



**FOREST POLICY, TRADE, AND FINANCE INITIATIVE**  
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# **NATURE CRIMES**

## **THE CONVERGENCE OF CRIMINAL ECONOMIES IN THE MEKONG REGION**

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## ACRONYMS

<b>AA</b>	Arakan Army	<b>NDAA</b>	National Democratic Alliance Army
<b>BGF</b>	Border Guard Force	<b>NLD</b>	National League for Democracy
<b>CPP</b>	Cambodian People’s Party	<b>NUG</b>	National Unity Government
<b>EAO</b>	Ethnic Armed Organization	<b>PDF</b>	People’s Defense Force
<b>GTSEZ</b>	Golden Triangle Special Economic Zone	<b>REM</b>	Rare Earth Mining
<b>KIA</b>	Kachin Independence Army	<b>GEF</b>	Global Environment Facility
<b>KIO</b>	Kachin Independence Organization	<b>SAC</b>	State Administration Council
<b>KNDF</b>	Karenni Nationalities Defense Force	<b>SAZ</b>	Special Administration Zone
<b>KNLA</b>	Karen National Liberation Army	<b>SEZ</b>	Special Economic Zone
<b>KNU</b>	Karen National Union	<b>TNLA</b>	Ta’ang National Liberation Army
<b>MTE</b>	Myanma Timber Enterprise	<b>UNODC</b>	United Nations Office on Drugs and Crime
<b>MNDAA</b>	Myanmar National Democratic Alliance Army	<b>UWSA</b>	United Wa State Army

# Executive Summary

The Mekong Region—particularly the tri-border “Golden Triangle” of Myanmar, Laos and Thailand—has become a hub where environmental exploitation and criminal activity converge, collectively generating billions of dollars annually for transnational enterprises. This report examines how nature crimes—the illegal extraction and trade of natural resources—are deeply embedded within broader illicit economies across the Mekong Region, with particular focus on post-coup Myanmar.

Myanmar’s military coup in February 2021 served as a catalyst for explosive criminal expansion across the region. Regulatory breakdown, the emergence of hundreds of armed resistance groups, and economic crises have provided criminal organizations with optimal conditions to intensify both environmental exploitation and associated illicit activities.

While research on illicit activities in the Mekong Region has primarily focused on drug trafficking, human trafficking, and financial scam centers, the critical role of nature crimes in supporting these broader criminal enterprises has received comparatively little attention. This oversight is significant because criminal organizations typically begin with nature crimes that require less initial investment while generating significant returns, providing the capital, physical infrastructure, and trade networks needed to expand into other illegal enterprises. Criminal groups leverage the same networks, routes, and money laundering mechanisms across multiple illegal activities; for example, networks established for timber trafficking are used for drug smuggling and human trafficking. The transnational nature of these criminal networks and their nested activities demand enhanced understanding, particularly given the security challenges posed by Myanmar’s ongoing political crisis.

## DEFINING NATURE CRIMES

This report examines nature crimes—the illegal extraction and trade of natural resources—as a foundational driver of transnational criminal networks in the Mekong Region. Our analysis focuses on:

- Timber
- Minerals and gems, including rare-earth elements
- Wildlife products
- Natural gas

## KEY FINDINGS

The convergence of nature crimes with other criminal enterprises follows clear patterns across the region. Nature crimes have direct links to widespread corruption, human rights abuses, ecological degradation, financial crime, terrorism, and other threats to peace and human security. These nested illegal activities create complex security challenges that extend beyond environmental damage.

### Nature Crimes as Financial Foundation

Criminal organizations use environmental exploitation to generate significant seed capital, reinvesting into other illegal activities, including drug trafficking and cyber fraud. Nature crimes require minimal initial investment while generating substantial returns, providing the foundational capital needed to establish and expand more



sophisticated criminal operations. Even as these organizations diversify into other lucrative activities, they continue to rely on nature crimes as a steady revenue stream and fallback option when other criminal enterprises face enforcement pressure or market disruptions.

## **Massive Financial Scale**

The financial rewards from nature crimes reach at least US\$1 trillion (T) per year globally, and tens of billions in Myanmar, when accounting for long-term ecosystem damage. Environmental exploitation provides criminal groups hard currency outside formal banking systems that fund their other illicit operations. Officially reported trade in natural resources in Myanmar may only be responsible for about five percent of GDP, but it comprises a third of official export value and is thus a critical source of hard currency for the junta.

## **Repurposed Infrastructure**

Criminal groups leverage the same networks, routes, and money laundering mechanisms across multiple illegal activities. The same infrastructure supporting timber and wildlife trafficking also enables cyber-scramming operations, generating nearly US\$40 billion (B) annually, demonstrating unprecedented criminal adaptation. When faced with enforcement pressure in one area, criminal organizations frequently intensify activities in other sectors or relocate operations to areas with weaker governance—a “balloon effect” that often subsequently drives expansion back into nature crimes.

## **Post-coup Acceleration of Resource-driven Crime**

The February 2021 military coup created conditions for dramatic regional expansion of criminal activity. Myanmar’s long-established substantial natural resource revenue, combined with vast border territories under a plethora of non-state armed groups, provide both financial incentives and operational space for criminal networks to flourish since the coup. As international legitimacy collapsed and sanctions increased, the junta and their allied militias became more reliant on revenue from both nature crimes and other illicit activities, while armed resistance groups likewise turned increasingly to resource extraction to finance their anti-coup operations. Since the coup, more than US\$30.5B in natural resource imports from Myanmar have been reported by importing countries. Myanmar now supplies the majority of China’s heavy rare-earth elements through illegal operations worth US\$1.5B in 2023, and it has become the world’s largest opium producer, overtaking Afghanistan.

## **Special Economic Zones as Criminal Infrastructure**

Special Economic Zones (SEZs), initially established for seemingly legitimate economic development, have become centers for money laundering, human trafficking, and criminal operations, with facilities like the Golden Triangle SEZ housing an estimated 74,000 people involved in scamming and casino operations. Nature crime revenues flow through these same SEZs, where timber profits, jade proceeds, and wildlife trafficking gains are laundered alongside scam center earnings, creating integrated criminal financial networks.

## **Chinese Capital Investment**

Chinese nationals and companies operate as investors in mining concessions, purchasers of timber and jade, transporters of wildlife products, and money launderers for the proceeds—often with the same individuals playing multiple roles across this criminal ecosystem. Chinese involvement spans legal investment flows,

grey-market capital, and outright criminal operations, often conflated by analysts. Enforcement efforts remain cautious and selective, reflecting Beijing's balancing act between curbing criminal activity and maintaining relationships with governments and non-state armed groups entangled in these economies.

## **Regional Security Feedback Loops**

Nature crimes create complex security challenges that extend far beyond environmental damage. Resource extraction and trafficking become integral to regional security threats through their role in funding armed groups, undermining governance systems, and enabling transnational criminal networks. Environmental degradation drives communities into poverty, making them vulnerable to exploitation by criminal enterprises that further erode local governance and fuel armed conflict. This creates destructive feedback loops, in which nature crimes simultaneously cause the conditions that perpetuate more criminal activity, undermining regional stability, and trapping communities in cycles of exploitation and insecurity.

This report demonstrates that nature crimes in the Mekong Region are not peripheral environmental issues but are central to governance, regional security, and political stability. Effective responses require recognizing several realities:

1. Nature crimes are embedded within governance systems and sustained by corruption, rather than operating external to them;
2. Criminal networks are rapidly evolving into digital spheres, converging resource extraction with cyber-criminal enterprises; and
3. The transnational nature of these nested economies demands enhanced regional cooperation and harmonized legal frameworks that address multiple criminal activities operating through the same networks.

Success requires a fundamental shift toward integrated approaches that combine community-centered environmental protection and justice provisions with sanctions, socially acceptable law enforcement, conflict resolution, and community-based sustainable development. Without addressing these interconnected challenges, the region faces threats, not only to its biodiversity and natural resources, but also to its political stability, economic development, and human security.

# 1 Introduction



Source: Shutterstock

***Nature crimes serve as both the financial foundation and operational infrastructure for broader criminal enterprises, providing initial capital, territorial control, and networks that enable expansion into drug trafficking, cyber fraud, and money laundering.***

The Mekong Region has become a laboratory for understanding how modern transnational criminal organizations evolve and converge across multiple illicit sectors. Nature crimes—illegal logging, mining, wildlife trafficking, and land conversion—serve as both the financial foundation and operational infrastructure for broader criminal enterprises, providing initial capital, territorial control, and networks that enable expansion into drug trafficking, cyber fraud, and money laundering. This convergence has been dramatically accelerated by Myanmar’s 2021 military coup, which dismantled regulatory oversight while fragmenting territorial control among hundreds of competing non-state armed groups. Understanding this evolution is crucial for recognizing how environmental exploitation has become integral to regional security and governance challenges that extend far beyond immediate ecological impact.

## NATURE CRIMES AS CRIMINAL FOUNDATION

Nature crimes diminish a community’s livelihood resiliency to environmental shocks, and they are a major driver of loss of community access to land and resources.<sup>1</sup> It is one of the largest illicit economies in the world, with direct links to widespread corruption, human rights abuses, environmental injustice, financial crime, terrorism, and other threats to peace and human security.<sup>2</sup> Recent analysis indicates that environmental crimes cost at least US\$1T per year when accounting for long-term ecosystem damage, far exceeding the immediate market value of extracted resources (World Bank 2019). Historically, nature crime is most common in areas inhabited or stewarded by Indigenous Peoples, and they are often the populations

most directly negatively impacted. Indigenous communities are also most at risk for being targeted with direct violence as environmental defenders for speaking out against nature crimes (Global Witness 2024).

Nature crimes serve as a foundation for broader criminal enterprises in the Mekong Region. These activities have generated significant initial capital that criminal organizations reinvest in other illicit operations. Beyond their immediate environmental impact, nature crimes create a cascade of effects that undermine regional security, human security, and community wellbeing: they provide funding for non-state armed groups, destroy local communities’ livelihoods, deprive communities of access to their land and resources, and can create conditions that drive local people into other illegal activities to survive. This connection between environmental exploitation, human security, and broader criminal enterprises makes nature crimes a critical security concern, not merely an environmental issue.

<sup>1</sup> We use the term “nature crimes” in this report to refer to criminal forms of logging, mining, wildlife trade, land conversion, and fishing. This is slightly different than the term “environmental crime,” which also includes threats to public health, such as with toxic waste and air pollution, which we do not discuss in this report.

<sup>2</sup> For a tutorial on nature crimes, see the Nature Crime Alliance’s breakdown at <https://naturecrimealliance.org/nature-crime/>.

## **CRIMINAL ENTERPRISE EVOLUTION IN THE GOLDEN TRIANGLE**

Criminal enterprises in the Golden Triangle have undergone significant transformation in recent years. Organizations that once focused primarily on drug trafficking and illicit natural resource extraction and trade have since diversified into multiple criminal activities, with natural resources consistently central to their illicit operations. This reflects a global trend where criminal organizations leverage existing infrastructure and networks to exploit new technological opportunities, with the US\$40B cyber-scramming industry having emerged from similar networks (UNODC 2024). Understanding how criminal groups exploit natural resources is crucial for addressing broader transnational criminal organizations and their activities, and how they present new complexities to improving governance and security in the region.

The exploitation of natural resources in the region has evolved from opportunistic criminal activity into sophisticated enterprises that underlie broader security challenges. Criminal organizations initially drawn to illegal logging, mining, and wildlife trafficking have developed complex portfolios that combine nature crimes with drug trafficking, cyber fraud, and seemingly legitimate businesses, particularly in SEZs. These groups strategically reinvest profits from environmental exploitation into both illegal activities and legal enterprises, making nature crimes increasingly difficult to combat as proceeds are quickly integrated into complex networks. This convergence between traditional resource crimes and digital criminal enterprises reflects a global trend where criminal organizations leverage existing infrastructure and networks to exploit new technological opportunities (Franceschini 2025).

