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Asia Pacific Bulletin

Number 132 | October 13, 2011

Jade or JADE? Debating International Sanctions on Burma's Gem Industry

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Renaud Egreteau, Research Assistant Professor at the University of Hong Kong, explains that Western-led international sanctions have failed to stem the trade in Burmese gemstones, but "the creation of an independent transnational regulation body to trace Burmese gemstones, starting with rubies, and which encourages the adoption of responsible and accountable corporate practices, especially at the local level would be a constructive start."

For centuries Burma has been prized for its high-quality gemstones, and today the Burmese gem industry continues to thrive at a furious pace despite international sanctions. Conventional estimates are that up to 90 percent of the world's supply in rubies and 70 percent of premium jadeite is of Burmese-origin. Long under the exclusive management of ethnic insurgents who controlled the mining areas, and black-marketers who monopolized the trade, the underworld of Burmese gems is now dominated by a myriad of newcomers. Fragile ceasefire agreements signed by Burma's central government with ethnic Kachin, Pa'O and Shan rebels in the 1990s have opened the gem mines and trade routes to other third parties. Since then, emerging state-run conglomerates, a handful of Burmese oligarchs close to the military elite, and hordes of foreign dealers have gained the upper hand in this thriving industry. Above all, trade has been boosted by an exuberant demand from jade-crazed China. Every year since 2007 new record levels in jade production and sale revenues have been reached to satisfy Chinese demand. Paradoxically, this Burmese gem boom has coincided with the imposition of "smarter" Western sanctions which have targeted Burma's lucrative mining, timber and gemstones sectors in reaction to the government's violent repression of the 2007 Saffron Revolution.

During the latest 2010-11 fiscal year, Burmese jade export revenues officially topped US$1.75 billion—a fifth of Burma's US$8.86bn total exports for that year. Production of jadeite has jumped to 46,000 tons, up from an average of 10,000 tons in the early 2000s. Organized by the state-run Myanmar Gem Enterprises (MGE), international gem emporiums are now held three times a year, mostly in Naypyitaw. The March 2011 emporium attracted over 6,500 foreign merchants and total monetary transactions reached a staggering US$2.8 billion. The Burmese government granted attendees free wifi access, and phone cards were available for US$50—unthinkable offers at other normal times in Burma. Proceeds from gem sales during the latest special fair held in July 2011 exceeded US$1.5 billion. In comparison, revenues from similar events during the 2000s stagnated between only US$150-300 million.

As a result of the rising source of revenue that these gemstone bonanzas are providing to the Burmese military-ruled state, international campaigns advocating a boycott of Burmese gemstones have become increasingly vocal. Western policymakers have subsequently relied upon "targeted" sanctions against the industry. The European Union revised its legal Common Position vis-à-vis Burma in November 2007 to include a section on Burmese-origin gemstones, while in July 2008 the US Congress adopted the Tom Lantos Block Burmese JADE (Junta's Anti-Democratic Effort) Act, which was later signed into law by President George W. Bush. In addition, Canada with the 2007 Special Economic Measures Act also prohibits all Burmese imports, including gems. Yet, if there is a straightforward rationale for Western sanctions, skepticism prevails regarding their on-the-ground policy relevance and impact on the circulation of Burmese gems. Indeed,

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since the implementation of these various laws, Burma's revenues from gemstones have continued to skyrocket.

The root of this problem is due to a serious miscalculation by these Western governments. In recent years, China has become the dominant market for the global jade industry. Also, Burma's border trade, especially with China's southwestern Yunnan province, offers a credible alternative to circumvent Western trade sanctions. Consider the border town of Ruili, in Yunnan province. In less than a decade, it has become one of Asia's major jade dealing centers, connected to international hubs such as Hong Kong, Taipei and Bangkok. In 2010, gem trading alone earned the town some RMB2 billion (US$300 million). A jade-oriented touristic economy is thriving. Young Chinese from Kunming and beyond are migrating to Ruili to work in shops or factories polishing Burmese raw stones into fashionable jewels. In Burma, it is estimated that there are nearly half a million people employed in this bustling industry.

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As with many other Burmese commodities, the dilemma of Western sanctions lie in the tension between the will to drain revenues out of the Burmese rulers' pockets without killing local indigenous entrepreneurship. Smarter sanctions were designed to address this dilemma. The US Burmese JADE Act was intended to emulate Africa's "blood diamonds" model. In 2003, the Kimberley Process was initiated to establish an international certification scheme to trace African-origin diamonds and eradicate the trade that illicitly funded civil wars, particularly in Sierra Leone and Liberia. Nongovernmental organizations and scholars have pushed for its extension to encompass the entire global gemstone industry.

However, imposing a Kimberley Process-styled mechanism onto the Burmese gem trade is difficult, if not downright unrealistic. First, Burma's gem and jade industry is far less cohesive than its African diamond counterpart which is still dominated by a monopolistic few, headed by the De Beers consortium. In contrast, there are myriads of local miners, mid-sized companies and state-run conglomerates that are involved in Burmese gem mining, production and trade. Second, Burmese gems are exported through different transnational trading networks. Rubies are primarily exported through Thailand, though now also increasingly India, while jadestones are almost exclusively disseminated via the Chinese mainland into subsequent Chinese diaspora networks. Third, surprisingly the Burmese state still does not have a decisive monopolistic leverage over the industry, and there is no one multinational firm powerful enough to influence actors within Burma. Fourth, Burmese gems are not perceived as contributing to Burma's woes the way diamonds were in Africa. What activists relentlessly denounce is rather the profits scooped up by some Burmese individuals, although empirical numbers are difficult to find. Last, appalling working conditions in Burmese mines, including use of child labor, along with disquieting environmental issues are what have been singled out in international reports, including by Human Rights Watch. But a local gem-based economy is nonetheless prospering in Burma, promoted by local indigenous actors—most notably the Kachin, Shan, and Burmese Muslim communities—along with other external regional buyers.

Envisioning a Kimberley Process for Burma would entail concrete cooperation from all parties involved, including the traders of a business dominated by smugglers. Above all, it would require the voluntary participation of Chinese and Burmese authorities. However, the creation of an independent transnational regulation body to trace Burmese gemstones, starting with rubies, and which encourages the adoption of responsible and accountable corporate practices, especially at the local level would be a constructive start. The US Burmese JADE Act envisioned such a mechanism, but US policymakers have never actively pursued this. The West should further its focus on the Burmese gem industry without killing it, and disconnect it from its persistent will to punish the rulers in Naypyitaw.

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