



# Gambling Away Our Lands

*Naypyidaw's "Battlefields to Casinos" Strategy in Shwe Kokko*





Karen Peace Support Network

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March 2020

Front page cartoon

**LaiLone**

# Acronyms

ACFROC – All-China Federation of Returned Overseas Chinese

BGF – Border Guard Force

BRI – Belt and Road Initiative

CCIEE – China Center for International Economic Exchanges

CRED – China National Real Estate Development Group

CFOCE – China Federation of Overseas Chinese Entrepreneurs

DKBA – Democratic Karen Buddhist Army (now Democratic Karen  
Benevolent Army)

EIA – Environmental Investigation Agency

GTSEZ – Golden Triangle Special Economic Zone

ID – Infantry Divisions

IHG – International Holding Group

KNU – Karen National Union

KNLA – Karen National Liberation Army

LIB – Light Infantry Battalions

MYIHG – Myanmar Yatai International Holding Group

MIC – Myanmar Investment Commission

MCC – Metallurgical Corporation of China

SEZ – Special Economic Zone

SOE – State Owned Enterprise

WCEC – World Chinese Entrepreneurs Convention

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# Summary

This briefing paper analyzes the available information about the controversial Shwe Kokko “New City” project, a giant Macao-style casino complex being built on indigenous Karen territory at the Thai-Burma border, about ten miles north of Myawaddy.

The investors are a Hong Kong-based company called Yatai International Holding Group (IHG), who are partnering with the local Karen Border Guard Force (BGF) led by Col. Chit Thu to implement the project, officially named the “Myanmar Yatai Shwe Kokko Special Economic Zone.” Chit Thu’s militia, integrated under the Burma Army since 2010, was granted control of the Shwe Kokko area after the Karen National Union was driven out from its adjacent border stronghold of Kawmoorah in 1995.

Land began to be confiscated for the project in early 2017. By the end of 2018, thousands of Chinese workers had been brought in, and the fields east of Shwe Kokko village had been transformed into a vast construction site, as apartment blocks, villas, hotels and casinos began springing up. Company plans revealed that the entire development would cover nearly 30,000 acres, stretching twelve miles along the border, and would cost 15 billion dollars.

As local concerns grew about the huge influx of Chinese workers, and feared criminal activities, media scrutiny of the project intensified. In May and June of 2019, the Karen State authorities carried out investigations at the site, and at the 9<sup>th</sup> BGF anniversary ceremony on August 20, 2019, Chit Thu announced that the project was being temporarily suspended, for breach of investment regulations. The only formal permit granted for the project by the Myanmar Investment Committee was for construction of 59 luxury villas on 22.5 acres of land, and this had been far exceeded.

However, despite the announced suspension, locals report that full-scale construction is continuing, and thousands of Chinese workers remain on site.

Speculation is rife about the extent of official Chinese involvement in the project. The investors claim that the project forms a key component of the Chinese government’s Belt and Road Initiative (BRI), but analysis of evidence from the ground and the investors’ promotional material reveals a more sordid reality.

It appears that the core industry of the new complex will be - and already is - online gambling. The investing company, Yatai IHG, is posing as a legal business entity, but is simply a front for a regional on-line gambling operation, who have made their fortunes from similar ventures in the Philippines and Cambodia. There is no firm evidence to back the company's claims that the project forms part of China's Belt and Road Initiative - only distorted maps and exaggerated links with officials. Given China's public crusade against online gambling, it is highly unlikely that the project in its current form would receive official Chinese government support.

The murky legality of the venture has not, however, prevented it from receiving high-level backing in Burma. A project of such huge cost and scale could never have progressed this far without the formal approval of the Burma Army. Burmese military spokesmen have tried to place sole blame for the project on Karen BGF leader Chit Thu, but this is disingenuous, given the BGF's total subordination within their ranks. There can be little doubt that before proceeding, the investors reached an agreement with Naypyidaw top brass, involving substantial kickbacks. For Burma Army leaders, the project is a win-win: cementing control of this contested Karen territory, while gaining huge financial rewards.

KPSN analyzes that the Shwe Kokko project will have no benefit for local Karen people, and will serve only the interests of transnational gambling mafias and Burma's ruling military. Useful lessons can be learned from similar Chinese-backed casino enterprises in Laos, which were billed as "Special Economic Zones," but became hubs of criminality, wildlife trafficking and money laundering. Apart from providing few job opportunities for locals, they are also inherently unsustainable. The "Golden Boten City SEZ" on the China-Lao border was shut down in 2010 at the behest of the Chinese authorities, after only three years of operation.

But most importantly, the giant Shwe Kokko project makes a mockery of the current peace process. The Burma Army have no right to sell off a vast tract of contested Karen territory to foreign speculators before a peace accord has been reached and a new federal constitution actualized, granting local communities rights to decide over their own lands and resources.

### **To the Naypyidaw government:**

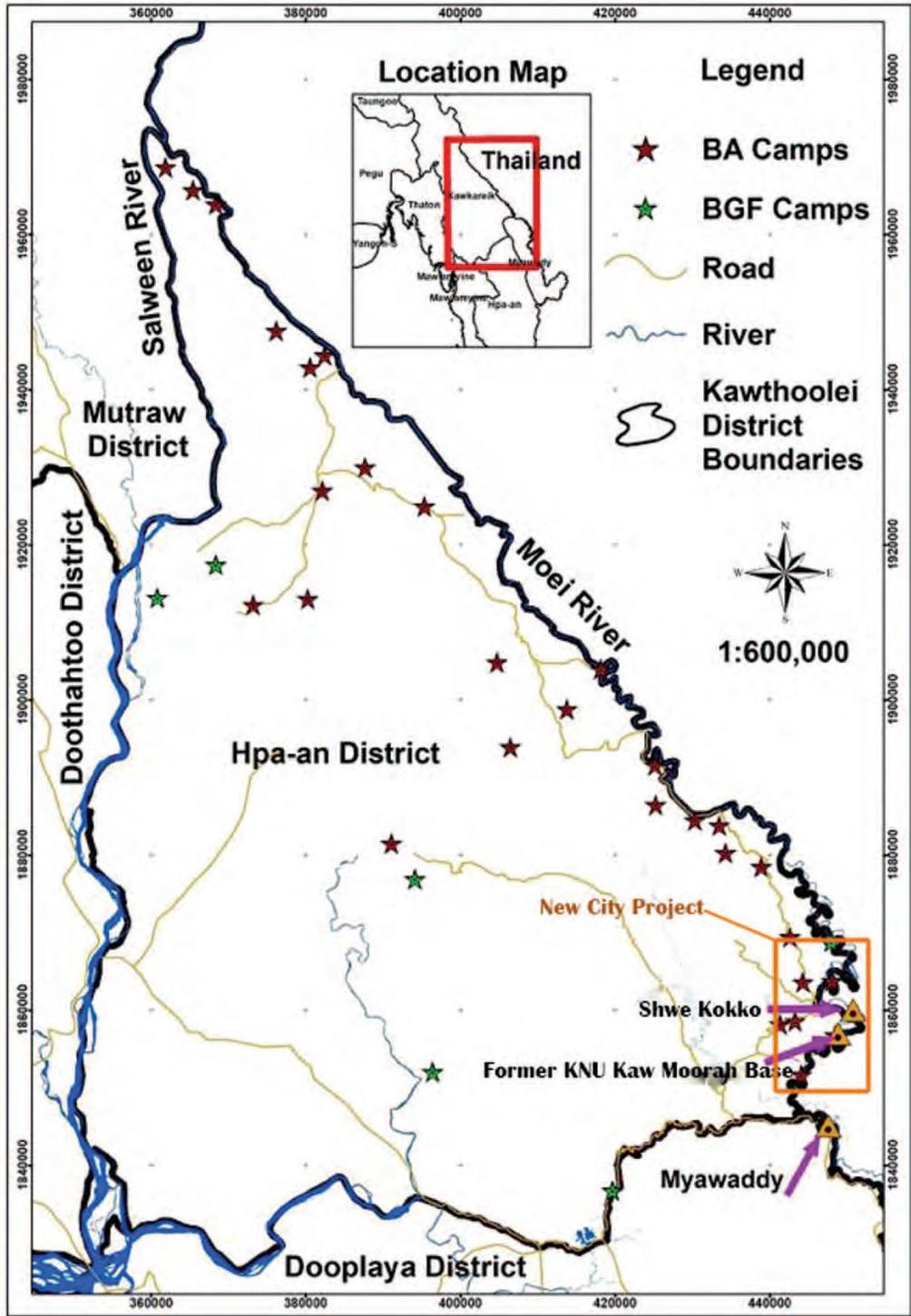
- To immediately terminate all contracts related to the Shwe Kokko SEZ project, and to order Yatai IHG and its partner companies to withdraw from the area, pulling out all personnel and equipment.
- To impose a moratorium on all large-scale investment projects in ethnic areas until there is lasting peace, and power is devolved under a new federal constitution granting local communities the right to decide over their own lands and resources.