## **REGIONAL BORDER GOVERNANCE AND CHINESE CRIMINAL INVOLVEMENT**

The Golden Triangle’s unique geography and governance context have enabled nature crimes to flourish. These border areas combine abundant natural resources and porous national borders with limited direct state or local community oversight. The Golden Triangle has long been the epicenter of illicit drug production and trade, and more recently other burgeoning criminal activities, predominately led by Chinese criminal organizations in cooperation with local government and non-state authorities. Criminal organizations exploit these conditions to establish operations that span multiple countries, using border regions as bases for both environmental exploitation and other illegal activities. The strategic location of these areas, combined with growing regional infrastructure development, allows criminal groups to quickly move illegal resources to market while evading state and other types of locally legitimated non-state enforcement.

Transnational criminal organizations traditionally generated wealth in the region through the drugs trade, at first opium poppy and its derivative, heroin, but later with synthetic drugs, such as methamphetamines. However, in response to new opportunities and shifting regulatory environments, these organizations have also turned to nature crimes as foundational activities that enable broader criminal enterprises. The exploitation of natural resources provides criminal groups with crucial advantages: relatively low initial investment but significant quick returns, ability to extract and trade in areas with limited formal state presence, ability to disguise as legitimate business activities, and ability to rely on or create new infrastructure and corrupted networks useful for other criminal activities. These environmental crimes then serve as a gateway to (and subsidize investment in) other illegal activities, from drug trafficking to cyber fraud.



Newer reports on transnational crime in the Mekong Region have given a lot of attention to the spread of casinos, online gambling, money laundering, and most recently, online financial scamming operations (USIP 2021; ICG 2019; UNODC 2024). These massive infrastructural investments by criminal syndicates have taken hold in poorly governed border areas where there is weak to nonexistent state enforcement or, in the case of Myanmar, outside formal government jurisdictions without robust ethnic governance systems. The criminal organizations who run casinos and financial scam centers oftentimes also orchestrate resource extraction and illicit drugs production and trade in the same area.

Understanding Chinese involvement in these dynamics requires careful analysis that distinguishes between legal investment flows, grey-market capital, and outright criminal operations, as analysts often conflate these different types of activities (Franceschini 2025). Chinese involvement spans state agencies, private entrepreneurs, criminal syndicates, and overseas business networks operating with distinct and sometimes overlapping interests. Enforcement efforts have often been cautious and selective, reflecting China's complex balancing act between curbing cross-border criminal activity and maintaining relationships with governments and non-state armed group leaders that are themselves entangled in these economies.

## MYANMAR'S POLITICAL CRISIS

Myanmar's 2021 military coup created conditions that have accelerated nature crimes and their connection to other criminal enterprises. The collapse of the limited regulatory state oversight that previously existed, combined with the rapid devaluation of Myanmar's currency, has enabled criminal organizations and armed resistance organizations to expand their exploitation of natural resources. Some of the larger ethnic armed organizations in the north and some more established pro-junta militias play crucial roles in facilitating nature crimes and other illicit activities to fund their operations. Some of these non-state territories where nature crimes are committed have also become hubs for cyber-scamming operations, with some operations generating revenues in the tens of billions (GI-TOC 2025).

Non-state armed groups in Myanmar's border regions play three crucial roles in facilitating nature crimes and associated criminal activities. First, they control territory rich in natural resources, allowing them to extract or tax logging, mining, and wildlife trafficking. Second, they provide protection and infrastructure for criminal organizations engaged in multiple illegal activities, especially for the drugs trade. Third, they use revenue from nature crimes to fund their own operations, creating a cycle where environmental exploitation sustains armed conflict, while conflict enables further exploitation.

One result has been that the production and trade in illicit drugs, such as heroin and methamphetamines, have significantly increased. This is likely due to more extreme rural poverty leading producers into the market, and some armed forces encouraging (or directly aiding) acceleration of the drug economy for significant revenue generation (UNODC 2024). Military-aligned businessmen and militia groups have also renewed opportunities to exploit the power struggle through get-rich-quick schemes, often bankrolled by natural resources and drugs.

The proliferation of armed groups and the return to country-wide war since the coup have had a profound effect on the nature of the economy in Myanmar and the wider Mekong Region. Ethnic armed organizations, anti-coup resistance forces, and government-aligned militias fighting throughout Myanmar has put renewed financial strain on these array of armed forces and their varied alliances. Additional advanced weaponry,

training and sustaining soldiers, and maintaining or expanding their respective territories requires substantial financial support. The Myanmar military provides only meager support to state-backed militia forces with the expectation that their business activities will compensate for their budgetary needs. Resistance forces, on the other hand, have fundraised from abroad, taxed local populations, and undertaken their own illicit activities, mainly in the extraction and trade of natural resources, particularly mining.

Ethnic armed organizations and anti-coup resistance forces' involvement in the natural resource sector is widely seen by civil society as necessary during this pressing political crisis, but raises many serious questions on what is considered legitimate resource extraction and what is a nature crime, and how the armed resistance could sustainably raise revenue during Myanmar's political crisis and under future political federalism.

## 2 Nature Crimes



Source: Shutterstock

***Criminal organizations and ethnic armed organizations generate significant undocumented revenue from illegal logging, mining, and wildlife trafficking. This environmental exploitation provides criminal groups with hard currency needed to fund other operations.***

The scale of natural resource exploitation in the region is substantial, and the financial rewards from nature crimes is significant. Official data capture only a fraction of the trade—for example, the reported US\$4B in annual natural resource revenue to Myanmar’s government before the coup represented just a portion of actual extraction. Criminal organizations and ethnic armed organizations generate significant undocumented revenue from illegal logging, mining, and wildlife trafficking. This environmental exploitation provides criminal groups with hard currency needed to fund other operations, particularly given regional currency instability and international sanctions that limit access to formal banking systems.

Natural resources (NRs) are a driving force in the Myanmar economy. Officially reported trade in NRs may only be responsible for about five percent of GDP, but it comprises a third of official export value and is thus a critical source of hard currency for the junta. However, the illicit nature of the criminal exploitation and trade in NRs means the actual scale of the sector is exponentially larger than the official data suggest.

For example, nature crimes in mining for heavy rare-earth metals—critical in the manufacture of components used to generate renewable energy and in weapons technologies—has been rapidly expanding in Myanmar over the past decade, yet it occurs outside of official reporting because it was fully under the control of a single militia group (the Kachin BGF, formerly known as NDA-K), led by Zakung Ting Ying (Global Witness 2022).<sup>3</sup> Since 2024, however, the former BGF area came under the control of the main ethnic Kachin armed organization, the Kachin Independence Organization (KIO). Data for the timber trade suggests similar patterns of cross-border trade bypassing government checkpoints, evading government royalties.

Understanding what makes these activities “criminal” goes beyond legal/illegal distinctions. The criminal dimensions encompass: extraction revenues flowing to armed groups and criminal networks rather than legitimate authorities or communities; operations occurring with minimal oversight in territories controlled by armed groups; the same infrastructure enabling multiple criminal activities; and revenues perpetuating armed conflict and undermining governance. Whether technically legal or explicitly illegal, these extractive activities fund transnational criminal networks and regional insecurity.

### NATURAL RESOURCES AND THE CONFLICT ECONOMY

The involvement of criminal organizations and armed groups in illicit resource extraction in Myanmar and the border areas of the Golden Triangle intensified during the 2000s as cross-border markets and infrastructures expanded. Extensive logging along the China and Thailand border regions essentially turned some armed

<sup>3</sup> Rare-earth element exports are mainly going to Chinese processing plants that manufacture components used in renewable energy necessary for reducing climate-changing greenhouse gas emissions.

groups into businesses with armies (Global Witness 2009; Woods 2011). As valuable timber became over-logged, other nature crime activities, particularly the mining of jade, rubies, gold, and rare-earth metals, became a critical source of revenue among the more prominent armed groups and criminal organizations that had the capital and political clout to orchestrate large-scale mining concessions.

Criminal groups also converge other illicit activities with nature crimes, creating integrated operations where multiple criminal enterprises operate simultaneously in the same locations. For example, at mining sites, operators often push drugs on miners, run brothels that engage in sex trafficking, launder money from other criminal activities through the resource operation, and employ trafficked laborers in conditions of modern slavery (Meehan 2023). This integration of multiple criminal activities at resource extraction sites makes nature crimes a gateway to broader exploitation.

Access to NRs and its extraction and trade has been a key driver of violent conflict, as various armed forces fight for control over territory rich in minerals, gems, and timber (USIP 2021). Organized crime exploits the lack of government rule of law and the military's political arrangements with non-state armed groups to illegally exploit NRs with no government or non-state governing authority oversight or accountability. Apart from illegal wildlife trade, international organizations tracking criminal activities tend to neglect nature crimes in their analysis and actions, despite the primacy of NRs in criminal organizations' portfolio.

Failing to recognize links between NRs, other illicit activities, and organized crime risks further undermining Myanmar's natural environment and the lives and livelihoods of those marginalized communities that rely on land and natural resources. Nature crimes and an eroding natural resource base increases vulnerability to loss of agricultural land and farming livelihoods, which subsequently deepens poverty and precarity for rural villages dependent on functioning ecosystems. Research demonstrates that vulnerable households in northern Myanmar often seek a way out of their poverty by cultivating poppy and/or laboring in resource extraction camps, both of which are directly connected to criminal groups (Woods 2011; Meehan 2023). This negative feedback loops deepens and extends the longevity of armed conflict and criminal activities.

Before examining the current status of the NR sector, we will first review the sector during the government administration under the National League for Democracy (NLD) prior to the coup as a baseline to understand the post-coup context.

## **NATURAL RESOURCE EXTRACTION UNDER THE ELECTED NLD GOVERNMENT**

Prior to the coup, the last reporting by the Myanmar Extractive Industries Transparency Initiative (MEITI) was that NRs contributed more than US\$4 billion (B) to the Myanmar economy in fiscal year 2017/18 (Table 1), of which US\$1.5B/yr was shared with the Union Government of Myanmar in taxes, royalties, and other payments (MEITI 2020).<sup>4</sup> NRs reportedly generated more than a third of all exports (by value), playing a key role in providing the country with much needed hard currency, particularly US dollars and euros.

<sup>4</sup> Total trade is based on UN Comtrade data of import from Myanmar for oil and gas (Harmonized Tariff Code [HTSC] 27), semi-precious stones and pearls (HTSC 71), forest products (HTSC 44), ore and metals (HSTCs 26 & 81), see <https://comtradeplus.un.org/TradeFlow>. State revenue is from Fiscal Year (FY) 2017/18, the last year of reporting by the MEITI before being de-listed after the coup.



The majority of these earnings was from natural gas—reportedly at least US\$3B in revenue and about two-thirds of payments to the government from NRs. Mining officially contributed US\$350 million (M) to the government, with exports of minerals, gems, and jade reportedly reaching almost US\$1.5B/year. Jade contributed the largest amount: state emporium sales of jade were reportedly €821M.<sup>5</sup> Forestry contributed the least of the major NRs, reportedly only US\$99M to the government in taxes and royalties on US\$223M in production of logs, sawnwood, plywood, and veneer (MEITI 2020). However, government corruption and the illicit capture of resource revenue by non-state groups—various ethnic armed forces and transnational criminal organizations—would significantly increase the total actual revenue generated by NRs over the official government figures.

