### *Administration of the Wa areas*

The UWSA/UWSP is organized like most EAO's in Myanmar, with an armed force (the UWSA) and a political organisation (the UWSP). The two are highly interconnected and reportedly share the same leaders (see section II). The UWSP is the leader of the Wa government of Special Zone 2, and the administration is modelled after the Chinese governance structure, with a central committee and a single Party (the UWSP)<sup>xl</sup>. The Wa government is organised into several administrative departments including the Wa External Relations Department, Wa Agriculture and Irrigation Department, Wa

Education Bureau and Wa Health Bureau.<sup>xli</sup> The UWSP has built infrastructure, established an administrative system, generated revenue, and maintained an armed force<sup>xlii</sup>.

#### *Links to other EAOs*

The UWSA reportedly maintains close relationships with a range of other EAOs in Myanmar. These include ties with the neighbouring ethnic armed group NDAA<sup>xliii</sup> (National Democratic Alliance Army<sup>xliiv</sup>, also called the Mongla Army). The two ethnic groups released a joint-statement in October 2014, in which they shared their concerns about clashes between the Shan-State Army South (another ethnic armed group in Shan State) and the Myanmar military<sup>xliv</sup>.

On the 21<sup>st</sup> of February 2015, Lieutenant-General Mya Tun Oo of the Myanmar Army accused the UWSA of helping the neighbouring Kokang rebels in the recent violence that struck the area, supplying them with weapons<sup>xlvi</sup>. The UWSA publicly denied any involvement in the Kokang events in February 2015<sup>xlvii</sup>.

In May 2015, the UWSA hosted a conference in Panghsang bringing together twelve ethnic armed groups<sup>xlviii</sup>, some of them such as the MNDAA and KIA then in an active conflict with the Myanmar military. The UWSA leader, Bao Youxiang (see below), declared that a ceasefire without a peace plan was worthless, before calling for a “full recognition of the Wa State”<sup>xlix</sup>. Spokesperson Aung Myint also pledged solidarity with Palaung, Arakanese and Kokang rebels in their fight against the Myanmar military<sup>l</sup>.

In early 2017, an alliance of ethnic armed organisations called the Federal Political Negotiation and Consultative Committee (FPNCC) was established. The UWSA emerged as the de facto leader of the committee, which included the KIA, Ta’ang National Liberation Army, Shan State Army, Arakan Army, MNDAA, and National Democratic Alliance Army.

Peace talks with the Myanmar central government and FPNCC members in 2016, 2017 and 2018, and the central government’s efforts to incorporate these organisations into the NCA failed repeatedly. However, talks inside the FPNCC continued in 2019, with members working on a potential bilateral agreement with the central government, and keeping hopes alive for an NCA with a broader base of EAO participation<sup>ii</sup>. In April 2019, the UWSA held 30<sup>th</sup> Anniversary Celebrations in Panghsang, repeating calls for an autonomous ‘Wa State’ while also pledging support for peace and the unity of Myanmar. The UWSA invited senior officials from the central government, who were absent but repeated calls for the UWSA to join the national ceasefire agreement.<sup>iii</sup>

Optimism was further heightened with the UWSP announcement in 2019 that it was willing to hold voting in four townships of its self-administered region, as part of Myanmar’s November 2020 elections. However, later the Myanmar national electoral authority UEC cancelled voting in several areas, including Wa and Rohingya areas, citing security concerns, which led to criticism at the international level surrounding the fairness of the electoral process<sup>liii</sup>. In February 2021, the Myanmar military seized control of the central government, which did not appear to affect the separate governance of Special Zone 2.

There is some evidence that may suggest that the UWSA benefit from Myanmar’s deepening conflicts, particularly through supplying the domestic arms market. Several ethnic groups reportedly buy arms and ammunition from the UWSA, as reported by a 2020 press article: “Over the last decade, the UWSA has reportedly sold a variety of munitions to allies of the so-called Northern Alliance comprised of the Myanmar National Democratic Alliance Army (MNDAA), the Ta’ang National Liberation Army (TNLA), the Arakan Army (AA) and the Kachin Independence Army (KIA).”<sup>liv</sup>

### *Relationship with China*

Generally speaking, China appears to be ubiquitous in Special Zone 2, which can be perhaps explained by the ethnic ties with people in Yunnan province. The working language of the UWSP and UWSA is Mandarin Chinese but with a distinct Wa dialect, most goods come from China, and the currency in use is the Renminbi<sup>lv</sup>. According to the International Crisis Group, twelve of the top UWSA commanders are ethnically Chinese Wa<sup>lvi</sup>. The border between Special Zone 2 and Yunnan province in China is open for residents, and many Myanmar-Wa live in China and Chinese nationals live in Special Zone 2<sup>lvii</sup>.

