



The central dry zone region encompassing Mandalay, Magway and Sagaing regions is the country's major cattle breeding zone. (Kyaw Lin Htoon | Frontier)

## ‘At least the illegal routes are safe’: Cattle smuggling makes a comeback

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**The government’s experiment with live cattle exports upset the political economy in northern Shan State, where armed groups are heavily involved in the cattle trade, but large-scale smuggling has resumed since the emergence of COVID-19.**

By KYAW LIN HTOON | FRONTIER

U Soe Naing doesn't look like a cattle smuggler. Sitting in a downtown Mandalay café, he wears a smart longyi, shirt and traditional jacket known as a *tike pone*. He holds a new phone in his hands, his fingers covered in large gold rings. His late-model, black SUV is parked in front of the café.

But prior to 2017, Soe Naing sent thousands of head of cattle a year to China through territory controlled by ethnic armed groups. “Yes, I was also an illegal trader in the past, before 2017,” he told *Frontier* in a recent interview.

For traders like Soe Naing, smuggling was the only option. In Myanmar, it was illegal to move cattle across township boundaries without permission. The Ministry of Commerce didn't allow exports, but cattle were relatively cheap and could be sold for a handsome profit in China or Thailand.

The ban did little to stop exports; collusion between security forces, government and ethnic armed groups meant the business generated big profits for everyone. One [survey](#) estimated that in 2015 well in excess of 500,000 cattle were smuggled from Myanmar into China alone, through crossings such as Muse, Mong La and Panghsang in Shan State, and Laiza and Loiye in Kachin State.

Today Soe Naing is the chair of the Mandalay Region Cattle Exporters Association. Shortly after the National League for Democracy government took office in March 2015, he approached them with an idea: legalise the cattle trade.

“I had two aims. One is that we exporters want the state to get revenue from the cattle trade. We want to run our business properly, instead of giving money to corrupt officials at the lower levels and then several armed groups,” he said. “And we want our trade to be secured.”

The government went for it. In October 2017 it announced that [cattle would be removed](#) from a list of banned exports under the Major Commodity and Service Law and it would begin a one-year trial of live exports.

## **Legal trade takes off**

The impact was immediate. More than 260 companies had applied for export permits by mid-2019, of which more than 90 were approved, and exports of animal products

rose from just \$10.627 million in the 2016-17 fiscal year to \$366.359 million in 2018-19, Ministry of Commerce [data](#) shows. Between October 2017 and March 2019, more than 450,000 cows and 52,000 buffaloes were exported. Nearly all of them went via Muse to China, despite the country [not officially allowing](#) imports of Myanmar livestock for phytosanitary reasons.

But that initial momentum has not been sustained. The problems [started in 2019](#), when the government began requiring companies that raise cattle to change their land use registration documents in order to qualify for a livestock export licence. This was driven by fears that the trade was unsustainable because the large number of cattle leaving the country were not being replaced. If so, it could lead to high domestic prices and even shortages.

The latest ministry figures, for 2016-17, put the national cattle herd at 17 million head. However, a National Livestock Baseline Survey conducted by the United Nations Food and Agriculture Organization in collaboration with the Livestock Breeding and Veterinary Department and released in January 2019 put it much lower, at 9.5 million, raising concerns about a decline in cattle numbers.

But requiring traders to change their land use registration has caused delays, as has the requirement that properties must be re-registered every year if they want to export cattle. An export licence is needed each time cattle are sent across the border. For their part, Chinese authorities have also begun informally enforcing more stringent animal health and quarantine rules and regulations, traders say.

The Myanmar government said the new rules were needed to ensure the safety of the industry. “After our government allowed farming companies and traders to export, there was a large increase in the number of companies wanting to send animals across borders, but most lacked adequate preparation,” said Dr Ye Tun Win, director-general of the Ministry of Agriculture, Livestock and Irrigation’s Livestock Breeding and Veterinary Department.

Worse was to come. When he spoke to *Frontier*, COVID-19 was just emerging in China. By the Lunar New Year in February, Chinese authorities had effectively closed four border gates with Myanmar to curb the spread of the disease, [bringing trade to a halt](#) and sending shockwaves through the Myanmar economy.

As a result, the cattle trade has been brought to a halt. When Soe Naing spoke to *Frontier* in July, he hadn't sent a single head to China in months.



A member of the Pan Say militia keeps watch on a bridge in Muse in Shan State, on the border with China. (AFP)

## Return of smuggling

At least, the official trade has stopped. The COVID-19 border closure has accelerated a shift back to the days of cattle smuggling; of bribing local officials and paying taxes to ethnic armed groups.

The official border gate at Loiye, a town on the Myanmar-China border about 50 kilometres (30 miles) east of Bhamo in Kachin State, opened in 1992. Nearby is another Loiye trade gate, this one much older and operated by the Kachin Independence Organisation.