**Table 1. Official Trade Data for Exports of Natural Resources from Myanmar (in US\$ millions (M)).**

	MEITI reporting	UN Comtrade reporting										
	FY17/18	2017	2018	2019	2020	2021	2022	2023	2024	TOTAL	HTS codes	
<b>Myanmar Timber Enterprise*</b>	<b>\$88</b>											
forest products		\$354	\$342	\$297	\$246	\$245	\$369	\$334	\$286	<b>\$1,259</b>	44	
<b>Myanmar Oil &amp; Gas Enterprise</b>	<b>\$3,103</b>											
natural gas	\$2,998	\$3,278	\$3,039	\$4,375	\$3,592	\$2,874	\$3,843	\$3,506	\$3,230	<b>\$13,714</b>	2711	
condensate/oil	\$107	\$54	\$86	\$51	\$21	\$14	\$22	\$-	\$-	<b>\$36</b>	2709	
<b>Myanmar Gems Enterprise</b>	<b>\$871</b>											
jade & gems		\$241	\$387	\$359	\$175	\$1,126	\$4,154	\$912	\$179	<b>\$6,442</b>	7103	
<b>Mining Enterprise 1</b>	<b>\$18</b>											
lead	\$3	\$87	\$103	\$102	\$102	\$63	\$98	\$112	\$132	<b>\$415</b>	2607 & 78	
ferro nickel	\$292	\$344	\$276	\$183	\$303	\$276	\$226	\$93	\$6	<b>\$601</b>	720260 & 75	
copper	\$619	\$537	\$896	\$863	\$1,000	\$575	\$91	\$151	\$292	<b>\$1,113</b>	2603 & 74	
<b>Mining Enterprise 2</b>	<b>\$7</b>											
tin	\$2	\$930	\$739	\$598	\$450	\$764	\$1,132	\$756	\$477	<b>\$3,133</b>	2609	
zinc**	**	\$57	\$61	\$59	\$41	\$23	\$39	\$28	\$16	<b>\$107</b>	2608	
rare-earth minerals/elements	\$-	\$12	\$64	\$153	\$388	\$762	\$604	\$1,442	\$818	<b>\$3,626</b>	2846	
<b>Myanmar Pearl Enterprise</b>	<b>\$21</b>											
pearls		\$10	\$8	\$12	\$22	\$21	\$28	\$17	\$14	<b>\$101</b>	7101	
<b>TOTAL</b>	<b>\$4,109</b>	<b>\$5,904</b>	<b>\$6,000</b>	<b>\$7,052</b>	<b>\$6,340</b>	<b>\$6,743</b>	<b>\$10,607</b>	<b>\$7,351</b>	<b>\$5,450</b>	<b>\$30,547</b>		

Reported by the Myanmar Extractive Industries Transparency Initiative (MEITI) for Fiscal Year (FY) 2017/18, and as reported by importing countries through UN Comtrade (2017-2024). Imports from Myanmar for 2021 only include shipments made since the February 1 coup.

MEITI data is based on reporting by the State-Owned Enterprises (SOEs) that manage the various natural resource sectors in Myanmar. UN Comtrade data is based on reporting for the relevant Harmonized Tariff Schedule Codes (HTSC).

Note: \* MEITI only reports exports of sawnwood, veneer, and plywood, but these commodities comprise 98 percent of the value in trade reported by UN Comtrade for HSTC 44.

\*\* Zinc exports reported by MEITI are likely incorrect: i.e., Win Myint Mo Industries Co. Ltd. reported >\$800M in exports on only 1,500 MT of zinc concentrate; previous reporting by MEITI had annual exports of <\$20M/yr for the entire country.

<sup>5</sup> [https://eiti.org/sites/default/files/attachments/meiti\\_reconciliation\\_report\\_2017-2018\\_final\\_signed\\_31st\\_march\\_2020.pdf](https://eiti.org/sites/default/files/attachments/meiti_reconciliation_report_2017-2018_final_signed_31st_march_2020.pdf) Accessed November 21, 2025. In 2024, the EITI board delisted the MEITI from the Initiative “due to ongoing political instability and conflict.” <https://eiti.org/news/myanmar-delisted-eiti-due-political-instability> Accessed November 21, 2025.

Even government capture of NR rents belies the massive profits to the private and public sectors. Corruption crippled the sector, undermining rural development, damaging the environment, and stealing billions of dollars that could otherwise be used to run the country and benefit local communities. For example, the state-owned enterprises (SOEs) that run the various NR sectors in Myanmar kept profits in their own bank accounts rather than depositing them into the general treasury. The NLD admitted that previous military governments allowed US\$12.5B to disappear from these slush funds. Forest Trends further documented how the Myanmar Timber Enterprise (MTE), the SOE with the exclusive right to manage the forestry sector, sold teak and other valuable hardwoods to cronies at sale prices far below those of auctioned logs, costing taxpayers at least US\$1B/year from sales of teak alone (Forest Trends 2021).

Even prior to the current armed conflict, the illicit and unreported activities in the sector was likely even bigger than the formal trade data suggests. Transnational organized crime takes advantage of a lack of enforcement to traffic NRs, avoid taxes, and launder money. For example, comparison between government data and importer customs data demonstrate billions in USD in shipments unreported by the Myanmar government, which is consistent with smuggling (Forest Trends 2021). Indeed, prior to the coup, the MEITI reported no income from the mining of rare-earth elements, even though Myanmar supplied about a third of global demand, reportedly worth US\$780M/year in exports to China (MEITI 2020; Global Witness 2022). If these losses in state revenue from government corruption and non-state armed groups and transnational criminal organizations are considered, we have a better sense of the scale of how NRs fuel the country's political economy and armed conflict.

## NATURAL RESOURCE EXTRACTION SINCE THE 2021 COUP

Since the coup, crime related to NRs has increased dramatically, despite being hit by the twin impacts of conflict between the junta and anti-coup resistance force, as well as international sanctions aimed to deprive the junta of revenue (Forest Trends 2021, 2025).

### Gas

The largest sector, natural gas, has so far maintained its revenue levels (Table 1). Even as the companies controlling production have switched, exports have remained steady,<sup>6</sup> totaling at least US\$13.7B since the coup according to UN Comtrade data.<sup>7</sup>

### Timber

However, the junta's control over forestry and mining has been much less strong and international sanctions have hit harder. For example, since 2021 when the EU, US, UK, Canada, and Switzerland sanctioned the MTE for its control of the timber sector, their imports have dropped from 15 percent of reported trade to virtually nil (Forest Trends 2025). Furthermore, banking sanctions have made it very difficult for SOEs to use the state-owned Myanmar Foreign Trade Bank (MFTB) to transfer international funds from the export of NRs. Moreover, US sanctions led Singapore banks to close the accounts of timber traders tied to Myanmar (Forest Trends 2025).

<sup>6</sup> Exports of oil ("condensate") to Singapore dropped from \$50M+ in 2018 to zero after the coup (Table 1). Malaysia reportedly imported \$22M in 2022 but nothing since.

<sup>7</sup> This is broadly in line with official Thai Customs reporting on petroleum products from Myanmar of 258B THB (or about \$7.5B) to September 2024. Chevron and TotalEnergies withdrew from the Yadana gas project due to the US and EU sanctions on Myanmar Oil and Gas Enterprise (MOGE), the SOE that runs the sector.



The junta is also rapidly losing control over vast areas of the country due to armed resistance forces claiming territory, especially border regions rich in forests and minerals (SAC-M 2024). Despite these territorial losses, including the Sagaing Region that previously reported two-thirds of MTE's timber production, Myanmar has reportedly been able to maintain supplies to meet China's demand, with imports of more than US\$228M/year in 2024, mostly in veneer and plywood, and almost all through companies registered in Yunnan (Forest Trends 2021). As a result, Forest Trends estimates overall trade has reached more than US\$1.25B in forest products since the coup (Forest Trends 2025). Corruption and illicit revenue capture by non-state armed groups is likely significant, as detailed below.

Where this supply of logs is coming from to meet demand from China and India—which together comprise more than 90 percent of reported timber trade in 2024—is unclear. The MTE has reported virtually no timber production and less than 400 m<sup>3</sup> in auctions of export grade teak since the coup (Forest Trends 2025). The ongoing trade suggests organized, large-scale illegal harvesting is being permitted by militias aligned with the junta and/or by ethnic armed resistance groups and transnational criminal organizations.

The criminal aspect lies not only in illegal logging itself, but in the systematic corruption and revenue capture by armed groups that far exceed official figures, with profits funding armed conflict and flowing through the same smuggling networks used for drugs and other contraband.

## Mining

The status of mining is less straightforward. While some mining operations hold official permits, the criminal dimensions are evident in operations controlled by non-state armed groups, revenues financing conflict, lack of environmental and safety oversight, and integration with broader transnational criminal networks, including money laundering and human trafficking at mining sites.

Since the coup, many large, government-sanctioned mines closed (some temporarily) due to a lack of security as fighting intensified, such as for the Baldwin silver and zinc mines in northern Shan State and the Letpadaung copper mine in Sagaing Region (Myanmar Natural Resource Watch 2024).<sup>8</sup> Consequently, official exports to China plunged: nickel declined from US\$340M in 2021 to less than US\$6M in 2024, and copper plummeted from US\$430M in 2021 to only US\$800,000 in 2023, crippling mining income to the junta (Myanmar Natural Resource Watch 2024). In some cases, such as for the Mawchi tin mine in Karenni (Kayah) State, resistance forces have taken over its operation to generate revenue to help bankroll the nascent Karenni State federal governing apparatus. Where fighting is less intensive, such as in Tanintharyi Region where mining has a long history, the regime has augmented its mining efforts. According to investigative journalism, production has “ramped up significantly during the immediate aftermath of the... military coup as unscrupulous companies took advantage of the ensuing breakdown of the rule of law” (Cowan 2021).

Mining production appears to have increased in areas controlled by anti-coup resistance forces. For example, the NUG sold mining blocks in 2023 in areas under its control with the commitment to “fully guarantee the rights sold to investors” (Irrawaddy 2023). In Kachin State, the KIO's armed forces (the Kachin Independence Army, or KIA) has expanded its operations in and around the Hpakant jade mines, as well as around gold

<sup>8</sup> The Baldwin Mine was seized on December 27, 2023, by the TNLA during Operation 1027. It is not clear at the time of writing if it has recommenced operations.

and amber mines in Tanai township (ICG 2019). More recently, the KIA pushed out the Kachin BGF in Special Region (SR) 1 around Chipwe, where most of the Rare-earth Mining (REM) is located, as further explained below (Fishbein 2024). Collectively, this REM has reportedly generated several billion dollars' worth of revenue since the coup. This (as well as revenue from illicit/unreported mining) provide crucial funding to the KIA's war effort, as well as its administration and service delivery in territories it holds.

When the anti-coup resistance Karenni Nationalities Defense Force (KNDF) seized control of Mawchi town in Karenni State in January 2024, they gained access to tin and antimony mining areas as well as the large hydroelectric dam (Mizzima News 2024). Since the Ta'ang National Liberation Army (TNLA) took over Mogok, a key gemstone hub in Mandalay Region, they have been allocating small-scale gemstone mining licenses under their local administration (Gautam 2024), although this is expected to change since TNLA handed the area back over to the junta. EAOs and other anti-coup resistance forces are left with the conundrum of balancing the financial needs of the war with social and environmental costs of NR extraction, while claiming to implement good governance mechanisms in the territories they govern (Myanmar Natural Resource Watch 2024).

Officially recorded imports of semi/precious stones and gems from Myanmar have soared from US\$175M in 2020, prior to the coup, to US\$1.1B in 2021 and US\$4.2B in 2022, dropping dramatically to less than US\$180M in 2024. China reported 96 percent of imports of these stones and gems.<sup>9</sup>

## Rare-earth Mining (REM)

One of the resource commodities that has increased the most since the coup is REM, in part because the timing of the coup also coincided with a crackdown in China on their own destructive domestic REM practices (Global Witness 2022). The criminal nature of REM lies in its operation entirely outside government oversight, with revenues flowing directly to armed groups and production causing severe environmental damage and community displacement.

Needing new sources as their own supplies were throttled, China has deepened its reliance on Myanmar's REM (Global Witness 2022). Zakung Ting Ying's Kachin BGF, who controlled SR 1 until 2024, is where one of the world's largest source of REM is found and exclusively exported to China. Zakung Ting Ying and his family member, through their many subsidiary companies, have also been heavily involved in logging and cross-border timber trade in the area (Woods 2011). The BGF leader has also been involved in the opium poppy production and cross-border trade within their territory, where nearly 80 percent of Kachin State's poppy harvest can be found (Meehan 2023).