Numerous reports show that the Chinese government has long provided significant economic and military support to the UWSA<sup>lviii</sup>, although China denies backing any ethnic militias in Myanmar<sup>lix</sup> and maintains a general policy of non-interference established in 1955. Such support is due to historical, cultural and economic ties with the Wa people, as well as strategic reasons.

According to Bertil Lintner, journalist and expert on Myanmar, China's interest in supporting the Wa is to perpetuate the status quo and have a UWSA strong enough to deter any military offensive against the Wa people from the central government<sup>lx</sup>. China would likely be concerned about having to deal with a potential refugee crisis that an open conflict between the UWSA and the Myanmar military may cause<sup>lxi</sup>.

According to a report from IHS Jane's Intelligence Review in December 2012, China has provided the UWSA with advanced weapons including surface-to-air missiles and armoured vehicles<sup>lxii</sup>. Another report from the same source in April 2013 held that China has sent helicopter gunships to the UWSA<sup>lxiii</sup>.

Despite the support to the UWSA, China and Myanmar maintained cordial relations prior to and following the 2015 and 2020 elections, which was illustrated by strong bilateral trade and investment<sup>lxiv</sup>. Both countries have benefitted from this cooperation, as China is a major supplier of goods for Myanmar, and Myanmar holds a geostrategic significance for China's energy supply (Shwe Gas pipeline), and Special Zone 2 supplies China's smelting facilities with growing quantities of cassiterite (see below).

## **SECTION II: UWSA and UWSP leaders and their alleged business affiliations and overview of tin mining.**

*This section provides a short description of publicly available information on UWSA and UWSP leaders and their business affiliations, including in the mining sector, and a general overview of the mining industry in Special Zone 2. Limited, new information has become publicly available since 2015 for this update. International sanctions including US OFAC sanctions against the Myanmar national military since February 1<sup>st</sup>, 2021 do not target UWSA or UWSP, although UWSA remain on the US OFAC sanctions list for narcotics trafficking.*

### **Bao You Xiang**

Current chairman of the UWSP and main leader of the UWSA. Born in a Northern Wa village, he rose through the ranks of the Communist Party of Burma, before participating in its collapse by mutinying against the party's leadership<sup>lxv</sup>, and quickly became one of the leaders of the newly created UWSA. He allegedly owned the Myanmar Mayflower Group which in 2020 appears to no longer exist under that name<sup>lxvi</sup>, and holds a substantial interest in hotel and casino operations in cities in the southern Chinese province of Yunnan<sup>lxvii</sup>. He was indicted in the United States on drug charges in 2005 and as a

leader of the UWSA and UWSP is associated with sanctions for drugs trafficking on the US OFAC SDN list. **Ho Chun Ting**, his son-in-law, is the principal owner and managing director of Yangon Airways and chairman of Tetkham Co Ltd that runs a chain of hotels<sup>lxviii</sup>.

#### **Xiao Ming Liang**

Current Vice-chairman of the UWSA/P. No business affiliations found.

#### **Aung Myint**

Secretary of the central office and spokesperson of the UWSA/P. No business affiliations found.

#### **Zhao Zhongdan**

Chief of staff of the UWSA. No business affiliations found.

#### **Wei Xuegang**

Commander of the Southern military area and founder of the Hong Pang Group. He was born in China and is wanted in Thailand and the US for drugs trafficking<sup>lxix</sup>. In 2015, Global Witness reported that **Wei Hsueh Kang** (also known as Wei Xuegang) was a narcotics kingpin and long-time financier of the UWSA who has a US\$2 million US government bounty on his head. There is strong evidence that he controls a group of companies that are now arguably the dominant players in Myanmar's jade industry. Companies run by Wei Hsueh Kang and other UWSA/UWSP-related figures have been heavyweights in the jade business since the 1990s'.

#### **The Hong Pang Group / Thawda Win Company**

Founded by Wei Xuegang and the UWSA in 1998 with funds from the drug trade<sup>lxx</sup>, it is a Wa owned conglomerate sometimes referred to as the UWSA commercial wing<sup>lxxi</sup>. It is involved in construction, agriculture, gems and minerals, petroleum, electronics and communications, distilleries, and department stores. The Hong Pang Group is based in Panghsang with Myanmar offices also outside of Special Zone 2, in Yangon, Mandalay, Lashio, Tachilek and Mawlamyine. The group officially changed its name to Thawda Win Company in 2012<sup>lxxii</sup>.

#### **The Myanmar Mayflower Group**

Another UWSA-controlled company, which owned the country's third biggest bank. In 2020, sources tend to indicate that this group does not exist anymore (at least with the same name), but it is unclear how it evolved or was restructured since 2015.

#### *Drug trade as source of financing for the UWSA*

The UWSA remains on the United States' Specially Designated Nationals (SDN) list for alleged drug trafficking. This creates a risk that companies with Special Zone 2 tin in their supply chain are indirectly supporting a sanctioned entity. A substantial number of companies face this risk<sup>lxxiii</sup>.