### **To Yatai IHG:**

- To disclose all official documents related to the project, as well as the full development plan.

### **To the Chinese government:**

- As a matter of urgency, to review the Shwe Kokko SEZ project and assess potential violations of local law and Chinese law, policies and regulations related to Chinese overseas investment; to investigate the involvement of any mainland companies and their subsidiaries (including those registered in Hong Kong and Burma), and take action to ensure that Chinese companies are not exposed to the project, its impacts, and the reputational harm associated with it.
- To publicly clarify the status of the project with regards to the Belt and Road Initiative, and clarify whether or not (as professed by the developer) the project is part of the BRI and the China Myanmar Economic Corridor.



Location of Shwe Kokko New City project

# 1. Background of Shwe Kokko

The large village of Shwe Kokko lies on the western bank of the Moei (Thaungyin) river, about ten miles north of Myawaddy. Its full name is Shwe Kokko Myaing, meaning “golden raintree forest” in Burmese, but “Myaing” (forest) is seldom used.

The Karen National Union (KNU) designates this area as part of Nabu township, Hpa-an district of Karen State, while the Burmese government designates it as part of Myawaddy township and district.

Shwe Kokko lies in the Moei river plain area east of the Dawna mountain range. It was not one of the original villages in this area. The main original village was Mae Pae, an indigenous Karen village about six miles to the west.

The Dawna mountain range served for decades as a geographical barrier against the Burmese government army, enabling the Karen National Union to control most territory along the border until the mid-1970s.

## Former KNU stronghold

In 1968, the KNU set up a border trading post on the Moei River, just south of the current location of Shwe Kokko. The post was named “Kawmoorah” (meaning “Blessed Land” in Karen), but was also known as Wangkha (from the Thai name “Wang Kaew”), and was under the control of the 101 Special Battalion formed by KNU leader General Saw Bo Mya. It was a key trading point at that time, and one of the main sources of tax revenue for KNU.



*Original village of Kawmoorah*



*Kawmoorah High School No.1*



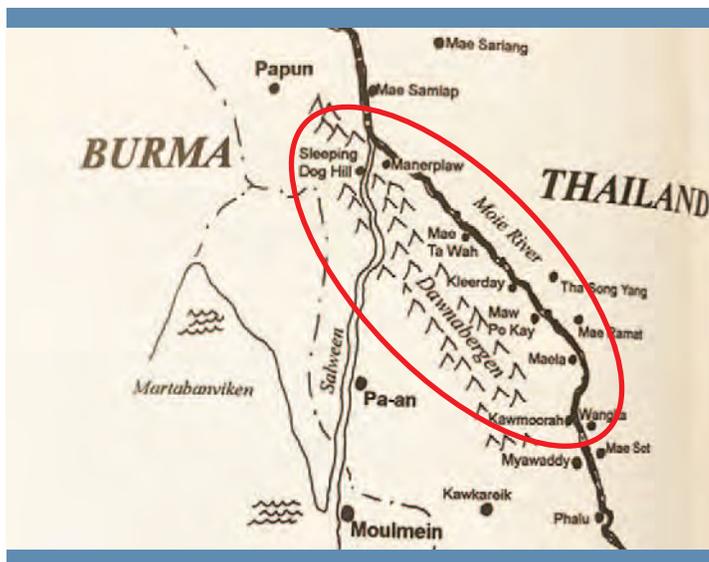
*KNU administrators of Kawmoorah*

In 1977, hoping to seize this important border post, the Burma Army launched a heavy attack against Kawmoorah. The KNU were initially driven out, but after two months of heavy fighting, recaptured the post. They then moved their base slightly further east into a loop of territory formed by the Moei river, surrounded on three sides by Thailand, as this afforded natural protection from attack.

The KNU were able to resume border trade through the “New” Wangkha/Kawmoorah. However, in 1984, the Burma Army launched fresh offensives against KNU posts along the Thai-Burma border, including Wangkha. This caused many villagers to flee across the Moei River, where they set up the first refugee camps in Thailand. Refugees from Wangkha set up a camp at Huay Kalok, which initially housed about 1,700 people.



*Aerial view of New Wangkha after Burma Army takeover*



*KNU-administered areas along Moei River before 1988*

The KNU managed to retain control of Wangkha, but it was periodically attacked over the next ten years, and became heavily militarized, with barricades of razor wire across the entrance to the territory on the west, and concrete bunkers reinforcing the main camp.

During 1988 and 1989, Burma Army combat troops from Infantry Divisions (ID) 33, 44 and 66 launched heavy attacks against the KNU posts along the Thai border, and managed to seize Maethawaw, Maetaree, Maw Po Kay, Mae La, Palu and Thay Baw Bo, but could not capture Wangkha due to its unique geographical protection.

A former Burma Army officer from ID 33 described in a Burmese newspaper article<sup>1</sup> how his unit had conducted repeated attacks against Wangkha between April 1989 and February 1990, but failed to seize it.

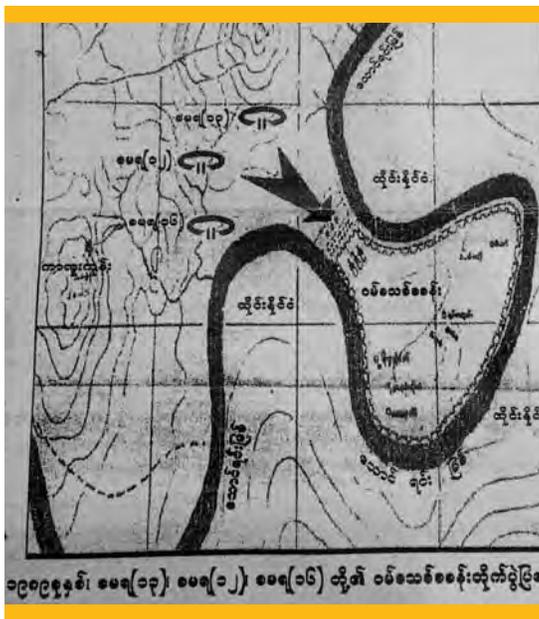
The officer described how three Light Infantry Battalions from ID 33 - LIB 13, LIB 12, LIB 16, under Tactical Command 331 - had launched repeated mortar and ground attacks, but to no avail. The thick concrete bunkers were able to withstand the shells, and the barricades at the entrance to Wangkha remained intact. When Burma Army troops tried to pass along the Moei river to attack from behind, they were repelled from retreating into Thailand by the Thai army.

In December 1994, Burma Army's ID 44 renewed their offensive against Wangkha, with the help of the newly formed Democratic Karen Buddhist Army (DKBA), which had broken away from the KNU. They were finally able to seize the base in February 1995. 105 mm mortar shells fired from close range broke through the concrete bunkers and forced the KNU troops to abandon the post.

Burmese media reported that about 600 Burma Army troops died and thousands were injured trying to seize Wangkha.<sup>2</sup> A Buddhist stupa was erected at the former entrance to Wangkha, where many of them had died.