The Kachin BGF tied to the junta sold REM concessions to Chinese companies, even though it is illegal for foreigners to invest in small and medium-scale mining in Myanmar. They even bypassed immigration rules to issue unofficial labor permits to Chinese mine workers. Exports reportedly jumped from 19,500 tons in 2021 to 41,700 tons in 2023, a record high, with REM sites operated by the BGF expanding 40 percent. In nearby Momauk Township, a region controlled by the KIO, REM sites increased from 9 to 40 since the coup (Global Witness 2024). Then, in October 2024, the KIA seized the Kachin BGF SR 1 territory where the majority of REM sites are located in and around the town of Chipwe. KIO recognized that the REM mines generated

<sup>9</sup> At the time of publication, China has not yet reported any data for 2024.



\$1.5B in revenue in 2023 according to China Customs—up from US\$ 811M in 2021—and supplied the majority of the heavy REM available worldwide, providing them with a crucial revenue source to continue their armed resistance (Fishbein 2024).

In summary, since the coup, more than US\$30.5B in imports of NRs have been reported by importing countries. While international sanctions have worked to reduce trade from Myanmar (at least in some commodities, like forest products), China appears to have maintained trade levels at close to pre-coup levels. And in some commodities, like REM, global demand is driving growth in Myanmar despite, or perhaps taking advantage of, the conflict.

## Wildlife Trafficking

The Golden Triangle is a major center of the region's illicit wildlife trade and the transnational nature of high-value wildlife trafficking makes it a common target by organized criminal groups (EIA 2015; ICG 2019). Eastern Shan State and the rest of northern Myanmar that borders Yunnan province in China and Thailand have long been major hubs for trafficking in wildlife and animal parts, especially through the towns of Mong La and Tachilek (Nijman 2014, 2016). These border areas act as a major hub for the rest of the greater Mekong Region and East Asia for the illicit trade in wildlife, such as pangolins, elephant parts and skin, tiger parts, bear bile, and other wildlife trafficking.

The convergence of wildlife trafficking with organized crime has resulted in criminal organizations collaborating and coordinating with non-organized localized crime actors to share resources, personnel, equipment and routes (Moreto 2021). Another factor that facilitates illegal wildlife trafficking is corruption with state authorities, such as with bribery, patronage, and permit abuse (WWF 2015; Wyatt 2015; UNODC 2024).

Wildlife trafficking is not replacing drug trafficking in the Golden Triangle; rather, it reflects a diversification of criminal activities. Criminal organizations are extending their strategies and tactics honed in the drug trade, such as using the same border crossings or routes to transport wildlife parts (UNODC 2024). In some instances, criminal organizations turn to wildlife trafficking to reduce their risk of arrest for drug trafficking, especially in areas with strong counternarcotic enforcement but high and prolonged demand for high-value wildlife products and where authorities are less equipped or motivated to detect or seize animal parts (van Uhm 2021). For example, in the 1990s in Shan State's Mong La, criminal organizations that had initially been involved in opium poppy cultivation and trafficking began diversifying into wildlife trafficking after coming under heavy pressure from international counternarcotic operations (van Uhm 2021).

Chinese criminal groups appear to be major players in more organized forms of the illegal wildlife trade (van Uhm 2016, 2019). As endangered wildlife species become more scarce, they become more valuable. Chinese criminal organizations are increasingly drawn to wildlife trafficking as a lucrative complement to their other traditional illegal activities (van Uhm 2021; van Uhm et al. 2022). These organizations are primarily involved in the trading and smuggling of high-value wildlife products, rather than in poaching (Moreto 2021; van Uhm 2021).

The convergence of wildlife trafficking with other criminal enterprises has been accelerated by digital technologies. Online trafficking, even on the open web, has expanded rapidly, enabling unprecedented levels of digital commerce in illegal wildlife products (ECO-SOLVE 2025). This digital evolution mirrors broader

patterns in organized crime, where traditional networks adopt new technologies while continuing to rely on established smuggling routes and protection networks.

The expansion of Chinese criminal involvement in wildlife trafficking reflects broader regional changes in infrastructure, trading conditions, and criminal opportunities. Improved cross-border connectivity has enabled criminal groups to expand beyond drugs into new illegal markets. The proliferation of casinos in non-state armed group territories has facilitated lucrative wildlife trade deals alongside drug trafficking, human trafficking, and prostitution. These expanded networks have enabled the same criminal organizations to orchestrate both drug smuggling and wildlife trafficking operations (Moreto 2021; van Uhm 2021).

The direct involvement of transnational organized crime is most evident in the transport and trade of wildlife products across borders, rather than the sourcing of wildlife itself. Wildlife poaching is typically carried out by local entrepreneurial poachers hired by Chinese criminal groups (van Uhm 2021). Illicit transport may involve younger individuals from smaller criminal networks, but major transnational organized crime groups tend to take over when high-value products, such as rhino horn, are being moved and when coordination with corrupt officials is needed to ensure passage (Moreto and van Uhm 2021). In some cases, Chinese crime groups also outsource portions of the trafficking chain to other networks to traffic wildlife products into China (van Uhm 2021).

Criminal organizations involved in the illicit drugs economy, casinos, and scam centers are often also involved in the illegal wildlife trade (van Uhm 2021). In Shan State, the timing of the opium poppy cycle and hunting season align conveniently: poppy is harvested from December to February, followed by the dry-season poaching period from February to May. These seasonal dynamics make it very conducive for criminal organizations to outsource the growing of poppy and thereafter wildlife poaching to similar local networks (van Uhm 2021). The convergence of drug and wildlife trafficking is further demonstrated by law enforcement cases in China, where smugglers are often found carrying endangered wildlife species alongside drugs and guns (Moreto and van Uhm 2021).

Transnational criminal organizations rely on their established drug smuggling network to facilitate the trafficking of high-valued wildlife parts (Moreto and van Uhm). In the Golden Triangle, the main smuggling nodes include the following routes: Mong La (NDAA) to Daluo (Yunnan), Boten (Lao PDR where a casino and the new China railway from Vientiane ends) to Mohan (Yunnan), Panghsang (UWSA) to Menglian Port (Yunnan), and Muse (Myanmar government and militias) to Ruili (Yunnan). In Shan State, the two main non-state armed groups identified as being involved in wildlife trafficking are the NDAA and UWSA. The two groups have been known to tax large volumes of wildlife smuggling across the border into China (Moreto and van Uhm 2021). Casinos operating in their territory have been known to be hotspots for illegal wildlife consumption and nodes of wildlife trafficking, as explained in the section on casinos below (UNODC 2024). Opportunistic crime groups who are also involved in wildlife smuggling have reportedly paid taxes to NDAA and UWSA in order to traffic wildlife across the border into Yunnan (Moreto 2021). Ethnic Chinese tiger traders also work with the two armed groups in tiger hunting locations to buy tiger products and smuggle them across the border to Yunnan (Moreto 2021).

## Evolution and Convergence of Nested Criminal Networks



Source: Shutterstock

***It is imperative that regulatory and enforcement agencies approach these nested criminal economies more holistically across a range of criminal activities that converge in multiple directions in certain geographical illicit hotspots.***

Over the years, various strands of illicit economies have become more tightly intertwined as they have become reorganized under changing political and economic conditions with new emerging technologies and tools. Transnational criminal organizations and a host of non-state armed groups form nested criminal complexes (Moreto 2021). No longer are criminal organizations only invested in a single illicit commodity chain. Moreover, a single illicit commodity and its trade is not monopolized by one or even a few criminal syndicates. This criminal dynamism has accelerated with digital technologies. The same networks that established timber trafficking routes and mining operations have repurposed existing infrastructure for cyber-scramming. In Myanmar's border regions, casino complexes, SEZs, and business parks originally built with proceeds from resource extraction now house sophisticated online fraud operations (Loughlin 2024). This demonstrates how criminal organizations maintain core networks while adapting to new revenue opportunities.

For example, the illicit drugs economy is no longer run by just a handful of infamous drug lords like before. This criminal dynamism poses new challenges for international and regional regulatory agencies and for sustainable development, good governance, and peace and security. It is imperative that regulatory and enforcement agencies approach these nested criminal economies more holistically across a range of criminal activities that converge in multiple directions in certain geographical illicit hotspots.

### EVOLVING PATTERNS OF CRIMINALITY

Criminal enterprises in the Mekong Region have followed a consistent pattern of evolution. Organizations typically began with nature crimes that required minimal initial investment but generate significant returns. They then use these profits to establish more sophisticated operations, develop cross-border networks, create “legitimate” businesses, and build relationships with local authorities. This evolution is particularly evident in three key areas: (1) the transformation of illegal logging operations into complex trafficking networks that include drugs, wildlife, and other contraband; (2) the development of mining operations that fund other criminal activities; and (3) the creation of wildlife trafficking networks that build off of and enable other illegal trade.

Understanding what makes these activities criminal requires recognizing the complexity of Myanmar's fragmented governance landscape. First, the boundaries between legal and illegal activities often blur when formally registered operations serve criminal purposes—such as casinos with state permits being used to launder proceeds from drug trafficking. Second, criminal dimensions emerge when non-state armed groups authorize economic activities that contravene Union government laws or conflict with regulations established by other non-state authorities in overlapping territories. Third, the same actors frequently engage in multiple forms of criminality simultaneously or sequentially, moving fluidly between illicit drugs production, illegal resource extraction, wildlife trafficking, and other criminal enterprises across different sectors.

This is most prominently displayed in the country’s banking sector, where well-known Sino-Burmese cronies ran four of the five top private banks in the 2000s. Three of the bank owners had been directly tied to the illegal drug trade in Shan State where they first made their riches (Turnell 2009). No doubt these banks also presented an easier way to launder large sums of capital accumulated through drugs (Lintner 2009). For example, Lo Hsing Han, previously the country’s most prolific drug lord from Kokang Region, went on to establish Asia World Co. Ltd., which invested in a range of legal state-sanctioned business activities, including in resource extraction and trade, with special contracts from the government. His friend and business associate, Aik Htun, is also a well-known Kokang Chinese who eventually became a prominent private banker running Asia Wealth Bank and one of the country’s leading property development conglomerates, Olympic Construction Company. The bank has since dissolved and his property development company renamed Shwe Taung Group after the US Department of Treasury accused him of being involved in narcotics trafficking and his bank of laundering drug money (US Treasury Department 2003).

The historical foundation of criminality and armed insurrection is in drug production and resource extraction and its trafficking. Criminal organizations initially built wealth through these two key resources, after which they diversified in other types of drugs and resources, as well into other criminal activities, such as casinos and cyber scamming. The profits from these illegal activities have also been funneled into legal ones.

For example, criminal organizations operating in Mong La in NDAA territory, in response to mounting pressures from drug enforcement agencies, diversified their opium poppy cultivation to include wildlife trafficking using their same drug trade networks. Once anti-drug pressures softened, drugs trafficking ramped up again, which in turn helped fund NDAA’s casino complexes. The trafficked goods themselves also adjoined, such that different illicit commodities are oftentimes smuggled together. Border enforcement officers in China have reported confiscating endangered wildlife parts that also included guns and drugs in the same cargo (Moreto 2021).

## **CONVERGENCE OF CRIMINAL ACTIVITIES**

The nesting of illicit economies operated by criminal enterprises, which crossovers with legal economic activities, takes several forms. This is most evident in Shan State with many of its major non-state armed groups involved in a range of criminal activities (see Box 1).