For many years, the UWSA was notorious for its opium production, which reportedly helped finance the organisation. Yet, a total ban on opium production and poppy field cultivation was implemented by the UWSP in 2005 to comply with international pressure and is still in place today<sup>lxxiv</sup>. Aung Myint, spokesperson of the UWSA, has publicly said that the group is "wholeheartedly engaged in the fight against drug-dealing", adding that since 2005, there have been no poppy fields and no poppy plants in the region - information that has been verified by a UNODC report<sup>lxxv</sup>.

A switch to other narcotics was observed by the US Department of State, which mentions in its International Narcotics Control Strategy Report from March 2015, that the production of methamphetamine by the UWSA remains an "issue of great concern for Thailand"<sup>lxxvi</sup>. In 2019, the International Crisis Group alleged that the output of methamphetamine by producers operating in



Shan State and the Wa areas has increased dramatically to make up for financial losses caused by the sharp decline in opium production<sup>lxxxvii</sup>.

More recently, the UWSP has reportedly taken measures to eradicate meth production, announcing a ten-year plan to eradicate methamphetamines from its areas, including in the south where the risks are higher, by 2024.<sup>lxxxviii</sup> Indeed, while there is evidence that the UWSA is policing the drug trade increasingly,<sup>lxxxix</sup> in the absence of more information these efforts may be selective, depending on where senior Wa leaders are involved.

In May 2020, Myanmar police announced the largest synthetic drug seizure on record in Southeast Asia in Northern Shan State, after seizing 200 million tablets of methamphetamine, 500 kilograms of crystal meth, 300 kilograms of heroin and 3,750 kilograms of liquid 3-methylfentanyl (3MF)<sup>lxxx</sup>. Originating outside of Special Zone 2 from near the Kutkai township, and the result of more than 40 Myanmar military and police raids, the size of this seizure strongly indicated that it was destined “for global supply, not just regional”. However, the reports did not implicate the UWSA specifically. It is notable that most of the raids occurred in parts of Shan state occupied by the Kaungkha militia, who are aligned with the Myanmar national army, thus suggesting the potential involvement of government forces and unrelated to the UWSA.<sup>lxxxxi</sup>

UWSA and Myanmar military involvement in narcotics need not necessarily be regarded as distinct. As the UN Human Rights Council’s Independent International Fact-Finding Mission on Myanmar maintained in 2019, the “Tatmadaw and the UWSA have been allied in fighting Shan EAOs and are believed to share proceeds of trafficking of narcotics in the region.”<sup>lxxxii</sup>

#### *Weapons trade as source of financing for the UWSA*

The UWSA has been identified by the Indian Institute for Defence Studies and Analysis as the most productive illegal weapons trader among Myanmar’s EAO’s<sup>lxxxiii</sup>. The report states that small weapons are manufactured in Special Zone 2 and sold across South-east Asia. In May 2019, it was reported that the UWSA continue to be the “main supplier” of sophisticated arms to guerrillas in Northeast India, which the UWSA appears to deny.<sup>lxxxiv</sup> As mentioned in the previous section, there have also been several reports claiming that the UWSA sell arms domestically to several EAO’s, and therefore benefit from ongoing domestic conflict, while UWSA maintain the need for military defence before political demands from the central government are met<sup>lxxxv</sup>.

#### *Mining industry overview relating to UWSP and UWSP leaders and their business affiliations*

The UWSP has become increasingly focused on mining in Special Zone 2 in efforts to develop economic opportunities from their natural resources. In the several rounds of talks it has held with the government, the issue of minerals has come up several times. On 3 April 2010, it issued an 8-point proposal to government, one point being *to maintain businesses, especially mining operations, as is*. On 1 October 2011, the UWSA issued a 14-point proposal, at one point requesting *rights for exploration of minerals and natural resources*<sup>lxxxvi</sup>. In an interview with Democratic Voice of Burma in 2014, spokesperson Aung Myint said that since the opium ban, the UWSA had been substituting the narcotic with rubber, tea and other cash crops, and added: “we use the best of our limited knowledge to mine minerals”<sup>lxxxvii</sup>.

Two of Hong Pang’s subsidiaries are Hong Pang Gems and Jewellery (based in Hong Kong) and Hong Pang Mining Company (Based in Yangon). No information on these companies seems to be publicly available, but the Hong Pang mining company is still listed on the US Department of Treasury’s list of

Specially Designated Narcotics Traffickers<sup>lxxxviii</sup>. The Hong Pang Group also has a subsidiary called Myanmar Dagaung Co Ltd, which is specialized in jade mining and operates outside Special Zone 2 in Kachin State. Jade mining in Kachin state has been subject to extensive coverage and criticism for its social and environmental impacts on surrounding areas, communities, and workers, for the conflicts it continues to fuel and fund in in Kachin State, and because its revenues evade the Kachin state and Myanmar public<sup>lxxxix</sup>. As an example of negative social and environmental impacts, July 2020 saw a landslide at a jade mining site in the Hpakant area of Kachin State which lead to the deaths of at least 162 miners<sup>xc</sup>.