Late at night on January 28, 1997, hundreds of DKBA forces crossed the border into Thailand, and set fire to the refugee camps of Huay Kaloke and Huay Bone (Don Pa Kiang), where villagers from Wangkha were staying. Several refugees were killed, and about 10,000 left homeless. After further attacks, they were subsequently relocated to Mae La and Umpiem camps, under a process of camp consolidation along the border.

Myanmar Than Daw Sint News



Burma Army map of offensive against New Wangkha in 1989

The Border Consortium



Refugee camps in 1992



Refugee camps in 2019

## From DKBA to BGF enclave

One of the leaders of the DKBA was Saw Chit Thu, a former member of the KNU Special Battalion 101 based at Wangkha. He was the operations commander of DKBA Battalion #999. After helping the Burma Army seize Kawmoorah, his DKBA forces were permitted to share control of the lucrative cross border trade in the area, including the logging business. A saw mill was set up north of Kawmoorah, and within a few years, DKBA families, workers and traders had settled around the timber camp and established the village of Shwe Kokko Myaing.

In September 2010, the DKBA was officially transformed into the Karen Border Guard Force, under the Burma Army, comprising 13 battalions. Chit Thu was made second in command of the Karen Border Guard Force, overseeing battalions #1017, #1018, #1019, and is now senior advisor and general secretary of the Karen Border Guard central command, based at Shwe Kokko.

Today Shwe Kokko has about 6,000 local inhabitants, mostly Karen.

## Burma Army expansion after KNU ceasefire

The signing of a bilateral ceasefire between the KNU and the Burmese government in 2012 has not led to withdrawal of Burma Army troops north of Myawaddy. Instead, the Burma Army has set up eleven more camps in northern Hpa-an since then, along the road from Mae Ta Waw on the Thai border to the Salween River, near Myaing Gyi Ngu. This road is a key supply route for Burma Army bases on the Thai border, slicing through KNU-controlled territory, south of the former KNU headquarters at Manerplaw and north of the current KNU headquarters at Lay Wah. Securing this road link to Thailand is also a prerequisite for construction of the giant Hat Gyi dam on the Salween River, planned by the Electricity Generating Authority of Thailand and China's Sinohydro Corporation for the export of power to Thailand. Karen BGF 1011 and 1012 troops have been assisting the Burma Army to control this strategic mountainous area along the Salween River, fighting against KNLA and DKBA splinter troops, and causing displacement of 5,000 villagers in 2016.

In 2014, as a reward for his services, Chit Thu was appointed as an honorary gazetted Burma Army officer. He was among four BGF leaders promoted to the rank of Colonel, with Commander in Chief Min Aung Hlaing personally pinning the badge on his uniform.



## 2. Development of the Shwe Kokko “New City” project

### Land confiscation

Local residents of Shwe Kokko were first alerted to the new project in early 2017, when the BGF authorities called them for a meeting in the village temple, informing them that their lands would be confiscated to make way for a “new city expansion” development.<sup>3</sup>

The residents were not informed about the nature of the project, but were told it would provide workplaces for them, so they would not have to farm anymore and could live well. They heard rumours that the project would be huge, stretching all the way down to Myawaddy town.

Villagers were promised compensation for their land at 50,000 baht (approx. USD 1,641) per acre. An extra 100,000 baht (USD 3,282) to 150,000 baht (USD 4,924) would be given for any house on the land, depending on the size and condition of the house. They were given no choice in the matter.

The investor for the project was the Myanmar Yatai International Trading Company (MYITC), set up by the Hong Kong-registered Yatai International Holding Group (IHG), which had registered with the Myanmar Ministry of Planning and Finance in February 2017.<sup>4</sup> Their local partner was Chit Thu’s Chit Lin Myaing Company.

### Large scale construction, influx of Chinese workers

By March 2018, several houses had already been destroyed to make way for a concrete processing plant, and many Chinese workers had arrived to start building apartment blocks east of the Shwe Kokko village. At first, they stayed in Myawaddy, and then moved to stay in workers’ accommodation in Shwe Kokko. The construction area was cordoned off, and outsiders were forbidden from entering.

By late 2018, locals estimated there were about 10,000 Chinese working on the project, which had extended over the entire area east of the village along the Moei River. Some of the Chinese were from other parts of Burma, such as northern Shan State, but most were from abroad and did not speak Burmese.

They had crossed over from the Thai side of the border, and did not appear to have Burmese visas.

An estimated 1,000 of the Chinese workers were trained as security personnel. Some were former Chinese People’s Liberation Army soldiers from Yunnan Province.

Apart from the Chinese personnel, there were several hundred manual workers from Burma on the construction sites. Most were not Shwe Kokko locals.

Construction machinery, such as bulldozers and cement manufacturing equipment, was Chinese-made (with SANY and XCMG logos). Locals reported that some building materials came from the Burma side of the border, while some came from Thailand. Electricity was from the Thai side of the border.

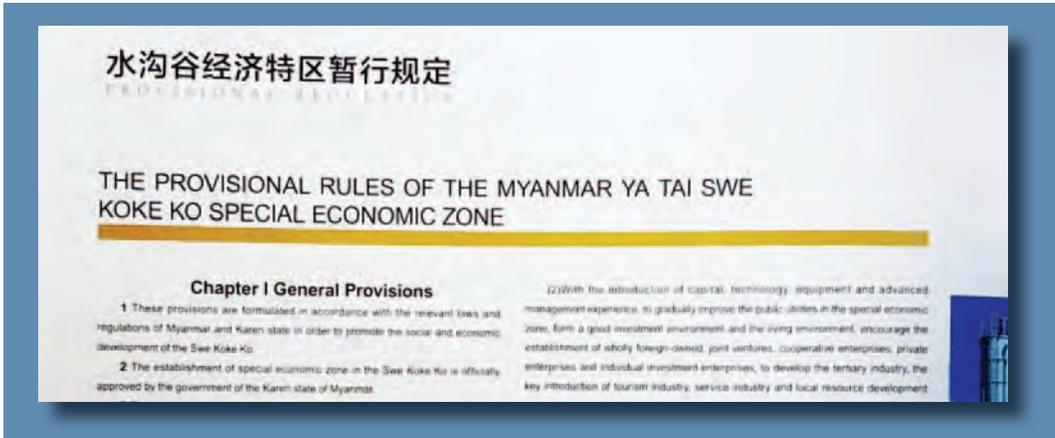
## A 15-billion dollar “International City”

Local inhabitants of Shwe Kokko were still in the dark about the exact nature of the project, but in early 2019, a booklet by the project’s Chinese investors listing “The Provisional Rules of the Myanmar Yatai Swe Koke Ko Special Economic Zone” (in Chinese and English) started being circulated, which revealed the grand scale of the project, covering an area of 180,000 “mu” (29,621 acres or 117 square kilometers) and costing 15 billion US dollars. It said that the first phase of the project, covering 1,300 “mu” (214 acres) was underway, with 500 million US dollars already invested.



Yatai IHG

*Planned layout of Shwe Kokko New City project*



*Yatai IHG project blueprint*

The project was described as a high-tech “International City” integrating “science and technology, gambling and entertainment, tourism, culture and agriculture.” It boasted that within 5-10 years the city’s Technology and Industry District would become “the centre for technology industry in Myanmar.”

Planned international tourist attractions included “a 20,000 acres of huge Safari World (sic), International Health Center, Immense Bougainvillea Base, International Filming Base, International Firearms Training Center, Ethnic Shopping Mall, Hot Spring Resort Hotel, Casino, Online Entertainment.”



*Overall map and planned building in Shwe Kokko New City project*

The project openly targeted Chinese investors, stating the aim was to attract “Hong Kong, Macao, Taiwan, overseas Chinese and Chinese companies, enterprises” into the special economic zone.

Meanwhile, Yatai IHG was promoting the Shwe Kokko project on its website<sup>5</sup> - showing detailed maps of the planned development, and artists’ renditions of lavish cityscapes and buildings. It was claimed that the project formed part of the Chinese government’s Belt and Road Initiative.