National mountainous borders are beyond the direct control of national governments. Instead, they are run by non-state armed organizations who operate under various degrees of political arrangements with central governments. These porous borderlands allow criminal groups and traffickers to evade government capture using their own check points or other informal border passes. Being located along several national borders also enables transnational criminal organizations to easily and quickly move from one country to another in response to threats, which we saw with the relocation of scam centers from the GTSEZ to Tachileik in the past few years (ICG 2019). They also have easier access to inputs, such as precursor chemicals to manufacture synthetic drugs, and are proximate to end-user markets for drugs, wildlife products, and natural resources. Moreover, these territories are located nearby to multiple transport and logistical infrastructures that are linked to major regional transport routes (e.g., Yunnan, China), which often outrival national infrastructure in the rest of the country. The legal trade networks also often intersect with illicit ones, such as the case for a host of criminal activities that have been shown to take place at casino complexes and SEZs (see Box 2) (USIP 2021; UNODC 2024).



### BOX 1

## Major Non-state Armed Groups in Shan State Involved in Criminal Activities

The most significant and powerful non-state armed organizations involved in criminal activities outlined in this report include the **United Wa State Army (UWSA)**, the **National Democratic Alliance Army (NDAA)**, and the Myanmar **National Democratic Alliance Army (MNDAA)**, located in Myanmar's Shan State along the Yunnan, China border. Their ceasefires with Myanmar's military since the fall of the country's underground armed communist party in 1989 granted them significant autonomy to operate their own territories and maintain substantial armies (Smith 1999). The military government designated Special-administered Zones (SAZs) for these armed groups (along with a few others in Shan State), wherein they have been allowed by the Myanmar government to engage in a range of business activities, many of which are illegal according to national laws and regulations. They have been known to be heavily involved in the illicit drugs economy, but have since diversified their investment portfolios to include other highly profitable criminal activities discussed in this report (Lintner 1999).

The **UWSA** is the largest and most powerful non-state armed group in Myanmar and indeed in Asia. Their Special Region 2 (SR 2) territory is located between the Salween (Thanlwin) River and the China border in East Shan State, with additional territory on the Thailand border. Although the UWSA was the most entrenched armed group with opium and heroin production and trafficking, its leaders have since diverted into synthetic drugs and other criminal activities with transnational criminal organizations, such as cyber scamming operations (UNODC 2024).<sup>10</sup>

The **NDAA** based in Shan State SR 4 is another significant non-state armed group operating in East Shan State. NDAA's capital in Mongla quickly expanded in the 2000s, driven by a range of illicit activities, mainly gambling in new casinos and online facilities, prostitution, wildlife trafficking, and agribusiness, in addition to drug and drug-precursor chemical trafficking (Kramer 2007). More recently, this has extended, like for the UWSA, to include online financial scam centers. The NDAA-controlled Sop Lwe river port being developed on the Myanmar banks of the Mekong River lies directly across from Lao PDR and upstream from the region's most pronounced casino complex (the Golden Triangle SEZ), and it is easily accessible to Thailand downstream. The new port also being built in Lao PDR at Ban Mom village near to the well-known Kings Romans casino and just across from NDAA territory will become the main transit point for a wide variety of products, both licit and illicit, including drugs exported to Lao PDR and Thailand and, in the other direction, precursors and other chemicals imported into Shan State (Strangio 2020).

The **MNDAA** in Shan State SR 1 is Kokang territory just north of SR 2. Almost immediately upon its foundation in 1989, the MNDAA began producing heroin and engaged in drug trafficking (Lintner 1999). The group soon expanded into gambling, turning the Kokang capital of Laukkai from a small border town into a thriving gambling development complex, attracting investors and large numbers of Chinese clients. In what has been labeled the "Kokang incident," the Myanmar armed forces ousted the MNDAA as the ruling authority in Kokang in 2009 and established in its place MNDAA's deputy chairman, Bai Xuoqian, who declared loyalty to the Myanmar military. Bai Xuoqian's armed force became the Kokang BGF 1006. Since the coup, MNDAA has been under its leader, Pheung Kya-shin, and have coordinated offensives within the Three Brotherhood Alliance.

Since the coup, these same territories have become major hubs for cyber-scamming operations, with some compounds generating billions in revenue while using the same protection networks and territorial control mechanisms established for resource extraction and drug trafficking.

Importantly, many of these same armed groups and criminal organizations that run scam centers also control key timber concessions, mining operations, and wildlife trafficking routes, creating an integrated criminal economy where nature crime revenues support the infrastructure and operations of other criminal activities.

<sup>10</sup> For instance, in 2008 the US Treasury sanctioned 26 individuals and 17 companies tied to the UWSA as Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act).



## BOX 2

### Special Economic Zones (SEZs) and the Evolution of Nested Criminal Activities in the Mekong Region

**Special Economic Zones (SEZs)** in the Mekong Region represent a critical nexus where legal or quasi-legal businesses converge with criminal enterprises. These zones, initially established to promote economic development through favorable regulatory conditions, have increasingly become hubs for money laundering, human trafficking, drug trafficking, and other illicit activities. The evolution of SEZs into centers of criminal activity illustrates how criminal organizations adapt to changing economic and political conditions.

SEZs and casino complexes along Myanmar's borders represent the latest high-profile manifestation of the reorganization of transnational crime and the evolution of how criminal organizations launder proceeds from nature crimes. These enterprises serve multiple functions: they provide legitimate-appearing business operations to conceal illegal activities, create infrastructure for moving money across borders, and generate additional revenue through gambling, cyber fraud, and human trafficking. Criminal organizations typically establish these operations in areas where they already control natural resource extraction, allowing them to integrate nature crimes into more sophisticated criminal enterprises.

**New digital technologies,** COVID-19 fall-out, worsening political governance in the region, decreasing supply of high-value exploitable natural resources, and unmet demand from China for gambling overseas, among other factors, led to criminal syndicates further investing in casinos in the Mekong Region to an unprecedented scale and the emergence of financial scam centers. The rise of massive casinos and scam centers accumulated revenue to new highs, alluring more investment and degrees of state protection. Where there is a new profitable economic opportunity that is not yet well regulated or captured by the state, criminal organizations are often soon to follow. Those criminal bosses behind the casinos and scam centers have a long history in directing a range of illicit activities in China and the Mekong Region. The casino and scam centers greatly enhanced the wealth and political power of the criminal bosses, which in turn further facilitated other additional illicit activities, such as the drugs trade and nature crimes, in the vicinity of the criminal complexes and elsewhere. This convergence of criminality continues to further erode democratic institutions, faith in government, human security, and regional political stability.

**Improved infrastructure** can also facilitate smuggling by criminal groups (ICG 2019). Greater flows of illicit goods by criminal actors from improved connectivity is especially the case when infrastructure projects are funded and/or built by criminal organizations' illegal proceeds or in concert with national governments (UNODC 2024). This has been shown to be the case with the Golden Triangle SEZ (GTSEZ) in Boten Province in northern Lao PDR on the Myanmar and Thai borders, which was constructed with profits from drug trafficking. The GTSEZ continues to expand with reinvestments in major infrastructure projects, such as building a highway and new large international airport to massively increase transport of clients.

Nested criminal economies are further strengthened and the enforcement against illicit activities derailed through the progressive undermining of governance. As criminal enterprises capture more revenue and expand their activities within and across illicit sectors, they are increasingly able to buy political patronage. Local elites, who give favoritism to criminal actors in exchange for financial and other benefits, actively erode the workings of democracy, including the role of a free media (USIP 2021). This downward spiral has famously occurred in many of the Southeast Asian countries, including Cambodia, Myanmar, and the Philippines, in a similar fashion (although perhaps less dramatic) as we have seen in Latin America from drug cartels. The growing power and influence of organized crime and its embeddedness in the state apparatus undermines economic development too. State officials busy themselves with protecting criminal organizations for their payouts rather than improving governance, rule of law, and legal economic opportunities.



## EVADING ENFORCEMENT

Narrowly focusing on one of the more visible enterprises, such as casinos or drugs, would fail to capture the span of criminal operations that an organization is involved in. Threatening to clamp down on one criminal activity may have the adverse consequence of criminals focusing more in their other illicit activities to make up for the financial loss. For example, a casino closing down could lead the criminal organization to instead focus their business activities on illicit drugs and natural resource extraction, leading to a wider range of deleterious effects on the environment, society, and security. The wider political economy context needs to be considered, not just a single criminal activity, and how to stimulate alternative legal economic opportunities while also enforcing illicit finance into legal sectors. It is therefore more effective to understand and respond to the interplay of transnational crime themes rather than to apply pressure to just one or two illicit economic activities or commodity chains. The United Nations Office on Drugs and Crime, for example, advocates for an approach that understands the convergence of illicit economies to more effectively combat the illicit drugs economy (UNODC 2024).

The spectrum of criminal activities in the region continues to evolve and evade enforcement agencies. The post-coup political crisis in Myanmar and the absence of legitimate government regulatory oversight and management is fueling transnational criminal activities with a resurgence in the drugs trade, casinos, financial scam centers, and nature crimes within and beyond their national borders. Recent crackdowns by Beijing authorities on these illicit activities along their shared border and Operation 1027 by the Three Brotherhood Alliance have led many of these illegal operations to thrive along the Thailand border instead. These illicit activities linked to Myanmar's civil war are destabilizing the entire Mekong Region, making illicit economies a crucial security issue for ASEAN and world leaders to tackle.

Therefore, we must also consider the social costs and security threats of nature crimes and how it is embedded within the wider matrix of transnational crime. The integration of nature crimes with other illegal activities follows specific patterns in the Mekong Region. Criminal organizations strategically combine environmental exploitation with drug trafficking (relying on shared logging roads and cross-border routes), financial crimes (laundering proceeds through casinos, real estate, and cyber fraud operations), and human trafficking (supplying labor for scam compounds and mining operations). These activities use the same routes, protection networks, and infrastructure, creating complex financial flows that make it increasingly difficult to distinguish legal from illegal activities.

# 4 Overlapping Illicit Economies

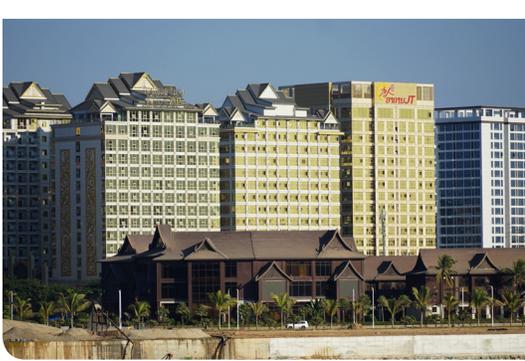
This section describes the three overlapping criminal economic sectors that converge with nature crimes. We first describe transnational criminal organizations involvement in the drugs economy, which relies on various degrees of state protection and which has more recently undergone its diversification and diffusion. The section then explains the rise of casino capitalism, financial scam centers, and old and new strategies for money laundering. Understanding these overlapping sectors is essential because enforcement efforts targeting one criminal activity may simply shift operations to another. Criminal organizations that lose revenue from casino closures may intensify resource extraction or drug production to compensate. This interconnection requires holistic enforcement approaches that address the full spectrum of criminal activities and their shared enabling infrastructure.

## ILLICIT DRUGS ECONOMY

Although poppy cultivation and opium production have been decreasing from historical highs, since the military coup production has dramatically increased, almost 90 percent of which is located in Shan State. As a result, Myanmar has overtaken Afghanistan as the world’s largest producer of opium poppy (UNODC 2023). The increased productivity is mainly due to increased yields rather than acres cultivated, suggesting more extensive use of irrigation systems, fertilizers, and plant density. This is most prominently seen in eastern Shan State, an area that is controlled by several prominent armed groups long known to be heavily involved in the drugs production and trade. These higher-capital intensive cultivation practices are believed to result from greater coordination and investment support from criminal organizations trying to cash in on the political crisis in Myanmar since the coup (UNODC 2024).