The UWSA has had interests and significant influence in jade mining in other locations outside the Wa areas including the Hpakant area of Kachin. Research in 2019 from the International Growth Centre,

indicated that some jade mining companies have direct or indirect linkages with UWSA. Some interviewees stated that several businessmen from China operated through Wa proxies in joint-venturing, as foreign investments are not allowed in Myanmar's gemstone sector. Artisanal miners seldom enter the worksite of companies associated with the Wa<sup>xc</sup>.

An article from February 2014 reported clashes between the UWSA and the Shan armed group SSA-S in South Shan State over control of a gold mine<sup>xcii</sup>. The UWSA has also reportedly had interests in ruby mining outside of Special Zone 2. After the American Gem Trade Association (AGTA) led a US delegation to Myanmar in 2016, to explore avenues for the Myanmar gem industry's reintegration into the global trade, it produced a report that briefly referenced the UWSA. Noting that Myanmar's military gave mining concessions in exchange for ceasefire agreements to Myanmar's largest ethnic groups in the 1980s and early 1990s, the report holds that the UWSA was given ruby mines in Mogok, Mandalay Region. However, it is "unclear how active the UWSA is in the day-to-day operation of the mines, if it still maintains control, or acts as a beneficial owner of the mines."

### ***Tin mining in Special Zone 2***

On the subject of tin, reports agree that most of Myanmar's cassiterite production has come from Special Zone 2, and more specifically the tin mines in the locality of Man Maw mining district some 90km from Panghsang (Panghsang being the capital of the Special Zone 2)<sup>xciii</sup>. As part of Special Zone 2 the Man Maw area has been governed by the UWSP since 1989 and has not seen violent conflict since then<sup>xciv</sup>.

In 2016, there were reportedly seven companies operating in Man Maw, all partly funded by Chinese investment, but controlled by the UWSA<sup>xcv</sup>. The Wa State Treasury Department takes an "ore tax" of a quarter of concentrates mined by each of these seven Wa-China joint ventures<sup>xcvi</sup>. The ventures are not registered with the Myanmar government, and do not feature in revenue or export statistics published for Myanmar by the Extractive Industries Transparency Initiative (EITI).

According to recent ITA estimates, tin-in-concentrate production in Myanmar fell to 39,000 tonnes in 2020, down from a peak of 67,000 tonnes in 2017. However, the country is still the world's third largest producer of tin concentrate, with roughly 14% of world production. In the same year, it was also reported that China imported 178,240 tonnes of tin concentrate (total weight), which ITA understands to be low grade at around 27% metal content. There is frequent confusion between total concentrate weight and metal content weight, but statistics are relatively reliable and in overall agreement.

*Reuters* reported in late 2016 that Man Maw production was slowing fast, quoting an official from Wa State Industrial Mining Bureau's survey team, who cited estimates based on output and noted that

“production is falling sharply. It may be depleted in two to three years”.<sup>xcvii</sup> However, according to ITA more recent information from local sources indicates that the decline may be less dramatic and relate to changing mining techniques. Production is largely mechanised and further investment into equipment and technology is expected. While these are reportedly depleting, companies are now collaborating on mining infrastructure projects, enabling extraction of higher-grade lodes deeper in the mountain. It is likely that output from the country could stabilise at around 40,000 tonnes of tin-in-concentrate over the next three years. Production in the Man Maw mines in 2020 is reported to have been impacted by flooding and an outbreak of COVID-19.

Although Myanmar’s mining sector at a general level still requires much improved regulation, there are possible signs of progress. The country joined the voluntary Extractives Industries Transparency Initiative (EITI) for information disclosure along the extractives value chain in 2014 and has published five EITI reports since. In 2019, the country was validated by the EITI International Secretariat for making “meaningful progress” in implementing the EITI Standard<sup>xcviii</sup>. Since making constitutional amendments in 2015, Myanmar has also moved toward decentralizing the mining sector, and allowing states and regions more control over their resources. A smaller volume of cassiterite is also produced in Southern Myanmar, in Tanintharyi Region, an area under central government control. Examples of important mine sites in this Region are Hermyingyi mine or Heinda mine.