## Growing public scrutiny

The scale of construction, the growing influx of Chinese, and suspected illicit activity began to attract Burmese and international media attention.<sup>6</sup> By mid-2019, several casinos had already begun operation in the newly constructed area, including online gambling casinos, raising concerns that the area would become a money laundering hub. Casinos serving foreigners were permitted under Burma’s new Gambling Law in May 2019, but there was no specific mention of online casinos.

There were growing local concerns about the social impacts of the casino industry, and the likelihood that women would be lured or forced into sex work, or marriages of convenience with Chinese men.

News also leaked out that investors from the Kokang self-administered zone in northern Shan State were involved in the project - in particular an influential Kokang businessman named Hau Shout Chan. The Kokang area, also under Burma Army-BGF control, is well-known for its casino industry, catering to the Chinese market.

Questions were raised about the level of official permission granted to the project, as the company only appeared to have a single formal agreement from the Myanmar Investment Commission (MIC) - signed on July 30 2018 - to build 59 luxury villas on 25.5 acres (out of 62 acres) of land at a cost of 22.5 million USD, to be completed by 2021.<sup>7</sup> Yet construction had clearly extended far beyond this limit.



THE REPUBLIC OF THE UNION OF MYANMAR

The Myanmar Investment Commission

PERMIT



Permit No. 099 / 2018

Date 30<sup>th</sup> July 2018

This Permit is issued by the Myanmar Investment Commission according to the section 25, sub-section (c) of the Myanmar Investment Law:-

- (1) Name of Investor ..... MR. TANG KRIANG KAI .....
- (2) Citizenship ..... CAMBODIAN .....
- (3) Residence Address ..... KOUK CHANBAK, CHAOM CHAU, POSENGHEY, PHNOM PENH, CAMBODIA .....
- (4) Name and Address of Principle Organization .....
- (5) Place of Incorporation .....
- (6) Type of Business ..... CONSTRUCTION, OPERATION AND LEASING OF HIGH-END VILLAS .....
- (7) Place(s) at which Investment is permitted ..... KWIN NO. OSS 69D, SHWE KOE KO MYAING APYIN, KWIN, HOLDING NO. 2, PU LAWE PU VILLAGE TRACT, MYAWADDY TOWNSHIP, KAYIN STATE, 25.5 ACRES OUT OF 62 ACRES .....
- (8) Amount of Foreign Capital ..... US\$ 18.00 MILLION .....
- (9) Period for Foreign Capital to be brought in ..... WITHIN 3 YEARS FROM THE DATE OF ISSUANCE OF MIC PERMIT .....
- (10) Total amount of capital (Kyat) ..... EQUIVALENT IN KYAT OF US\$ 22.50 MILLION (INCLUDING US\$ 18.00 MILLION) .....
- (11) Construction Period ..... 36 MONTHS .....
- (12) Validity of investment permit ..... 30 YEARS .....
- (13) Form of investment ..... JOINT VENTURE .....
- (14) Name of Company incorporated in Myanmar ..... MYANMAR YATAI INTERNATIONAL HOLDING GROUP COMPANY LIMITED .....

Chairman  
Myanmar Investment Commission

Yatai IHG

Shwe Kokko high-end villa project permit

## Official inspections lead to suspension order

In response to growing public concerns, the Karen State government began carrying out inspections of the Shwe Kokko project in May 2019. A visit by the Karen State Minister of Finance, Planning and Development on June 21, 2019, was reported on the Burmese government's Investment Ministry website.<sup>8</sup>

The inspections apparently revealed that MIC regulations had been breached, as on August 20, 2019, Saw Chit Thu announced at a ceremony marking the ninth anniversary of the Karen Border Guard Forces that the project had been temporarily suspended, due to irregularities found. The Karen State Chief Minister, Nan Khin Htwe Myint, who attended the ceremony, told journalists that the inspection findings had been submitted to the President's Office and Federal government in Naypyidaw.<sup>9</sup>

However, despite the announcement, locals have reported that full-scale construction has been continuing, and thousands of Chinese personnel remain at the site.

## Myawaddy residents take a stand

Large numbers of Chinese workers are not only arriving in Shwe Kokko, but also in the town of Myawaddy, where an estimated 10,000 are working in construction, mining, hotel, restaurant and entertainment businesses in and around the town. While the announced suspension of the Shwe Kokko project has not had any noticeable impact on these numbers, it appears to have emboldened Myawaddy locals to start publicly voicing their concerns at increasing incidents of lawlessness.

On August 26, 2019, a Myawaddy resident posted the following message on his Facebook: "The Chinese have opened shops, restaurants and guest houses, and put up Chinese signboards..then rented them out to Chinese tourists.. According to Myanmar law, foreigners are not able to rent houses and stay at rented apartments, they have to stay at hotels. They buy cars without licenses and drive in the town not caring if they cause an accident...No action is taken against them. They can do whatever they want. Local authorities should do something about this! A few days ago, some Chinese fought against each other. One got stabbed and was admitted to Myawaddy general hospital. So all the authorities (police, ward authorities, etc), including me went to investigate the situation. When we went there, they told us it was none of our business."

On September 13, 2019, a brawl erupted between some Myawaddy residents and seven Chinese people who had urinated in front of a local phone shop. The locals filed a complaint against five of these people.<sup>10</sup>

On September 15, 2019, over 100 Myawaddy residents called a meeting in the town, to discuss how to deal with these problems. One spoke out about the powerlessness of the police and local authorities in the face of the BGF: “When we reported to the police about illegal actions by Chinese, the police asked us if we could give protection to them, because even if all the police units in this town merged, they (the BGF) far outnumber them. So, they could do nothing... And when we approached the ward authorities, they said they had reported matters to their superiors, but they couldn’t take any action because the police did not dare arrest them. The township authorities said the same thing. In reality, the BGF are the key people - they were established under the command of the military and they have the responsibility to protect the country and people. Only if they work with us, can the problem be solved. The BGF is controlled by the Ministry of Border Affairs...They should take action about this, because both police and immigration authorities do not dare take any action.”<sup>11</sup>



*Myawaddy residents discussing concerns on influx of Chinese migrants*

### 3. High level Burma Army backing

Local and international media reports have tended to lay responsibility for the Shwe Kokko Chinatown project - and its excesses - on the Chinese investors (likely “with official connections in Beijing”<sup>12</sup>) and the BGF. The analysis is that “local ethnic Karen warlord, Chit Thu” has carried out the project behind the backs of the central authorities in Naypyidaw, who have no oversight of the area.<sup>13</sup>

This impression has been reinforced by local Burma Army personnel, who have publicly distanced themselves from the project and blamed the BGF for irregularities.

At the BGF anniversary on August 20, 2019, Burma Army officer Col. Myo Tun (2nd in command of the Karen BGF) warned publicly that the BGF should adhere to the law (regarding the Chinatown project), or it would affect the dignity of the BGF and the Army.<sup>14</sup>

Saw Min Min Oo, Director of Chit Lin Myaing Company, was quoted saying that the Burma Army had asked Chit Thu to resign from his military position if he wanted to carry on doing business.<sup>15</sup>

However, various factors provide evidence of high level Burma Army backing of the Chinatown project: the Chinese investors’ confidence in extending construction far outside the “official” permit, and in publishing their own extra-legal investment regulations, and most importantly, the absolute control of the BGF by the Burma Army - meaning the project could never have gone ahead without their approval.

#### Advanced construction according to Master Plan

Google satellite imagery from November 2019 shows that the construction at Shwe Kokko has not only far exceeded the 22.5 acres permitted under the July 2018 MIC contract, but has been carried out exactly according to the overall grand master plan of the New City.