Apart from the recent surge, there has been a gradual shift away from opium poppy and heroin as the primary source of income for criminal organizations, but which was quickly offset by methamphetamine markets in the decades that followed. By the 2010s, large-scale production of methamphetamine tablets for regional consumption and crystal methamphetamine (“ice”) for regional and worldwide circulation dominated drug production in Shan State (ICG 2019). The United Nations has reported growing volumes and frequencies of seizures of synthetic drugs, most recently MDMA and ketamine (Dublin Group 2019). Precursor chemicals to manufacture these synthetic drugs are sourced from neighboring countries, especially China and India. Currently massive flows of methamphetamine, and to a lesser extent MDMA and ketamine, are trafficked from manufacturing in the Golden Triangle through the Asia-Pacific region, with a still-growing trend (UNODC 2024).

During the past fifteen years, criminal organizations have further diversified their involvement in the illicit drugs market, with the drugs trade becoming more diffuse with more actors. In the past, only a handful of drug lords, such as the notorious Lo Hsing Han and Khun Sa, controlled most of the trade. Over the past many years, several other criminal organizations have entered the drugs market, especially by those strongmen who broke off from an EAO to form their own pro-government militia under the tutelage of the Myanmar



Source: Shutterstock

***Criminal organizations that lose revenue from casino closures may intensify resource extraction or drug production to compensate.***



military. Since the coup in Myanmar, there has been an increased diversity of suppliers entering the market, indicated by a growing variety of brands of methamphetamine tablets manufactured in the Golden Triangle and greater shares of P2P-based inputs (UNODC 2024). More frequent seizures of methamphetamines in Rakhine State and across the border in Cox Bazar, Bangladesh also indicate diversification of export markets for methamphetamines produced in Shan State (ICG 2019).

The relationship between drug trafficking and nature crimes in the Mekong Region demonstrates how criminal enterprises evolve and intersect. Criminal organizations often begin by exploiting natural resources, using the proceeds to establish drug production and trafficking operations. In other cases the criminal organization first began in the illicit drugs business and then diversified to also exploit natural resources. Criminal groups leverage their control over territory and transport routes to facilitate both activities simultaneously. For example, logging roads created for illegal timber extraction become smuggling routes for drugs, and vice versa, while resource extraction businesses with legal licenses to operate can provide cover for drug operations. As opium poppy no longer provided the primary income source for many transnational criminal organizations, they have since shifted their operations to other illegal drug markets and other criminal activities, such as financial scams and reverting again to nature crimes. This convergence makes it essential to understand nature crimes not in isolation, but as part of integrated criminal enterprises.

The illicit drugs economy is embedded within how the military state has tried to rule Myanmar. Government-aligned militias are allowed to engage in a range of illicit activities, most commonly the illegal drugs market, in exchange for their counterinsurgent services against EAOs from which they previously broke away from (Jones 2014). Those EAOs, who have brokered a ceasefire agreement with the government or have other arrangements of semi or fully autonomous territory, such as with Special Administration Zones (SAZs), have also been known to orchestrate the illegal drugs market (ICG 2019; Meehan 2011).

The largest and most powerful EAOs that are heavily involved in the drugs economy include the UWSA, NDAA, and MNDAA, as explained earlier (Box 1). The UWSA is perhaps most notorious for their involvement in the opium poppy economy and, later, the explosion of methamphetamine in the Golden Triangle (Lintner 2009). Several years ago the UWSA reportedly paired with other transnational organized groups to diversify into the production of ketamine and other niche synthetic drugs (UNODC 2024). This is in addition to UWSA's involvement in casinos and, since COVID-19, cyber scam centers, as detailed in the next section.

Some militias are known to directly invest in and operate heroin and methamphetamine refineries and cross-border trafficking networks, but, in other cases, militias only provide security for transnational organized crime actors to orchestrate the drugs trade in exchange for payment of their protection services (ICG 2019). Various militia-controlled territories in north Shan State are known hotspots for opium cultivation and drugs production and trade, such as Pansay mountain ridge under Kyaw Myint's militia group, as well as parts of north Shan State's Kutkai Township under the control of Ta Moe Nye and Kutkai militias (Meehan 2011; Woods 2011). Some militia leaders in these areas even got elected into state office. The leader of the Pansay militia won a parliamentary seat for Shan State until 2015, and the former head of the Kutkai militia was Speaker of the lower house in the national parliament (Nyan Hlaing Lynn and Kean 2018; Shan Herald Agency for News 2011).

Militias involved in the drugs trade have maintained links to mostly Chinese transnational criminal organizations. According to International Crisis Group (ICG), regional law enforcement sources claim that one can find

Chinese nationals in most major drug raids. ICG researchers report that their Myanmar sources claim almost all of the major drug traffickers and distributors are also Chinese (ICG 2019). An ICG report describes how Chinese narcotics entrepreneurs established a secure area in north Shan State from which they manufacture ice and other synthetic drugs using chemical precursors from China. Local militias provide on-site security and for domestic transit on the way to be trafficked across the border (ICG 2019).

The Kutkai militia, previously led by T Khun Myat from 1990 to 2010, stepped down after becoming an elected member of Myanmar's national parliament for the Union military's political party (the USDP) and tasked with assisting in drafting laws for the Union (Buchanan 2016). The town of Kutkai which is the militia's namesake, is located along the main paved road to Muse, China, the most lucrative government-controlled border check point in the country. In addition to Kutkai militia's orchestrating the drugs economy within its territory, its leaders have also been involved in agribusiness deals. Shwe Gonmyin, a company registered under the Kutkai militia, received rubber concessions in their territory in the late 2000s (Woods 2011). Since the time of the KIO ceasefire annulment and the return to war in 2011, the Kutkai militia has occasionally been summoned by the Myanmar military to fight against the KIO. Since the Kutkai militia's territorial extent overlays with that of the KIO, the large-scale Chinese concessions awarded to the Kutkai militia in these areas are particularly politically impactful (Woods 2011).

In the beginning of 2018, Myanmar's then largest-ever drug seizure of methamphetamine pills and ice, heroin, and high-quality lab equipment occurred in the part of Kutkai that is under the control of the Kaungkha militia, one of the key militias directing north Shan State's drug trade (ICG 2019). Then in July 2019, the Myanmar government drug raid in eastern Kutkai near to the Chinese border led to the seizure of more than US\$10M worth of drugs and equipment from nearly 100 small drug-refinery jungle camps in areas under militia control (Weng 2019). The Myanmar army raided the Kaungkha militia again in March 2020, after which they confiscated US\$200M worth of drugs and thousands of weapons. They also arrested several of its top leaders in response to the military perceiving them as becoming too powerful for their benefit (Meehan and Dan 2023).

The Ta Moe Nye militia based in a village of the same name in Kokang SAZ is led by Myin Lwin, a businessman who identifies as Kokang Chinese. In addition to foot soldiers and commanding territory, he runs his own company under the same name as his militia. It is believed he is the one who first introduced the military's Senior General Than Shwe to Chinese businessmen interested in resource extraction projects in the 1970s, when Than Shwe was briefly based in Ta Moe Nye. Myin Lwin has been known to be involved in resource extraction in northern and eastern Shan State for the past two decades (Woods 2011). He has often facilitated business contracts with Chinese companies, including for agribusiness, because of his good relations with the Myanmar military.

In other cases, the prevalence of the drugs economy has led non-state armed groups to fight against each other, further worsening the armed conflict and human security. For example, the Ta'ang National Liberation Army (TNLA) declared its fight against the production of drugs within its territory. Their stance on drugs stood in opposition to the Pansay militia who is widely known to facilitate the drugs trade, and which overlaps in areas where the TNLA presides. Reportedly at times the Pansay militia called upon the Myanmar military for additional support in its battles against the TNLA to help secure drug production and trade corridors (ICG 2019).



Ample evidence exists that high-level Myanmar government officials, police personnel, and military officers in border areas have directly and indirectly benefited from, or believed to be involved in, the smuggling of illicit drugs, money laundering, and widespread corruption (US Department of State 2008; Jane's Intelligence Review 2008). Corruption among police and border patrol officials in neighboring countries also facilitate the passage of trafficked goods out of Myanmar. The military has also been directly involved in the cultivation and production of opium poppy and trade of heroin. In other cases, local military units and their families have reportedly cultivated poppy fields and have collected substantial taxes from traffickers and fees for military protection and transportation security (Black 2008; Meehan 2011). Despite this involvement, according to the US Department of State, the Myanmar government has never indicted any military official above the rank of colonel for drug-related corruption (US Department of State 2008).

## CASINO CAPITALISM

Casinos are crucial conduits for a host of nested illicit activities that involve transnational criminal organizations and overlapping trafficking networks and routes. The casinos offer their patrons, mostly Chinese, the ability to gamble, which mainland China has banned. These enterprises also are involved in other illicit activities, such as prostitution and drugs, and the availability of wildlife parts for consumption. These various services have made these casino complexes into magnets for money laundering, racketeering, drug distribution, resource trade conduits, land grabbing, and human trafficking (ICG 2019; USIP 2021; UNODC 2024). The casinos (and drug production facilities, see previous section) are owned and operated by well-known non-state armed groups in Shan State, together with other transnational criminal organizations linked to China. Shan State alone is home to at least 60 casinos, most of which are unregulated by any government agency and therefore act as hotspots for money laundering and other crimes, according to the Financial Action Task Force (FATF), the international watchdog in charge of tackling money laundering and terrorist financing (Asia/Pacific Group on Money Laundering 2018).

The largest and best known casino in the Golden Triangle is Kings Romans casino complex, located in the Golden Triangle Special Economic Zone (GTSEZ) on the banks of the Mekong River in Bokeo Province in Lao PDR across from Thailand's Chiang Saen, as explained earlier (Box 1). The GTSEZ is operated on a 99-year lease held by Kings Romans Group, a Hong Kong-registered company founded by Chinese national Zhao Wei, who is the GTSEZ's chairman, with the Lao government also holding an equity stake (ICG 2019). Zhao Wei maintains close business ties to non-state armed groups in Myanmar, such as UWSA and NDAA, and other transnational criminal organizations. In 2018, Zhao Wei was sanctioned by the US government for his involvement in "drug trafficking, human trafficking, money laundering, bribery, and wildlife trafficking, much of which is facilitated through the Kings Romans Casino" (US Department of Treasury 2018).

Zhao Wei first made his fortune running casinos in Macao, after which he fled China upon being released from prison to operate casinos in Myanmar's NDAA-controlled SR 4 Mongla town to cater to Chinese clients looking to bypass Beijing's ban on domestic gambling (EIA 2015). In 2005 though, China closed the crossing into Mongla and cut off the town's electricity supply, forcing him to close the casino complex for lack of clients. Once the casino closed down, Zhao Wei next moved to Lao PDR, where he invested in what became the GTSEZ. The Kings Romans casino was the first to open for business. He was sanctioned by the United States Treasury Department in 2018 for money laundering and bribery and the trafficking of humans, wildlife parts,

drugs, and drug precursor chemicals (EIA 2015). A new river port being built next to the GTSEZ will help to expand its operations and better facilitate transnational criminal activities and transit routes. Nearby, across the Mekong River in East Shan State, is NDAA territory where they conduct similar illegal operations, where Zhao Wei used to operate his own casino. Greater connectivity between GTSEZ and NDAA through the development and upgrade of riverine ports in the area will lead to a deepening of their respective networks and trafficking activities.

These casino complexes have since evolved into multi-purpose criminal hubs. Following COVID-19 and increased enforcement pressure, many operations pivoted from gambling to cyber-scamming, while maintaining the same infrastructure and protection networks (Loughlin 2024). This demonstrates how criminal enterprises repurpose existing investments rather than abandoning them when facing regulatory pressure or changes in demand.

After the coup in Myanmar, a surge of capital poured into casinos with the quick devaluation of the Myanmar Kyat—as revenue from casinos and other illicit activities are mostly in foreign currency. Without NLD oversight since the coup, non-state armed groups who operated casinos felt unrestricted in investing in improved infrastructure, mainly roads and telecommunications, for better access to casinos (ICG 2019). Beijing has since pressured local governments to shut down casino complexes and scam centers in other areas of the Mekong Region, such as in Cambodia, Laos, the Philippines, and Vietnam. Although insubstantial, there has also been some limited success in reigning in illicit activities in the GTSEZ by the Laos authorities at the behest of Beijing (ICG 2019). Partial success in the rest of the Mekong Region has led to a resurgence of investment in these criminal activities in post-coup Myanmar that can more easily evade these pressures and arrest (Faulder 2022).