## SECTION III: CAHRA and OECD Annex II supply chain related risks relevant to Special Zone 2

*This section analyses risks cited by the OECD Due Diligence Guidance of Responsible Supply Chains of Minerals from Conflict-affected and High-risk Areas and Regulation (EU) 2017/821 on minerals due diligence.*

### *Conflict-Affected and High-Risk Areas (CAHRAs)*

The OECD Due Diligence Guidance and the EU ‘minerals due diligence’ Regulation (2017/821) requires companies sourcing tin, tantalum, tungsten or gold (3TG) to assess if their supply is located in a conflict-affected or high-risk area (CAHRA) as part of a red flag review of possible risks. CAHRA are locations where OECD Annex II risks such as the financing of armed groups, serious human rights abuses, and governance risks are more likely to be present meaning that targeted on the ground risk assessment and mitigation may be appropriate. The EU published guidelines to assist in CAHRA identification (Recommendation (EU) 2018/1149) and an indicative and non-exhaustive list of Conflict-Affected and High-Risk Areas (CAHRAs) published on the 1<sup>st</sup> of January 2021 and updated on 19<sup>th</sup> March 2021<sup>xcix</sup>. The list identifies Chin, Rakhine, and Shan State as conflict-affected areas and Kachin and Kayin as high-risk areas where other OECD Annex 2 risks may be present. While Special Zone 2 is geographically located within Shan State, the list does not recognise Special Zone 2 as its own self-administered area despite the methodology of the list aiming to reflect risks by administrative areas. Since the list does not explicitly mention Special Zone 2 or UWSA, more information is required to understand to what extent the risks present in Shan State apply to Special Zone 2.

According to international expectations and laws, evaluating supply chain areas for CAHRAs is ultimately the responsibility of the relevant supply chain actors and this report is not intended to represent or provide a substitute for a company CAHRA assessment.

### *Should Special Zone 2 be considered a CAHRA?*

In addition to the EU CAHRA list, other organisations have produced various analyses and indices to screen for the presence of conflict, human rights and governance risks and to assess risk level in different countries and areas. However, separate to Shan State, no organisation has definitively determined if Special Zone 2 is a CAHRA. For example, a recent case study by the German Federal Institute for Geosciences and Natural Resources (BGR)<sup>c</sup> found that due to the lack of information specifically on Special Zone 2 in the sources recommended by the EU, it was not possible to conclusively state whether the area is a CAHRA, although such a classification “may be plausible”.

Most secondary resources had assessed risks at the country level (Myanmar) or the regional/State level (Shan State) but with very little information on Special Zone 2 as its own self-administered area. In February 2021, the political situation in Myanmar changed significantly following the military coup, leading to violent protests in various townships including some in Shan State, although these do not appear to have taken place in Special Zone 2. At the time of writing the UWSA/UWSP had neither supported nor condemned the forced transfer of power<sup>ci</sup>. The 19th March 2021 update to the EU indicative list of CAHRA continues to list Shan State as a CAHRA.

Other secondary sources such as a 2017 Verisk-Maplecroft report provided ‘extreme risk’ scores for risks for Myanmar tin production (at the country level) including for risks such as political instability, child labour and corruption.<sup>cii</sup> However, the source did not assess how these risk scores relate to tin mining in Special Zone 2 at the subnational level compared with other mining areas. Other risks included in the assessment such as environmental risks are outside of the scope of the OECD Due Diligence Guidance and EU Regulation 2017/821.

In relation to Special Zone 2 at the sub-national level, some indicators can be found. In terms of conflict risk, at the sub-national level, according to the Heidelberg Conflict Barometer in 2020<sup>ciii</sup>, the risk of active armed conflict in Shan State involving the UWSA has decreased to low (level 1 dispute) despite reports of isolated incidents between the UWSA, other EAO’s and the Myanmar army. It is also relevant that the UWSA continue to engage in dialogue with the Myanmar government and the Tatmadaw (Myanmar military) appear to continue to accept not to enter Special Zone 2. The same source identified a higher conflict intensity for clashes between the Tatmadaw and other ethnic groups outside of Special Zone 2, including Shan State Army-South, Shan State Army North and the TNLA, which contributed to the EU’s classification of Shan State as a conflict-affected area.

Regarding the presence of serious human rights abuses, there have been some continued reports, including by the UN, alleging serious human rights abuses by UWSA (*see more below*) such as the forced conscription and use of child soldiers (worst forms of child labour) and the persecution of Christian minorities. These reports did not make direct links to the tin mining area.

Regarding the risk of other widespread and systematic violations of international law, it is relevant that the UWSA remains on the United States’ Specially Designated Nationals (SDN) sanctions list for drugs trafficking. Individuals or entities included on a sanctions list can be indicative of specific conflict, governance or human rights risks within the relevant area or country that should be taken into consideration when determining a CAHRA. As mentioned, the UWSP is reportedly implementing a plan to eradicate methamphetamines from its areas (including its southern area which is higher risk) by June 2024 and has worked with the central government military in drug raids.

### ***OECD Annex 2 related risks***

The remaining sub-sections set out the Annex II risks allegedly associated with Wa, which speak further to potential risks associated with mining. It is emphasised that this report does not include any first-hand information obtained on the ground.

#### ***Support to non-state armed groups***

Mining of tin in Special Zone 2 contributes to an unknown extent to the financing of the UWSP and the UWSA, through the Wa Treasury’s taxation of mining ventures and possibly other sources.