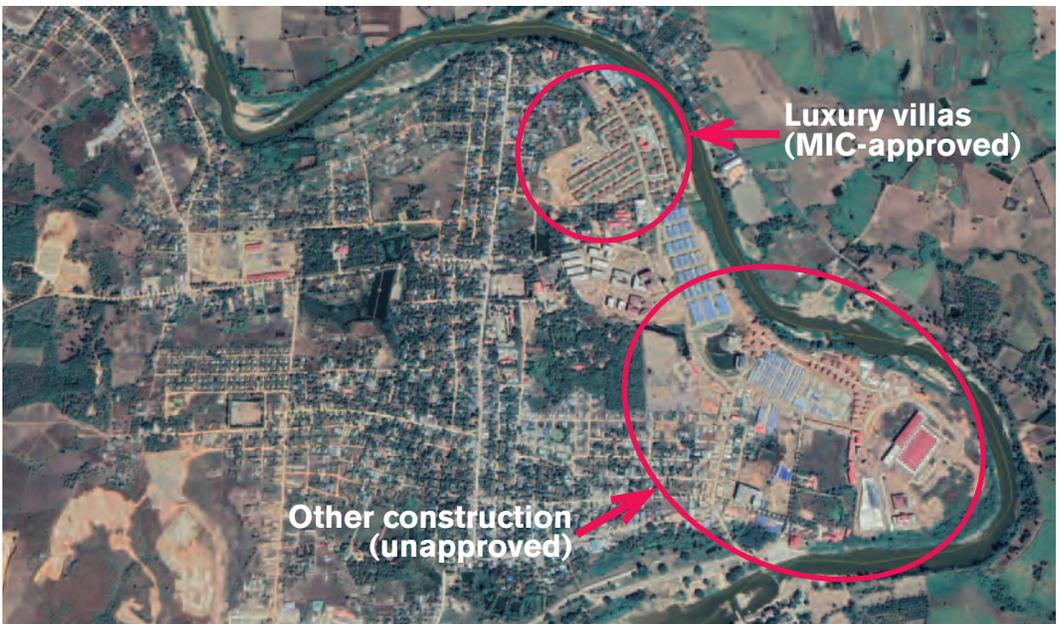


*Advanced construction at Shwe Kokko  
February 2020*

South of the luxury villa building site, construction has taken place all along the eastern edge of Shwe Kokko village along the Moei river, in an area extending well over 100 acres.



*Google image of Shwe Kokko, 20 February 2016*



*Google image of Shwe Kokko, 24 November 2019*



*Construction proceeding according to original Yatai IHG blueprint, without MIC permission*

Large buildings under construction appear to conform to Yatai IHG’s planned layout of the new city, including what appears to be a giant hotel-casino.

Drone footage of Shwe Kokko by Yatai IHG (provided to the Office of Federation of Thai Industries in Mae Sot in October 2019) shows that construction has progressed significantly since the announced August 2019 suspension - clearly conforming to the overall Master Plan of the area.

## A very “Special” SEZ

The “provisional rules” for the Shwe Kokko SEZ issued by Myanmar Yatai are extremely detailed, and already appear to be operational, with companies having set up businesses in the zone. Yet there has been no official reference to this area as a SEZ in the Burmese state media, and the rules differ from those under the existing 2014 SEZ Law.

There are so far only three officially recognized Special Economic Zones in Burma: at Thilawa, Dawei and Kyaukphyu. Investment in these zones, by the Japanese, Thai and Chinese respectively, has been well-publicized.

Under Burma’s SEZ Law, developers are given a land use permit of 50 years, extendable for another 25 years. However, it has been reported that the lease for Shwe Kokko is for 70 years, extendable to 99 years.<sup>16</sup>

According to the law, in order to implement an SEZ, there must be a Central Body formed by Naypyidaw, with relevant government departments, and this Central Body in turn must form a management body. However, Yatai IHG’s “Provisional SEZ Rules” for the project, state simply that “The establishment of special economic zone in the Swe Koke Ko is officially approved by the government of the Karen state of Myanmar,” and that the management committee for the project has been authorized by the Karen State government.

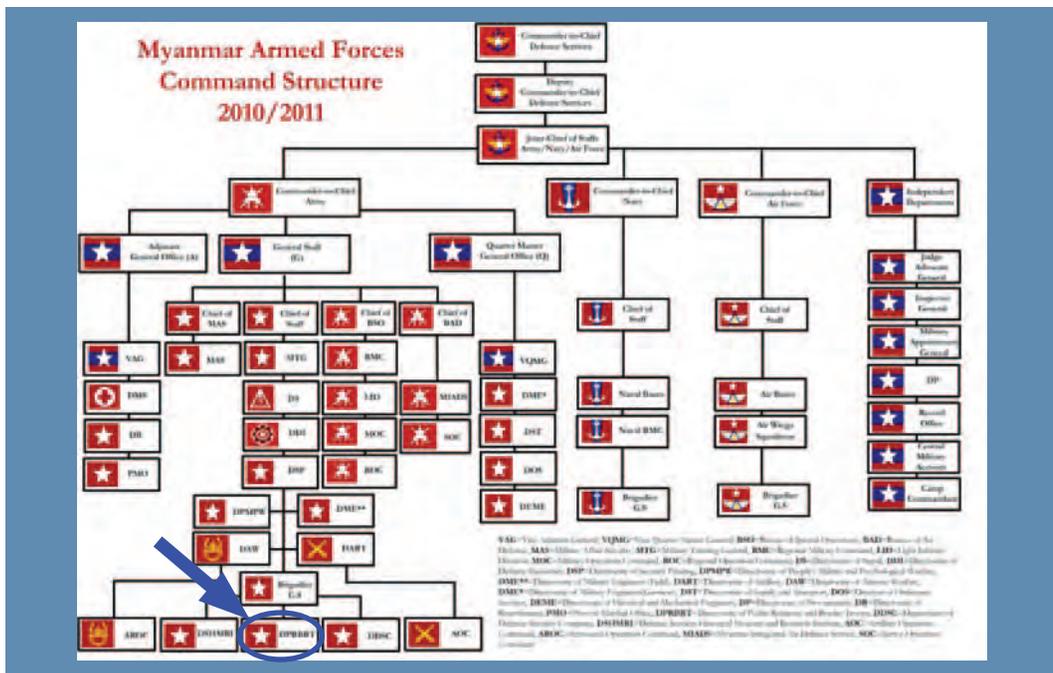
Details of Yatai’s “Provisional SEZ Rules” also differ from those of the SEZ Law. For example, they state that income tax will be exempted for the first ten years, but under the SEZ Law, it is only exempted for the first eight years.

The existence and operationalization of a parallel set of SEZ regulations – outside the existing legal framework - raise questions about who can have authorized this. Given that border area development is officially under the Burma Army-headed Border Affairs Ministry, whose primary function is “To designate special development zones for the development of border areas and national races,” it can be assumed that the Shwe Kokko project has been approved by this ministry.

## Under direct Naypyidaw orders

Any suggestion that Chit Thu’s BGF was somehow carrying out the project behind the Burma Army’s back ignores the BGF’s integration into the rigid military hierarchy of the Defence Forces. This was a deliberate strategy to transform and control former ethnic armed groups, written into the 2008 Constitution.

The BGF are directly answerable to the Burma Army’s Directorate of People’s Militia and Border Guard Force, under the Border Affairs Ministry - one of the three government ministries controlled by the Burma Army. The current Director of People’s Militia and Border Guard Force is Major General Aung Paing Oo.