For example, NDAA leaders, together with Zhao Wei, invested heavily in several casinos in Mong La, such as the Yongbang SEZ on the border with China, which attracts considerable Chinese tourism and a range of associated illegal activities. NDAA leaders' wealth initially grew from smuggling timber and opium into China and Thailand since its ceasefire in 1989 (Lintner 1999). NDAA leaders reinvested their illicit revenue in casinos and other development projects of hotels and shopping centers in their territory. The UWSA has their own operations in their SR 2 as well, including two Economic Development Zones (EDZs) with casinos in Mōung Ping along its southeastern border with China, and Nam Deng in its northern area (UNODC 2024).

However, Operation 1027 led by the Three Brotherhood Alliance took over substantial territory in the China borderlands where many of the casinos and scam centers operated, and with Beijing's blessings. Beijing repeatedly requested SAC to shut down the casinos and scam centers in Myanmar's borderlands, as they posed significant regional threats to human security and political economic stability, as well as to respond to growing international pressures (ICG 2019). While previously some progress had been made in shutting down casinos and scam centers in Kokang SAZ, others have remained opened. Operation 1027 helped close down other criminal operations on the China border as well, although Muse continues to be under SAC control at the time of writing.

Other casinos have been shut down as well due to attacks by EAOs. In 2017, the MNDA attacked several casinos and hotels, along with the home of the rival Kokang BGF in charge of the gambling zone in Laukkai, the capital of Kokang SAZ (ICG 2019). A year later, the TNLA attacked a casino owned and operated by the



Pansay militia in Muse (across from Ruili border town in Yunnan), killing many and wounding even more. TNLA accused the Pansay militia of its casino fronting as a drug selling operation, although Pansay militia's recent arrests of Ta'ang youth may have also contributed to the attack (ICG 2019).

## FINANCIAL SCAM CENTERS

Cyber-scamming represents the latest adaptation of established criminal networks in the Mekong Region. These digital fraud operations have grown exponentially, with global revenues reaching nearly US\$40B, by building upon pre-existing criminal infrastructure and territorial control systems (UNODC 2024). Rather than creating entirely new operations, criminal organizations have transformed existing facilities—converting casino buildings, repurposing transportation corridors originally used for resource smuggling, and adapting financial networks previously employed for laundering timber and mining proceeds to handle cryptocurrency transactions (Loughlin 2024). In Myanmar's border territories, areas under the control of the UWSA, NDAA, and various BGFs have become primary locations for these cyber operations, illustrating how established resource extraction and drug trafficking networks have diversified into the digital criminal economy (GI-TOC 2025).

The scale of these operations has reached unprecedented levels, with some individual compounds housing thousands of trafficked workers and generating billions in revenue (GI-TOC 2025). These facilities demonstrate the same territorial governance patterns seen in nature crimes, where criminal operators establish quasi-state authority with their own security forces, administrative systems, and revenue collection mechanisms.

These scam centers are criminal operations that target online victims worldwide by fostering sham romances or friendships that are meant to lead to the transfer of large sums of money in a process infamously called “pig butchering” (ICG 2019; Faulder 2022). These sophisticated scam centers are mostly run by ethnic Chinese criminal organizations, who fraudulently recruit and traffic young people from many parts of the world, especially from China, where they are often held against their will and subject to threats of violence to carry out the online scams. The UN reported as many as 120,000 people may be involved in these scams in Myanmar on the China and Thailand borders, especially in Kokang SAZ operated by the Kokang BGF (Faulder 2022; Asia/Pacific Group on Money Laundering 2018). In 2023, Interpol issued a global warning on scam centers in the Mekong Region due to their rapid spread that represents a “serious and imminent threat” to public safety (Interpol 2023).

The GTSEZ has emerged as a significant hub for online scam operations in mainland Southeast Asia following the COVID-19 pandemic. Multiple reports have documented cases of foreign nationals being rescued after being trafficked to the zone under false pretenses of legitimate employment. According to an assessment by the United States Institute of Peace, approximately 74,000 Myanmar and Chinese nationals reside within the GTSEZ, with researchers suggesting it is highly probable that most are involved in either scamming operations or casino work (USIP 2021).

China's demands for the centers to be shut down did not initially result in their termination, however, although some Kokang BGF leaders and other prominent Kokang families involved in these criminal activities have been successfully arrested by Beijing authorities (ICG 2019). With the help of various authorities in Myanmar, in the last two years tens of thousands of Chinese nationals involved in the scam centers, mostly who had been trafficked and held captive as low-level scammers, have been deported to China (TNI 2022). The partial success in clamping down on casinos and scam centers on the China border by Chinese authorities have shifted criminal operations to other parts of Myanmar, such as along the Thailand border (Frontier Myanmar 2023).

Tachileik, on the Myanmar border across from Mae Sai, Thailand, has long attracted transnational criminal activities, including more than a dozen casinos that have been operating there since the 1990s. The Lahu BGF 1009 is said to be involved in illegal operations, as are other militia groups and criminal organizations (Clapp 2022). Since the coup, Tachileik is reportedly thriving with many new high-capital investments pouring in.

In the vicinity of Myawaddy, a border city in Karen (Kayin) State across from Mae Sot, Thailand along the Moei River, a new entertainment complex has mushroomed in the nearby town of Shwe Kokko. The Karen BGF partnered with the Chinese fugitive investor She Zhijiang and his Yatai Company to build an industrial development complex using profits from illegal gaming (Tang Ailin et al. 2020). In 2017, they introduced illegal online gambling at Shwe Kokko using the digital application Fincy to facilitate illegal financial transaction in cooperation with Singaporean company GBCI (USIP 2021). China realized just how powerful She Zhijiang had become in Southeast Asia, despite being wanted for criminal activities in China, and subsequently put out an Interpol arrest alert for him. He has since obtained a Cambodian passport despite being a Chinese national. Even though China wanted She Zhijiang extradited back to China, he is currently detained in Thai prison seeking extradition to Cambodia where he has high levels of Cambodian state protection.

As these problems became more apparent before Myanmar's coup, the elected government of the NLD set up a commission in 2020 to further investigate widespread claims of illegal gambling, money laundering, and other illicit activities at Shwe Kokko. Shortly after, GBCI withdrew, and Chinese courts started hearing cases involving Chinese criminal activities at Shwe Kokko just before the military coup in Myanmar. On the same day as the coup, the Karen BGF announced on social media that Shwe Kokko was fully operating again and hosting extravagant parties. Other criminal activities began to flourish in the area as well (USIP 2021).

The former 14K Triad cartel leader Wan Kuok-kui then became involved in establishing the criminal enclave in Karen State, known as Saixigang, which is Chinese for "surpass Sihanoukville," in reference to its links to the Chinese criminal hub that emerged earlier in Cambodia (USIP 2021). After Wan Kuok-kui served time in jail for many crimes committed in Macao, he established a new criminal transnational network called the World Hongmen Historical and Cultural Association in Cambodia. In addition to bitcoin fraud in Cambodia, Thailand, and Malaysia, the network also operates casinos in territory controlled by the UWSA (Lintner 1999). The US Treasury Department sanctioned Wan Kuok-kui in 2020 as a result of his criminal activities in the Mekong Region, which was considered a grave threat to "the stability of the international political and economic system," and for falsely labeling his activities as under China's BRI program (US Department of Treasury 2020; USIP 2021). After the coup, Wan Kuok-kui advertised on social media sites his ability to facilitate and protect Chinese businessmen's investments. This included his plan to work with Baisheng Company, which is owned by the leaders of the Kokang BGF, one of the largest players operating the casinos in Kokang SAZ (USIP 2021).

These developments with online fraud and gaming led to more sophisticated underground banking and money laundering strategies that could transact and move very large quantities of money without detection from international authorities. These improved technologies and telecommunications further accelerated and deepened the financial scams. As a strategy to diversify their business portfolios, transnational criminal groups became more involved in casino operations, scam centers, and adjacent industries and services in the SEZs, where casinos are located. These SEZ casino complexes provided much needed money laundering services from their revenue generated by drugs, cybercrimes, resource extraction, and the trafficking of humans, drugs, and wildlife parts.



## MONEY LAUNDERING

Organized crime, illicit economies, and money laundering have a long conjoined history in Myanmar, and have led to scorn by the international community for Myanmar's inability to improve regulatory financial oversight. Since 1989, state-controlled banks have had a policy of accepting deposits of questionable origin without further questions so long as the client pays a "whitening tax," initially levied at 40 percent and later reduced to 25 percent (ALTSEAN-Burma 2006; Lintner 1999). In 2003, FATF implicated two of Myanmar's largest private banks, Myanmar Mayflower Bank and Asia Wealth Bank, in laundering illicit narcotics proceeds and counterfeiting. As a result, the US Secretary of the Treasury in 2003 listed Myanmar as a "major money laundering country of primary concern" and in 2004 imposed additional countermeasures (US Department of Treasury 2023). Based on a 2005 investigation by the US Drugs Enforcement Agency (DEA) and the Australian Federal Police, they found evidence of the Myanmar Universal Bank's chairman and his associates of money laundering and drug trafficking offenses, leading to their arrest. The Myanmar authorities subsequently closed the bank (Turnell 2009). Myanmar has signed, but not ratified, the United Nations Convention against Corruption, which entered into force in December 2005.

Problems persist in Myanmar's banking sector with money laundering and other illegal activities. Three out of the five top private banks in the 2000s had been directly tied to the illegal drugs trade in Shan State where the bank's Sino-Burmese leaders first made their riches (Turnell 2009). No doubt these banks also presented an easier way to launder large sums of capital accumulated through illicit drug sales.

Other money laundering operations persist, in part by casinos, as explained above, but also by other commercial outfits and government agencies working in concert with each other through so-called development projects. For example, Asia World Co., Ltd, owned by the late Lo Hsing Han who was one of the country's drug kingpins in the 1980s and 1990s, expanded rapidly after its establishment in 1992, with more than half of its capital from Singaporean investment (Meehan 2011). Asia World invested in road building, logging, large-scale dams, and major real estate projects, including the new capital city in Naypyitaw. Asia World could launder their massive drug profits through Myanmar's National Bank at the cost of 25 percent tax levied for deposits from "obscure origin" (Meehan 2011). Other construction contracts and government-granted business licenses played a similar function for companies to launder their illicit revenues and further consolidate their role in the national economy.

Hong Pang Group, founded by brothers Wei Hseuh-Long and Wei Hseuh-Kang, also played a dominate role in the illicit drugs economy while leaders of the UWSA. They enjoyed similar benefits and roles in the national economy with a range of legal subsidiary businesses with government licenses, including for bottled water, petrol stations, agribusiness ventures, and real estate, among others (Turnell 2009). Hong Pang Group cleaned their drug sales not through the National Bank, like Asia World did, but through bidding for natural resource extraction rights. Hong Pong Group won bids at state auctions for timber, gemstones, and jade (Global Witness 2009, 2015).

These established money laundering patterns have evolved to incorporate new digital methods. Cryptocurrency platforms, offshore banking, and informal value transfer systems now enable rapid movement of criminal proceeds across borders (Global China Pulse 2024). Recent cases have shown billions of US dollars being laundered through financial hubs like Singapore and Hong Kong, with criminal actors obtaining multiple citizenships to evade law enforcement and facilitate complex financial transactions (Sun 2024; Califf 2023).

The Myanmar government has also used laundered drug revenues from criminal organizations by allowing them to invest in the military's conglomerate, the Union of Myanmar Economic Holdings (UMEH), which holds a monopoly on the country's gems, in particular jade in Kachin State and rubies in Shan State, as well as holds major stakes in banking, agriculture, construction, and trade, among others (Fujita 2009). The military conglomerates are controlled by top Myanmar military leaders and are responsible for financing the military's pension fund and overall financial operations. These entities are exempt from commercial and profit taxes, creating a privileged economic position that further entrenches the military's power.