Industry sources and locals say Loiye has traditionally been one of the major smuggling points for cattle. Sagaing Region is the country's cattle-rearing heartland, and from there it's about 500km north to the border, across the bridge at Tigyaing to Shwegu in Kachin State, on the east bank of the Ayeyarwady, and then up through Bhamo to Loiye.

Although smuggling declined after exports were legalised in 2017-18, it never stopped. But since COVID-19 emerged and prompted authorities to tighten border trade, those

who want to export live cattle have had no other option but to use informal channels.

Dan Seng Lawn, director of the Kachinland Research Center, said illegal cattle exports from Kachin State into China stopped around March 20 but resumed at the end of April at both Loiye and Mai Ja Yang, another KIO-controlled crossing.

“Trade is booming despite COVID-19 because of consumer demand in China,” he said. “This is creating opportunities for small traders, who can find stock and sell to larger buyers, as well as the larger buyers who export through these routes.”

Police Major Soe Moe Naing, the commander of Sagaing Township, which is a major breeding area, rejected the suggestion that smuggling was taking place anywhere in Sagaing Region.

U Aung Zan Htwe, deputy director-general at the Livestock Breeding and Veterinary Department, claimed the government was committed to combating illegal exports.

“The government has organised supervisory bodies with all relevant ministries at the state and region level to prevent the illegal trade in livestock and other products produced by the animals,” he said.

But Dan Seng Lawn and Soe Naing both confirmed that smuggling was again widespread.

“Traders have to pay money to both sides – the ethnic armed groups and also to the Tatmadaw,” said Dan Seng Lawn. “The higher ranks of the Tatmadaw might not know about it, but on the ground its soldiers are collecting money.”

Soe Naing said that on the government side, the bribes were distributed more widely, including to police, General Administration Department and Ministry of Border Affairs officials – something that other cattle traders also confirmed to *Frontier*.

Armed groups tend to charge a flat tax per head, but the price varies: if it's K10,000 an animal, for example, a truck carrying 100 cattle will have to pay K1 million.

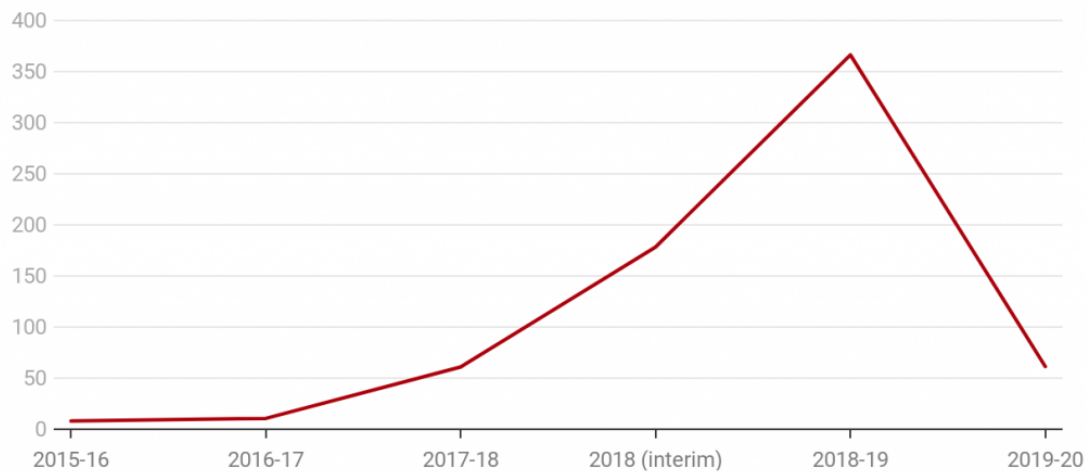
Government officials prefer to charge per truck and the price is negotiable, so it can vary significantly, Soe Naing said.

Soe Naing estimates that since the crossing at Loiye reopened, traders have been sending between 500 and 3,000 head of cattle a day to China.

In the absence of an export permit, smugglers work with slaughterhouses, which are permitted to transport cattle internally, to move animals around the country, he said. For example, a smuggler will buy cattle in Magway and say they are being sent to a slaughterhouse in Bhamo, and show its licence to officials. But after reaching Bhamo, the cattle continue to the crossing at Loiye.

## The rise and fall of (legal) live cattle exports

The government decision to allow live cattle exports in late 2017 had an immediate impact, but rule changes, safety concerns and now COVID-19 have brought exports to a halt.



All figures in US\$ million. 2019-20 figures to May.

Chart: Frontier • Source: Myanmar Ministry of Commerce • Created with Datawrapper

## Fighting for market share

But it wasn't just government regulations and then the border closure that brought the legal trade to a halt.