The UWSP may be considered as a legitimate government authority at sub-national level with normal rights of a government to possess a security force (UWSA) since it has been providing some level of governance, security and ‘public goods’ such as infrastructure in the areas under its control for decades and is administering a defined area that is constitutionally recognised by the Myanmar central government. However, the UWSP has never been formally recognised as such at the international level.

The UWSA may present the main features of a non-state armed group. They are not formally representing Myanmar State security forces, they are referred to by the central government as an ‘ethnic armed group’ or ‘ethnic armed organisation’ similar to other EAO’s.



Furthermore, relations with the central government have been strained since 2009. The UWSP is following a 'Wa nationalist' agenda as its leaders demand the status of sub-State within the Union of Myanmar, which the central government has not been willing to give to date. The group also recently pledged solidarity with armed groups currently in active conflict with the government. At the same time, the UWSP/UWSA is continuing to engage in discussions with the central government through the Federal Political and Negotiation Consultative Committee (FNPCC), as well as bilaterally. Furthermore, the ceasefire has continued to hold.

At the international level, the Independent International Fact-Finding Mission on Myanmar, established through the UN resolution 34/22, specifies that it "uses the term 'ethnic armed organization' when referring to non-State armed groups operating in northern Myanmar (Kachin and Shan States) in opposition to the Government". The United Nations mission on Myanmar therefore characterises the UWSA as a non-state armed group, as per the OECD DDG definitions. However, the fact-finding mission acknowledged that it was basing its assessment of UWSA on limited information. Discussion of key points during OECD fora have not led to a clear view on the most appropriate approach.

At present, the UWSA is unlikely to change its status due to the stalled NCA negotiations in 2019. Commenting on the failing NCA negotiations in 2019, Bertil Lintner summed up the current impasse,

"Neither the central government, nor the Shan, would be willing to give the Wa permanent control of two areas, one in the north and another in the south, separated by 150-200 kilometres of government-controlled territory".

In other words, "finding a political solution to Myanmar's entrenched ethnic problems is a formidable task that requires much more than asking ethnic armed groups to sign the NCA and disarm without any political guarantees"<sup>civ</sup>.

#### *Serious human rights abuses*

- Worst forms of child labour (child soldiers)

The UWSA agreed to discuss an action plan to end the use of child soldiers in 2007 and stated that they have not recruited children since the 1989 cease-fire. However, it has been reported that military training was still being conducted in primary schools and that children under 18 were enrolled for combatant and non-combatant positions<sup>cv</sup>. In September 2014, UNICEF still listed the UWSA as an armed group using child soldiers<sup>cv</sup>. This listing was verified in 2018 and 2019 in the findings of the UN Human Rights Council's International Fact-Finding Mission on Myanmar, which identified the UWSA for forced recruitment of children into its armed forces.<sup>cvi</sup> The Mission notably "amassed a reliable body of information demonstrating a pattern of EAOs recruiting children into their armed forces, in violation of international law."<sup>cviii</sup> The UWSA is one of the EAO's identified for such child recruitment; "many of the Mission's victims and witnesses clearly stated that their recruitment and involvement with the armed groups was against their will."

While UWSA was identified as a perpetrator of such human rights abuses, it was not possible throughout this research to verify any direct links between the use of child soldiers or labour with tin mining operations.

- Forced labour

In addition to forced child labour, the UN Fact-Finding Mission on Myanmar also reported in 2019 that it had received “information consistent with previously identified patterns of forced recruitment of men and women” by the UWSA, among other EAOs in Myanmar.<sup>cix</sup>

While UWSA was identified as a perpetrator of such human rights abuse, no evidence was found throughout this research that the use of forced labour could be specifically related to tin mining operations.

- **Other serious human rights abuses**

While the UN Fact-Finding Mission has corroborated previous allegations of child and forced labour, the Mission also made new allegations concerning the UWSA’s **persecution of Christian minorities**. The Mission received information that in the second half of 2018, religious leaders, missionaries, Bible school teachers, their students, and faith-based groups were targeted in “mass arrests”. According to reports, the UWSA detained 150 – 200 Christians, held them in overcrowded unhygienic conditions, chained them at night, subjected them to forced labour in the day, prohibited religious leaders from praying and, once released, from preaching. Victims were reportedly told they would be released if they signed a declaration renouncing their faith. Approximately 50 Christian places of worship and learning were forcibly closed, and at least three other religious structures damaged or destroyed. While most captives were reportedly released by end of 2018, several leaders remained in captivity.<sup>cx</sup>

A 2015 article from *The Straits Times* reported cases of **land confiscation** by UWSA troops on the Thai border (Southern command) and mentions an incident where a man claiming his land was allegedly shot dead by UWSA troops in Tachileik<sup>cxii</sup>. The Shan Human Rights Foundation also charges the UWSA with numerous cases of land grabbing on the Thai border<sup>cxiii</sup>.