The government also launders drug money through the real estate market. The government would reportedly greatly inflate the price to purchase property if the investor was a known drug lord and looking to clean their money, and in return the government would capture the inflated cost paid over the actual value of the asset in return for the drug revenue to be converted into legitimate real estate (Shan Herald Agency for News 2005; Meehan 2011).

After the Myanmar coup, the opportunities for money laundering have expanded as there is a lack of regulatory oversight for illicit financing by those protected by the military. Moreover, SAC does not control most of ethnic territories where much of the illicit activities by non-state armed groups and transnational criminal organizations take place. These concerns, along with the explosion of cyber scam centers, led the FATF to blacklist Myanmar in 2022 (ICG 2019).

## 5 Regional Security Implications



Source: Shutterstock

***The relationship between drug trafficking and nature crimes in the Mekong Region demonstrates how criminal enterprises evolve and intersect. Criminal organizations often begin by exploiting natural resources, using the proceeds to establish drug production and trafficking operations.***

Nature crimes and their convergence with other illicit activities create distinct security challenges in the Mekong Region. The environmental exploitation by criminal organizations undermines political stability, threatens good governance, and impacts regional security. Nature crimes fund armed groups and criminal networks, drive community displacement, corrupt local authorities, weaken environmental protections, and erode legitimate authority. They also create cross-border tensions, further enable transnational criminal networks, and undermine regional cooperation. The rise of transnational crime in the region is worsening political governance, hampering legal economic growth, and challenging democracy. Criminal bosses' enhanced wealth and power from illicit activities offer ample opportunities for government corruption and protection. Criminal capture of the state, even in small degree, can significantly malform state building measures and dampen citizens' faith in state institutions and trust in officials.

Progress in tackling nature crimes depends fundamentally on addressing corruption as a critical enabler that undermines legal and environmental protections (ECO-SOLVE 2025). The role of corruption extends beyond political protection for criminal actors—it permeates environmental agencies, law enforcement, and judicial institutions, creating systemic barriers to effective intervention. Corruption is also frequently behind the criminal persecution of environmental defenders, who face substantial risks when challenging powerful criminal-political networks. Financial investigations should be systematically conducted for every environmental crime to ensure that the real organizers and beneficiaries are targeted, rather than just low-level actors as is the usual case.

The integration of cyber-criminal enterprises into these conflict economies has created new regional security challenges. The same territories that produce drugs and extract resources now house sophisticated online fraud operations targeting victims globally (UNODC 2024). This expansion has drawn increased attention from countries like China, whose citizens are frequently targeted, creating new diplomatic tensions and enforcement pressures that further complicate regional stability (Tucker 2025).

Transnational criminal operations and the worsening measures of democracy and transparency from state protection has also been shown to shift regional geopolitics. Cambodia under Hun Sen fostered closer relations to China and the Chinese business community, which his son appears to be following as well. Mekong governments' bilateral relations with China have been strained over the casinos and scam centers as Beijing has sought to arrest the Chinese citizens (in some cases dual citizens) who are running them. For example, with the launch of Operation 1027, Chinese criminal activity in Myanmar became inseparable from the country's civil war, whereby China's law enforcement tried to bring down the criminal enclaves along its shared border. Russia appears to be trying to take advantage of the political vacuum and chaos, meeting with SAC leaders several times to propose a series of political and economic agreements.

The widespread fighting in Myanmar amongst hundreds of armed groups has led to a surge in demand for arms. Arms trafficking across Myanmar's borders, supplied by Russia and China, goes alongside drugs trafficking which is also at an all-time high over the past fifteen years. The proliferation of armed resistance forces and the buying of weapons to arm their soldiers puts greater pressure on non-state armed organizations to secure sufficient revenue to pay for their mounting expenses. This, in turn, further encourages criminal activity, as seen with the drugs economy and nature crimes. The loss of state control in much of the country widens the political space of criminal activity by various non-state armed groups that oftentimes entails cross-border movement and trade, which can have deleterious consequences on bordering countries.

The fighting in Myanmar has created unsafe conditions and disrupted educational and work opportunities for millions of youth. Those youth with the chance to leave have already left, both legally and through illegal means. Migration across the border into Thailand reached a peak when SAC enacted a forced conscription law for able-bodied men. Contestation over Shwe Koko by the Karen BGF and the Thai and Chinese governments continues to stir up turmoil in Myawaddy and across the border around Mae Sot. KNU's armed forces (KNLA) attempted to push the military out of Myawaddy after the military's stunning defeat in Kokang earlier in 2024 by the Three Brotherhood Alliance. The border instability has led to the Thai government to tightly control security in Mae Sot and limit Myanmar peoples' movements. High levels of corruption have been reported with people from Myanmar needing to pay bribes so not to be deported back to their country where they would face severe consequences.

Impoverished villagers are at greater risk to being victims of, or working for, criminal organizations in order to make ends meet. Vulnerable populations are now also at risk of being trafficked into cyber-scams compounds, often under false employment promises, creating another layer of human security concerns (US State Department 2023). Some labor in resource extraction or (in the north) cultivate poppy for criminal groups in order to survive (Meehan 2011). For example, households in Shan State have reported growing poppy as their last viable livelihood option after they have lost their land and legal livelihood (Meehan 2023; Woods 2011). Moreover, proximity to drug production is associated with higher rates of drug use in remote areas of Myanmar, which is related to dealing with long work hours laboring in resource extraction or related to other forms of exploitation, such as prostitution, which are common types of work in Shan State where drug production is prevalent (UNODC 2024).

This relationship between poor farmers engaging in the illicit drug and resource economy resource economy, either as cultivators or laborers, run by criminal organizations creates a positive feedback loop between armed conflict, rural poverty, and illicit economies (Meehan 2011). Non-state armed groups, through their nature crimes, have driven farmers off their lands, leaving rural households with limited livelihood options. Farmers, kicked off their lands, trapped in debt, or fleeing fighting have become laborers in mining or logging camps operated by criminal groups, some armed (Meehan 2023). Others have crossed national borders in search of better job opportunities. While cross-border migration and refugee populations offer safer and sometimes better options for those fleeing, it can also create friction with their host communities and at times perceptions of national or regional insecurity.

These deteriorating conditions and lack of alternative livelihood options in the legal economy have made rural households more at risk to human trafficking, partaking in the illicit resource and drug economy in production or trafficking, or fleeing across national borders, legally or illegally. Some of those who have been



forcibly displaced and trafficked must work in illegal activities operated by transnational criminal organizations, including prostitution and online scam centers (US State Department 2023). These conditions cannot produce a thriving and secure region.

The transnational and nested nature of these criminal activities require new approaches to regional security cooperation. Traditional state-centered security frameworks have proven inadequate for addressing criminal enterprises that operate across borders and combine nature crimes with other illegal activities. While ASEAN's principle of non-interference has limited any direct intervention in Myanmar, the regional impact of nature crimes demands more innovative responses. Enhanced information sharing about nature crimes and associated criminal activities is essential, along with coordinated law enforcement efforts targeting the financial networks that connect nature crimes to other illegal enterprises. These enforcement initiatives should be coupled with regional cooperation to address the root causes that drive community members to participate as wage laborers in nature crimes and producers in the drugs economy.

## CONCLUSIONS

The intersection of nature crimes with other illicit economies in the Mekong Region represents a complex challenge that threatens environmental sustainability, political stability, and regional security. As this report demonstrates, nature crimes are not isolated environmental issues, but are integral to broader criminal enterprises that undermine governance, fuel conflict, and destabilize formal economies across the region.

The findings from this report have significant implications for policymakers and enforcement agencies, who must recognize several critical realities:

1. Nature crimes must be understood as embedded within governance systems rather than external to them, requiring responses that address both criminal networks and the political settlements that sustain them;
2. The rapid evolution of these enterprises into digital spheres demands adaptive responses that can address traditional resource crimes and their technological adaptations simultaneously;
3. Addressing corruption must be central to any effective response, as it serves as the critical enabler that allows these networks to operate with impunity;
4. The transnational nature of these converged criminal economies requires enhanced regional cooperation and harmonized legal frameworks that can address multiple criminal activities operating through the same networks.

## RECOMMENDATIONS

### For US and Allied Governments

#### 1. Expand sanctions targeting nature crimes

- Extend Myanmar sanctions to explicitly include rare-earth elements
- Designate specific individuals and entities involved in nature crime-scam center nexus
- Target money laundering nodes in Thailand and China that process both nature crime and scam revenues

#### 2. Support regional monitoring and enforcement

- Fund satellite monitoring of illegal logging, mining, and wildlife poaching in Myanmar border regions
- Provide technical assistance to Thailand, China, and other countries to detect and intercept illegal timber and mineral/gems shipments
- Support regional cooperation mechanisms to share intelligence on cross-border nature crime networks



Source: Shutterstock

***The convergence of nature crimes with cyber-criminal enterprises represents a new frontier in transnational organized crime that extends well beyond the Mekong Region.***



### 3. Address demand-side drivers

- Work with Chinese authorities to strengthen enforcement against illegal timber, jade, and wildlife imports
- Support consumer awareness campaigns in key markets (China, Thailand, Vietnam)

## For Regional Governments and ASEAN

### 4. Extend anti-scam center framework to nature crimes

- Apply same pressure tactics used against scam centers to illegal logging, mining, and wildlife trafficking operations
- Mandate that Special Economic Zones implement transparency measures to prevent money laundering of nature crime proceeds

### 5. Strengthen cross-border cooperation

- Share intelligence on armed groups involved in both scam operations and resource extraction
- Coordinate enforcement at border crossings where timber, minerals, and wildlife products are smuggled

## For International Financial Institutions and Private Sector

### 6. Enhance due diligence

- Screen investments in Myanmar and border region SEZs for nature crime links
- Require transparency about beneficial ownership of mining, timber, and trading companies
- Implement safeguards against accepting deposits or processing payments from nature crime-linked entities

## For Research and Policy Organizations

### 7. Fill critical information gaps

- Map the specific overlap between scam center operators and nature crime networks
- Document money laundering pathways from nature crimes through regional financial systems
- Analyze how natural resource trade routes overlap with other criminal supply chains
- Document Chinese involvement in that distinguishes between legal investment flows, grey-market capital, and outright criminal operations

## FUTURE CHALLENGES AND GLOBAL IMPLICATIONS

Looking ahead, several factors will likely shape the evolution of nature crimes and associated illicit activities in the region. The ongoing armed conflict in Myanmar will continue to create opportunities for criminal enterprises to exploit the political crisis. A durable solution to Myanmar's protracted armed conflict is desperately needed to systemically tackle criminal activities and the resource conflict economy. Growing

global demand for natural resources, especially rare earth elements and other critical minerals, may intensify illegal resource extraction and associated conflicts and crime. Technological advances will provide both new tools for criminal organizations and new opportunities for enforcement, and should be carefully tracked. Climate change impacts, meanwhile, continue to stress vulnerable communities, potentially driving more people into illicit economies.

The convergence of nature crimes with cyber-criminal enterprises represents a new frontier in transnational organized crime that extends well beyond the Mekong Region. As criminal organizations demonstrate increasing sophistication in repurposing infrastructure and networks, responses must anticipate and address these adaptive capabilities rather than treating different criminal activities in isolation.

The stakes are high: failure to effectively address these nested criminal economies threatens not only the region's rich biodiversity and natural resources but also its political stability, economic development, and human security. Success in combating these interconnected challenges requires a fundamental shift in how policymakers, researchers, and civil society organizations and leaders conceptualize and respond to nature crimes. Rather than treating them as peripheral environmental issues, nature crimes must be recognized as central to good governance, regional security, and political stability. This calls for integrated approaches that combine community-centered environmental protection and justice provisions, socially-acceptable law enforcement, conflict resolution, and community-based sustainable development.



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