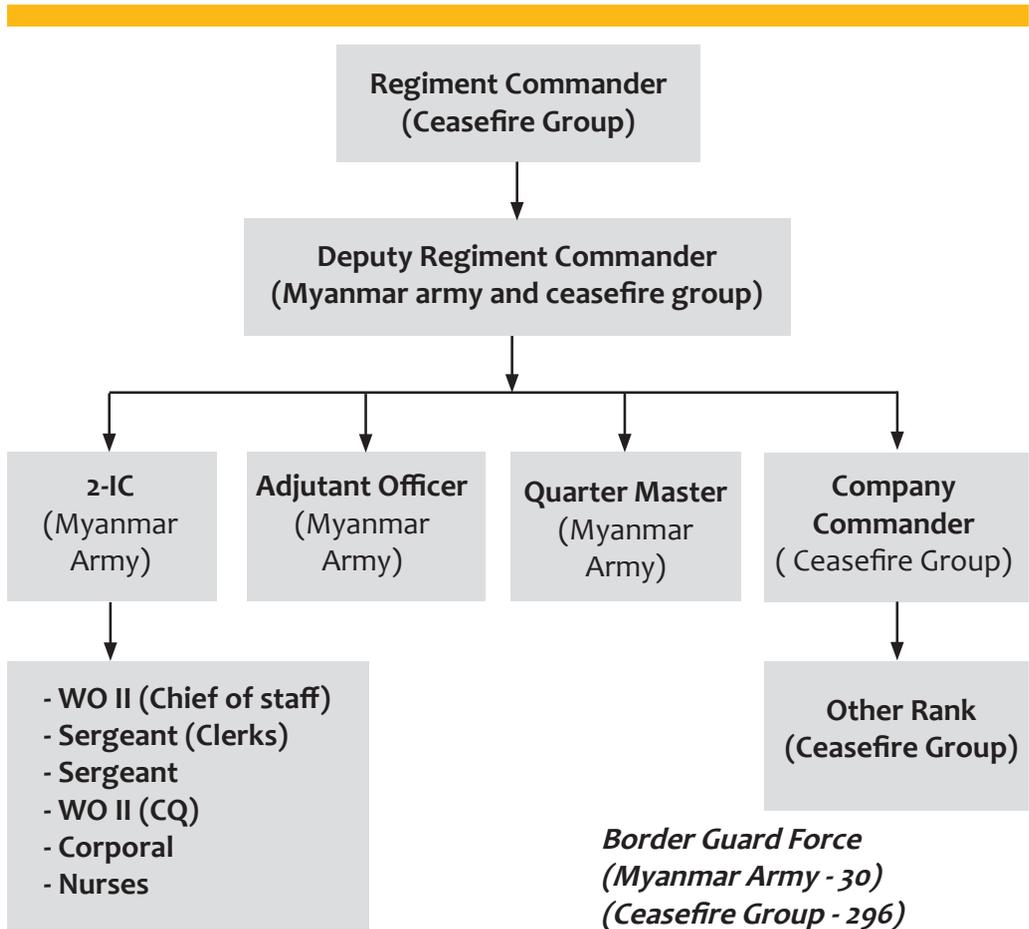


*BGF position under Burma Army command structure*

Apart from the direct chain of command back to Naypyidaw, there are also, by regulation, 30 Burma Army officers stationed in each BGF battalion, including the deputy battalion commander. These on-site Burma Army personnel would be obligated to report any happenings in the Shwe Kokko area to their superiors.

In addition to the Burma Army personnel placed inside the BGF, there are also six Burma Army camps, housing hundreds of troops, surrounding Shwe Kokko - all under the Southeast Regional Army Command based at Moulmein. The Burma Army commanders of these camps must have been fully aware of the developments at the project site.

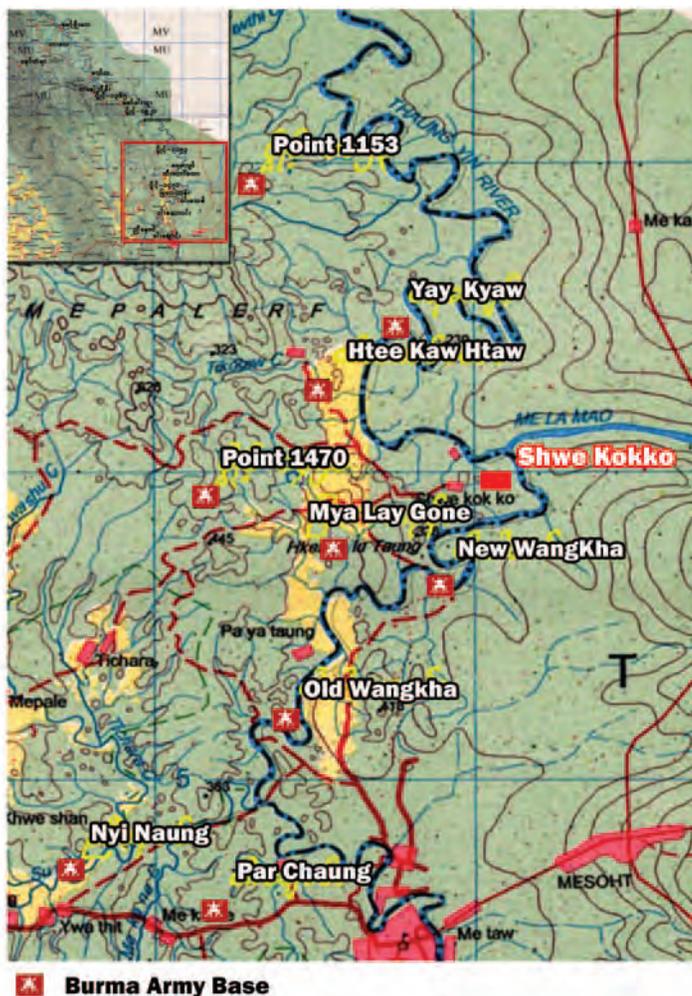
The Karen State Chief Minister was quoted in the media saying that the State Minister for Security and Border Affairs, Colonel Myo Min Naung - a serving Burma Army officer - had conducted “surprise checks” of the Shwe Kokko



BNI

*Border Guard Force battalion composition*

## Burma Army Camps around Shwe Kokko in 2019



area in May 2019. He had reported to the cabinet that he had found no illegal Chinese workers - only 100 Chinese working legally with passports - and that work was only taking place in the MIC approved area.<sup>17</sup> Given the thousands of Chinese in the area, and the extent of construction far outside the MIC area, he was clearly covering up the truth. It is unlikely he would have done so without express orders from Naypyidaw.

It is thus certain that without the approval of the Naypyidaw military authorities, the project could never have gone ahead. The only question is over the exact nature of the agreement with the military. While the project has obvious strategic advantages for the military - cementing control of a contested border area - it is also highly likely that high-level commanders have shares in the enterprise, and will earn significant kickbacks.

## 4. Yatai IHG: grand claims, murky reality

Yatai International Holding Group (IHG), the Chinese company investing in the Shwe Kokko SEZ, promotes itself as a legitimate business entity backed by the Chinese government, and claims that the Shwe Kokko SEZ is part of China's Belt and Road Initiative.

The Chinese-born chairman of Yatai IHG, She Lunkai, uses various important sounding titles, which appear to link him to the Chinese government, and the Yatai IHG website is filled with pictures of him at high profile overseas Chinese events.

In fact, the background of Yatai and its chair is highly opaque, and there is no hard evidence that the Shwe Kokko SEZ is officially supported by the Chinese government. In 2017, China's top administrative body issued guidelines on overseas investment that a list of industries that Chinese enterprises are prohibited from investing in, which includes gambling projects.<sup>18</sup> Given the Chinese government's public crusade against on-line gambling,<sup>19</sup> which appears to be at the core of the Shwe Kokko SEZ, it is also highly unlikely it is officially endorsing the project. However, the Chinese government has made no comment on the project and it is unclear if the embassy in Yangon or officials in Beijing are aware of the company's use of the Belt and Road branding.



Yatai IHG

Col. Chit Thu and Yatai chair She Lunkai on billboard at Shwe Kokko.

## Opaque company history

According to its official website,<sup>20</sup> Yatai IHG (亚太国际控股集团) is a private company registered in Hong Kong and headquartered in Bangkok. It claims to be involved in businesses in “China, Philippines, Cambodia, Vietnam, Thailand, Malaysia, Hong Kong and other countries and regions,” but the Shwe Koke Ko SEZ is the only major project featured on its website, apart from a spa and a tour agency in the Philippines. There is no indication how such a small previously unknown company can have raised the necessary capital to start implementing the “15 billion dollar” Shwe Kokko project.

There has so far been little public scrutiny of Yatai IHG’s origins, as it has been repeatedly misnamed in the media as Jilin Yatai Group (亚泰集团) Company Ltd., a state-owned enterprise based in Jilin, northern China, involved in numerous businesses, including property development and mining. There does not appear to be any link between the two companies, except for the shared transliteration of their Chinese name “Yatai” into English (but the original Chinese characters are different).