Exports were already slowing significantly prior to the emergence of COVID-19 due to cost and safety concerns. From their peak of \$366.359 million in 2018-19, animal product exports have crashed to just \$61.420 in the 2019-20 fiscal year to the end of May.

The intention of legalising the transport and export of live cattle was in part to ensure revenue went to the government rather than armed groups. In practice, though, traders

still had to pay off armed groups based close to the Mandalay-Muse Highway, resulting in a kind of double taxation.

“Most of the time when we exported through legal channels, we still had to pay to both sides [armed groups and government],” said Soe Naing.

One May 2018 [study](#) found that profit margins on cattle sent through legal channels were 30 percent to 40pc lower than when using illegal channels, although the study seemed to not include bribes to Myanmar authorities or taxes to armed groups.

In addition to higher costs, safety became a major concern on the legal route. The cattle trucks became a target for armed groups seeking to extort money from traders, while the Mandalay-Muse Highway has been subject to several major attacks. In August 2019, the Brotherhood Alliance, comprising the Ta’ang National Liberation Army, Arakan Army and Myanmar National Democratic Alliance Army, destroyed a major bridge on the highway, at the Gokteik Gorge in Nawngkhio Township.

In 2018-19, a total of 36 cattle trucks were attacked between Gokteik and Muse, the Mandalay Region Cattle Exporters Association says, leaving 29 people dead. In some cases, the drivers had failed to pay taxes to armed groups, but in others they had been shot at after paying, or even fired upon randomly.

Soe Naing said lack of safety had been a major factor discouraging legal exports.

“Even though we were paying tax to the government, it failed to protect us from armed groups ... so eventually cattle exporters chose to go back to the old ways, where they just have to pay tax only to armed groups – at least the illegal routes are safe.”

The legalisation of the live cattle trade appears to have upset the political economy of northern Shan State. The region is home to numerous ethnic armed groups, Border Guard Forces and militias for which cattle smuggling has long been an important source of income.

Dan Seng Lawn said the situation is different in Kachin State, where armed groups are more focused on mining, particularly jade, gold and rare earths. Some armed groups in northern Shan State, such as the Kutkai militia – a People’s Militia Force aligned with the Tatmadaw – are even directly involved in cattle trading, he added.

“There are fewer natural resources in northern Shan,” he said, “so the armed groups there pay much more attention to cattle exports than groups like the KIO.”

TNLA spokesperson Major Mai Aik Kyaw denied that the group’s soldiers had attacked cattle trucks and declined to comment on its involvement in the cattle trade. The KIO could not be reached for comment.

Shan State Hluttaw lawmaker U Khun Hla Thein (Hsi Hseng-1, Pa-O National Organisation) agreed that armed groups were heavily involved in the cattle trade in Shan State, either collecting taxes or trading themselves, and sometimes both.

The lack of security and stability in many parts of the state meant it was unrealistic to expect them to stop any time soon, he said.

“Do you think they’ll listen to you if you tell them not to collect taxes from exporters or don’t get involved in the cattle trade?” he said. “The involvement of armed groups in the economy is connected to the peace process. We will have to be patient to overcome these issues.”



Trucks wait near Muse in Shan State to enter China on April 20 after Chinese authorities introduced restrictions to combat the spread of COVID-19. (AFP)

## **A future for legal exports?**



Myanmar's experiment with live cattle exports lasted less than two years, and it appears to have ground to a halt.

Soe Naing said cattle traders would prefer not to use illegal channels to export their stock, but legal trade would only be attractive if they could make a profit and guarantee the safety of their workers and stock.

“We still have many resources and we are right next to the biggest consumer market in the world,” he said. “The government needs to secure the market, not just for exports but also by encouraging production among breeders.”

The government is apparently making some progress in its efforts to meet Chinese phytosanitary requirements, with the Livestock Breeding and Veterinary Department having recently completed an animal quarantine station at Kutkai in northern Shan State.

However, it still needs to take a number of steps to meet the standards China requires for imports to be considered legal on the other side of the border – something that traders say will be important for the sustainable development of the industry. These include ensuring a disease-free zone within 5km of the border and a control zone within 50km.

Although the experiment with live cattle exports underscored the potential size of the Chinese market for Myanmar, the government officials *Frontier* interviewed did not seem to attach much importance to the industry.

“Once the Livestock Breeding and Veterinary Department meets all of China's requirements, we will issue export licences again,” said U Thaung Naing, a director from the Ministry of Commerce.

He acknowledged that exports would continue in the meantime through long-established smuggling routes.

“Because the government has not finished its processes,” Thaung Naing said, “traders are using the traditional routes.”

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KYAW LIN HTOON

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