While directly involving the UWSA, no evidence was found that the religious persecution or land confiscation events could be specifically related to tin mining operations.

Reports of the UWSA’s continued involvement in **illegal arms trading**, both within Myanmar and further afield, raises concerns that in selling these arms, particularly to non-state armed groups, the UWSA might be contributing to the human rights violations committed by these groups. The UWSA itself denies selling arms to foreign armed groups.

While directly involving the UWSA, no evidence was found to suggest any direct links between arms trading and tin mining operations.

#### *Support to public or private security forces*

The same considerations on the role of UWSA as a non-state or public security force as explained in the section on non-state armed groups apply.

Mining of tin in Special Zone 2 contributes, to an unknown extent, to the financing and local economic development of Special Zone 2 (through the Wa Treasury’s taxation of mining ventures and possibly other sources).

No evidence was found indicating any direct involvement of UWSA in mining activities or operations, such as illegal control or taxation of mine sites, transportation routes and upstream actors in the supply chain.

There is evidence of UWSA links to human rights abuses mentioned above.

*Bribery and fraudulent misrepresentation of the origin of minerals, money laundering and non-payment of taxes, fees and royalties due to governments*

There is limited information on revenue flows, production and export volumes from the Special Zone 2 tin mining ventures, however statistics do not indicate particular risk of the fraudulent misrepresentation of the origin of minerals. ITA has stated that production figures are credible.

Verisk Maplecroft claims that corruption risks in Special Zone 2 are accentuated by the opacity of the Wa government, and “operations of mines in the area, and ensuring export flows to China is almost certainly prone to illicit payments.”<sup>cxiii</sup>

There is no reporting of Wa production or licenses under the EITI. The EITI’s most recent Myanmar report has only a passing reference: “Major Shan producing areas include the Man Maw tin district”<sup>cxiv</sup>. Nevertheless, it is likely that all taxes payable to the UWSP under the existing government structures are made at the local level.

There appear to be less reports of money-laundering associated with the UWSA, and the Myanmar Mayflower Bank, which was of primary money-laundering concern, appears to have been shut down. However, the UWSA continues to be sanctioned on the US SDN list in relation to drug trading.

The possibility of continued UWSA involvement in the illicit drug, and weapons trades could indicate the potential for bribery and corruption, as well as money laundering, which could have indirect links to the mining sector. No robust, recent information could be found on the financial structures that might support such activities, but Myanmar at the national level remains on the Financial Action Taskforce’s list of “Jurisdictions under Increased Monitoring”<sup>cxv</sup>.

While representing a significant risk, no specific evidence was found that specifically links risks of fraud, bribery, money laundering or non-payment of taxes to UWSP relating to tin mining operations.

## End notes

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<sup>i</sup> Human Rights Watch, 'Myanmar election fundamentally flawed'  
<https://www.hrw.org/news/2020/10/05/myanmar-election-fundamentally-flawed>, 5 October 2020.

<sup>ii</sup> Gardiner, N. J., Sykes, J. P., Trench, A., and Robb, L. J., 'Tin mining in Myanmar: Production and potential', *Resources Policy*, 46 (2015), p. 219.

<sup>iii</sup> A smaller volume of cassiterite is produced in Southern Myanmar, in Tanintharyi Region, an area under government control which is not affected by non-state armed groups. Examples of important mine sites in this Region are Hermyingyi mine and Heinda mine.

<sup>iv</sup> Andrew Ong, 'Producing Intransigence: (Mis) understanding the United Wa State Army in Myanmar' *Contemporary Southeast Asia*, Vol. 40, No. 3 (December 2018), pp. 449-474.

<sup>v</sup> The designation of the Wa territory as "State" is source of controversy with the Myanmar government, see later in text. The area is also referred to as "Special Region 2".

<sup>vi</sup> Global Security, Wa, Myanmar <http://www.globalsecurity.org/military/world/para/wa.htm> accessed 3 March 2021.

<sup>vii</sup> The Wa people living in Wa State are estimated to be 600,000. Other ethnic groups in Wa territory include Shan, Lahu, Palaung, Akha, Kokang, Kachin and Han Chinese (*Ethnic politics in Burma*, Ashley South, 2008, p142).

<sup>viii</sup> Bertil Lintner, 'The United Wa State Army and Burma's Peace Process', *Peaceworks*, no. 147, April 2019, p. 4.

<sup>ix</sup> Burma Centre for Ethnic Studies 'Tensions and concerns in Shan State' Analysis Paper No. 7, March 2013 and more recently Eleven Myanmar, UWSP urge the Government to grant autonomy to Wa State <https://elevenmyanmar.com/news/uwsp-urges-the-govt-to-grant-autonomy-to-wa-state>, 18 April 2019.