The chairman of Yatai IHG appears to have many names - apart from She Lunkai (or Dylan She), he sometimes uses the surnames Tang or Jiang. On the permit issued by the Myanmar Investment Commission for the construction of high-end villas, his name is given as Tang Kriang Krai, and he is identified as a Cambodian citizen.

A profile by a Chinese magazine – shown on the Yatai website – says She Lunkai was born circa 1982 and grew up in a rural family in Hunan Province, China. He is described as a self-made man, who became involved in on-line business, and then went on to open “an electronic gaming company” in the Philippines. No further details are given about his overseas businesses, nor how he became a Cambodian citizen. However, one can assume that his experience in Cambodia is linked to the recent boom in Chinese online gambling and financial fraud there – which was recently the subject of a crackdown by Cambodian authorities.

## Dubious official Chinese links

Yatai IHG states on its website that the Shwe Koke Ko SEZ project is part of the Chinese government’s Belt and Road Initiative. A piece on its website is titled “Belt and Road China-Thailand-Myanmar Economic Corridor,”<sup>21</sup> and the project’s promotional video highlights this linkage - with maps appearing to show that

Shwe Kokko lies at the junction of regional highways and high speed railways linking China, Thailand and Burma.

In fact, however, the Chinese government has never announced a trilateral “China-Thailand-Myanmar economic corridor” as such. The Yatai IHG maps showing Shwe Kokko at the centre of this grand plan are either distorted or fictional. Shwe Kokko lies over 60 kilometers west of the highway route from northern Thailand to Bangkok, yet a Yatai IHG map makes it appear that this highway runs right beside Shwe Kokko.

Maps of a new high speed railway from Yangon to Bangkok crossing the border at Mae Sot are also fanciful. China is very unlikely to be pushing through this previously unheard of proposal, given existing hurdles to its other planned high speed rail lines in Burma and Thailand.

The signing of an agreement for the Shwe Kokko Special Economic Zone project between Yatai Chair She Lunkai and Col. Chit Thu (always referred to on the Yatai IHG website as “General” Chit Thu) at the 14<sup>th</sup> World Chinese Entrepreneurs Convention (WCEC) in Yangon in September 2017, appeared to show that the project had high-level Chinese government backing. The WCEC is a high-profile gathering of overseas Chinese businessmen that has enjoyed support from various Asian governments including the Chinese.

However, it seems that She Lunkai simply took advantage of the WCEC event to promote his own project. He sponsored a sideline event “Myanmar-China Business Summit and Myanmar Project Signing Ceremony” and invited Chinese and Burmese dignitaries, including U Maung Maung Soe, Mayor of Yangon, and Xie Guoxiang, Economic and Commercial Counsellor of the Chinese Embassy in Burma, to witness the signing. The presence



Yatai IHG

Yatai IHG map with purported BRI rail and road links near Shwe Kokko

of the Chinese diplomat lent legitimacy to the project, and the event was even reported on by the China's state news agency Xinhua.<sup>22</sup> In fact, the event did not signify any formal involvement by the Chinese government.

Yatai IHG also actively builds relations with Chinese state-owned enterprises (SOEs) as a way to gain legitimacy. For example, at the Yangon ceremony in September 2017, Yatai signed a general contracting contract with MCC International, a subsidiary of Metallurgical Corporation of China (MCC), one of China's largest SOEs.

However, Yatai IHG has sometimes exaggerated the official connections of its business partners. In July 2019, Yatai IHG reported it had signed a cooperation agreement with "China Center for International Economic Exchanges" (CCIEE, 中国国际经济交流中心), a prominent think tank affiliated with the Chinese central government.<sup>23</sup> In its press release, Yatai IHG specifically mentions that CCIEE has recently been commissioned by the Chinese government to draft the plan for the China-Myanmar Economic Corridor. However, the entity that signed the agreement with Yatai IHG was in fact a for-profit business consultancy affiliated with CCIEE, not the think-tank itself.

Sometimes the supposed SOE partner is simply fake. In December 2018, Yatai IHG showed off the visit of a "famous Chinese Central Government SOE"<sup>24</sup> that sought cooperation with itself. In fact, this "China National Red Estate Develop Investoneot Group" (sic)<sup>25</sup> has misleadingly used the abbreviation of China National Real Estate Development Group (CRED),<sup>26</sup> an actual SOE, in its name, without any real connection with the latter.

Apart from his chairmanship of Yatai IHG, She Lunkai boasts a long list of titles, which make it appear he has high-level connections. However, some of the titles have dubious significance, for example She Lunkai's title as "Vice President, China Federation of Overseas Chinese Entrepreneurs (CFOCE, 中国侨商联合会)." CFOCE is an association of overseas Chinese businessmen affiliated with the All-China Federation of Returned Overseas Chinese (ACFROC, 中华全国归国华侨联合会), which in turn is a Chinese Communist Party-led organization for liaising with diaspora Chinese and enjoys quasi-official status. The title of Vice President gives She Lunkai an aura of having close ties with the Chinese Communist Party, but since CFOCE seems to have an undefined number of Vice Presidents (which it does not publish on its website), the title in fact may have little meaning.

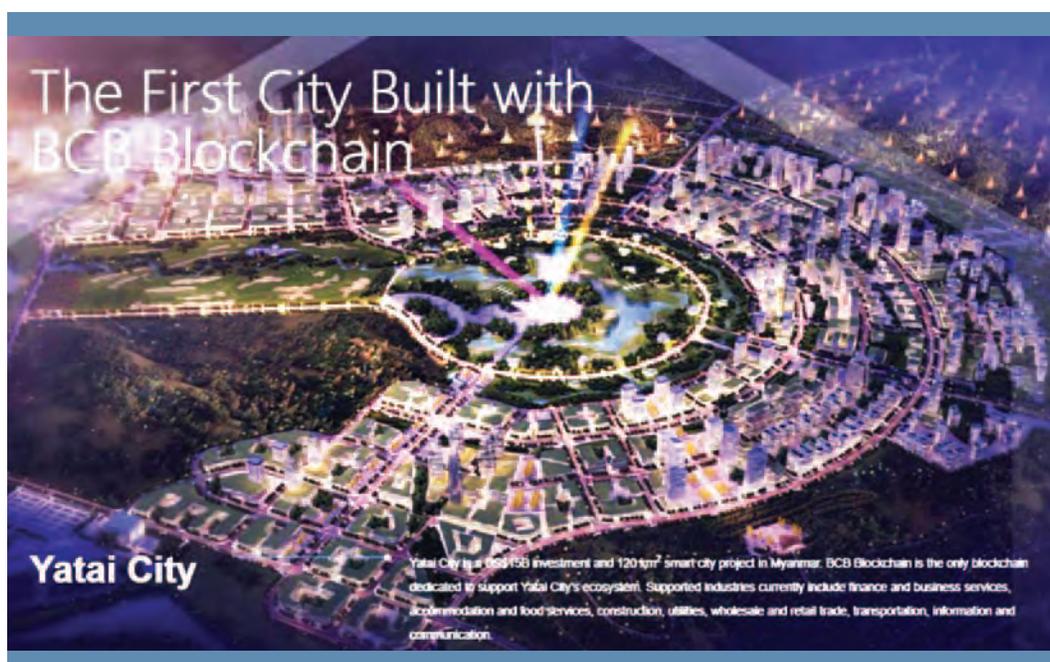
Another title used by She Lunkai is Permanent Honorary President of the Hong Kong Myanmar-China Friendship Association, established in 2017. However this association's website<sup>27</sup> has not been updated since 2017, and appears inactive.

## Online gambling

It is an open secret among locals – and confirmed by KPSN -- that online gambling is already taking place inside a restricted area of the Shwe Kokko project. But other clues that online gambling will be a core component of the New City can be found on Yatai IHG's website and promotional material.

One red flag is Yatai IHG's strong promotion of "blockchain technology" as central to the City's commercial transactions, claiming that in 5-10 years Yatai City will be established as "Myanmar's Blockchain SEZ."<sup>28</sup> Blockchain technology is increasingly being used for online gambling operations, as it enables instant transfers of large amount of funds outside formal banking systems. By avoiding formal bank accounts, identities can be kept confidential – very useful for citizens, such as Chinese, whose governments forbid online gambling.

Another tell-tale sign is that in recent months Yatai IHG has been posting on-line advertisements inviting Chinese casino investors to move from Cambodia to Shwe Kokko – clearly offering an alternative venue for on-line gambling operators facing crackdowns in Cambodia. Some ads were posted on websites based in Sihanoukville, the seaside town that has been turned into a vast Chinese casino



*From the website of Singapore-based BCB Blockchain company, which advertises itself as the "only blockchain dedicated to support Yatai City's ecosystem" ([www.bcbchain.io](http://www.bcbchain.io))*

resort. Cambodia has seen a surge in gambling-related crime, and Chinese police officers stationed there have coordinated with Cambodian police to arrest and deport large numbers of Chinese nationals involved in criminal activities.

Details on the Yatai IHG website about companies which have already moved into the Shwe Kokko project area also provide clues that their business is on-line gambling. For example, one of the early tenants in the project area has been Tianxia Group (天下集团), self-claimed to be a “hi-tech” company, which built an “IT compound” project in the zone.<sup>29</sup> The building consists of three floors of offices and four floors of dormitories (117 rooms with bunk beds). This set-up is typical of the online gambling companies found elsewhere in Southeast Asia. In Cambodia, “IT towns” have become a euphemism for clusters of online gambling/financial scam companies. These companies typically provide accommodation and dining to their employees, who are under close watch by their employers due to the illicit nature of the business.



Reuters

*Chinese nationals being deported from Cambodia*

## 5. “Casino SEZs”: Lessons from Laos

Several Chinese-backed casino complexes cloaked as “Special Economic Zones” have been set up in Laos. They provide useful lessons for what may lie in store if the Shwe Kokko project goes ahead.

### Rampant criminality

In 2003, the Laos government signed a 30-year lease with a Hong Kong registered company to set up the “Golden Boten City” SEZ on 4,000 acres of land on the Lao-China border in Luang Nam Tha province. The lavish casino entertainment complex, targeting Chinese gamblers, opened in 2007.

The project initially thrived, but after a few years, with the zone’s private security forces answerable only to the gambling bosses, criminal activity had become rife. In 2010, after increasing reports of torture and murder of Chinese gamblers unable to pay debts, the Chinese authorities began limiting tourists from crossing the border and cut phone services. The casinos fell empty, and by mid 2011, all had shut down. Today, the SEZ buildings are deserted and have fallen into disrepair.

### Few jobs for locals

Before its closure, the “Golden Boten City” was staffed almost entirely by Chinese. Similarly, the “Golden Triangle Special Economic Zone” on the Mekong River in Bokeo province employs few locals.

The Hong Kong-registered Kings Roman Group was granted a 75-year concession by the Lao government to set up the Golden Triangle SEZ in 2007, opposite Thailand’s Chiang Saen. Like the Shwe Kokko project, the vast Golden Triangle SEZ (covering over 20,000 acres) was touted as being more than just a casino complex, with claims it would transform into an agro-industrial and livestock centre, as well as an IT and computer hub – thereby contributing to development in Laos.

However, a recent research article states that “according to the latest government figures, of the 6347 people currently working in the Golden Triangle SEZ, just 208 are Lao citizens”<sup>30</sup> - i.e. only about 3% of jobs are for locals, mostly low-skilled.



*Tiger skins for sale at Golden Triangle SEZ, Laos*



*Kings Roman Casino, Laos*

## Illegal wildlife trade, environmental damage

In 2015, it was uncovered by the Environmental Investigation Agency (EIA) in a report called “Sin City” that the Golden Triangle SEZ was a centre for wildlife trafficking. Restaurants were offering menus of endangered wildlife, including tigers and bears being kept in a “zoo” on the premises.

Products from other endangered species smuggled in from Asia and Africa -including leopards, elephants, rhinos, pangolins, helmeted hornbills, snakes - were openly being sold in shops.

Despite a token crackdown following the negative publicity, the EIA reported in 2018 that the illegal wildlife trade in the Golden Triangle SEZ was continuing.

It has also been reported that land in the Golden Triangle SEZ is being used for banana plantations.<sup>31</sup> Widespread banana monocropping in Laos by Chinese investors has had damaging environmental and health impacts, due to the overuse of toxic chemical pesticides and fertilizers. Chemical run-off into the Mekong river has poisoned fish, and impacted local fishing livelihoods.<sup>32</sup>

## Drug trafficking and money laundering

In January 2018, the US Treasury Department imposed sanctions on the Hong Kong-based Kings Romans International (HK) Co. Ltd, led by Zhao Wei, the Chinese tycoon running the Golden Triangle SEZ.

“Based in Laos within the Golden Triangle Special Economic Zone (GTSEZ), the Zhao Wei TCO exploits this region by engaging in drug trafficking, human trafficking, money laundering, bribery, and wildlife trafficking, much of which is facilitated through the Kings Romans Casino located within the GTSEZ,” according to the Treasury Department statement.

# Conclusion and recommendations

According to KPSN findings, a core industry of the Shwe Kokko “New City” project will be - and already is - online gambling. Yatai IHG appears to be just a front for a regional on-line gambling operation, who have made their fortunes from similar ventures in the Philippines and Cambodia. They do not appear to have any formal links to the Chinese government, but are hand in glove with the Burma Army authorities in implementing the project - outside regular legal frameworks.

The Shwe Kokko project will be of huge benefit for the Burma Army: without firing a shot, they will cement their control of this strategic border area, which they wrested at bloody cost from the KNU in 1995. Military elites will also be sure to earn a hefty share from the vast illicit profits generated.

It is clear that the project will have little benefit for local Karen people. They will be displaced off their land, with few job prospects in the new development. Based on the experience of similar Chinese casino “SEZs” in Laos, the area is also likely to become a hub of criminality, drug trafficking and money laundering - which will make the development inherently unsustainable, as in the case of the abandoned “Golden Boten City SEZ”.

But most importantly, this giant project makes a mockery of the current peace process. The Burma Army have no right to sell off a vast tract of contested Karen territory to foreign speculators before a peace accord has been reached and a new federal constitution actualized, which grants local communities rights to decide over their own lands and resources.

## **KPSN therefore makes the following urgent demands:**

### **To the Naypyidaw government:**

- To immediately terminate all contracts related to the Shwe Kokko SEZ project, and to order Yatai IHG and its partner companies to withdraw from the area, pulling out all personnel and equipment.
- To impose a moratorium on all large-scale investment projects in ethnic areas until there is lasting peace, and power is devolved under a new federal constitution granting local communities the right to decide over their own lands and resources.

### **To Yatai IHG:**

- To disclose all official documents related to the project, as well as the full development plan.

### **To the Chinese government:**

- As a matter of urgency, to review the Shwe Kokko SEZ project and assess potential violations of local law and Chinese law, policies and regulations related to Chinese overseas investment; to investigate the involvement of any mainland companies and their subsidiaries (including those registered in Hong Kong and Myanmar), and take action to ensure that Chinese companies are not exposed to the project, its impacts, and the reputational harm associated with it.
- To publicly clarify the status of the project with regards to the Belt and Road Initiative, and clarify whether or not (as professed by the developer) the project is part of the BRI and the China Myanmar Economic Corridor.

# Ongoing construction at Shwe Kokko New City project in 2020





## Endnotes

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## **ABOUT KPSN**

**K**aren Peace Support Network (KPSN) is the largest network of Karen civil society organizations in Burma/Myanmar. KPSN member organizations have facilitated humanitarian support for vulnerable conflict-affected Karen communities, internally displaced persons (IDPs), and refugees for decades. KPSN works to empower local Karen communities, raise awareness of the peace process, document human rights issues, and facilitate advocacy for a sustainable and equitable peace in Karen areas of Burma.

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