<sup>x</sup> Ronald D. Renard 'The Wa Authority and Good Governance 1989–2007' *Journal of Burma Studies* Volume 17, Number 1, June 2013.

<sup>xi</sup> Global Security, Wa, Myanmar <http://www.globalsecurity.org/military/world/para/wa.htm> accessed 10 January 2021.

<sup>xii</sup> Technically not a revolution but a series of pro-democracy demonstrations in 2007.

<sup>xiii</sup> Constitution of the Republic of the Union of Myanmar, 2008,  
[http://www.burmalibrary.org/docs5/Myanmar\\_Constitution-2008-en.pdf](http://www.burmalibrary.org/docs5/Myanmar_Constitution-2008-en.pdf) accessed on 2 April 2021.

<sup>xiv</sup> Institute for Defence Studies and Analyses, 'Tracking the source of 'Weapon Providers' for NE Rebels', Namrata Goswami, 7 November 2013 and more recently Eleven Myanmar, UWSP urge the Government to grant autonomy to Wa State <https://elevenmyanmar.com/news/uwsp-urges-the-govt-to-grant-autonomy-to-wa-state>, 18 April 2019.

<sup>xv</sup> Paul Keenan, *By Force of Arms, Armed Ethnic Groups in Burma*, 2013.

<sup>xvi</sup> Min Lwin, *Democratic Voice of Burma, Civil servants return to Wa region*, 26 April 2012.

<sup>xvii</sup> Myanmar Peace Monitor, UWSA,  
<http://www.mmpeacemonitor.org/background/constitution/169-uwsa>, accessed on 10 January 2021.

<sup>xviii</sup> Constitution of the Republic of the Union of Myanmar, 2008,  
[http://www.burmalibrary.org/docs5/Myanmar\\_Constitution-2008-en.pdf](http://www.burmalibrary.org/docs5/Myanmar_Constitution-2008-en.pdf) accessed on 2 April 2021.

<sup>xix</sup> Bertil Lintner, 'The United Wa State Army and Burma's Peace Process', *Peaceworks*, no. 147, April 2019, p. 10.

<sup>xx</sup> Paul Keenan, *By Force of Arms, Armed Ethnic Groups in Burma*, 2013, p111.

<sup>xxi</sup> Human Rights Watch, 'Humanitarian agencies in Burma'  
<https://www.hrw.org/reports/2005/burma0605/8.htm>, accessed on 10 January 2021.

- <sup>xxii</sup> Unsettling Moves, Lahu National Development Organisation, April 2002.  
<http://www.ibiblio.org/obl/docs4/Shan-docs.pdf> (p9)
- <sup>xxiii</sup> Asia Times ‘Displaced Shan face military harassment’ <https://asiatimes.com/2019/05/displaced-shan-face-military-harassment/> 26 May 2019 and Shan Refugee Committee, ‘Shrinking refuge: New threats to refugee security on Shan-Thai border’ [https://progressivevoicemyanmar.org/wp-content/uploads/2019/05/5-23-2019-SSRC-SHRF-Press-release-Eng-report\\_2.pdf](https://progressivevoicemyanmar.org/wp-content/uploads/2019/05/5-23-2019-SSRC-SHRF-Press-release-Eng-report_2.pdf) 23 May 2019.
- <sup>xxiv</sup> BNI multimedia group, Myanmar ‘UWSA sales pitch: Confederacy promotion the main thrust of 30th anniversary ceasefire celebration’ <https://www.bnionline.net/en/news/uwsa-sales-pitch-confederacy-promotion-main-thrust-30th-anniversary-ceasefire-celebration> 1 April 2019.
- <sup>xxv</sup> Andrew Ong, Producing Intransigence: (Mis) understanding the United Wa State Army in Myanmar, *Contemporary Southeast Asia*, Vol. 40, No. 3 (December 2018), pp. 449-474.
- <sup>xxvi</sup> Asia Foundation, Kim Jolliffe ‘Ethnic Conflict and Social Services in Myanmar’s Contested Regions’, June 2014.
- <sup>xxvii</sup> Although the website Myanmar Peace Monitor judges that there has been sporadic clashes with the Myanmar army since 2009, there has been no official announcement of fighting by either side.
- <sup>xxviii</sup> Transnational Institute, *Burma’s Cease-fires at Risk*, Tom Kramer, Peace and Security briefing No. 1, Sept 2009.
- <sup>xxix</sup> Myanmar Peace Monitor, <http://www.mmpeacemonitor.org/background/border-guard-force>, accessed 10 January 2021.
- <sup>xxx</sup> CSIS (CogitAsia), *United Wa State Army – The Challenge to Peace*, 11 March 2013.
- <sup>xxxi</sup> AFP, More fighting feared after thousands flee Burma, 27 August 2009.
- <sup>xxxii</sup> Stratfor, *Myanmar: The United Wa State Army’s Uncertain Future*, 22 July 2013.
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