



Directorate of
Intelligence

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Narcotics Review (U)

August 1986

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Golden Triangle: Border Trafficking Monopoly Under Fire

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The Shan United Army (SUA) remains the dominant narcotics trafficking group in the Golden Triangle but is under attack by a coalition of competing trafficking groups. The conflict has altered trafficking patterns in the region and may cut the SUA share of the heroin trade. [Redacted]

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This review is published bimonthly by the Directorate of Intelligence and examines international, regional, and functional issues related to the worldwide drug problem. Appropriate articles produced by other elements of the CIA as well as other US Government agencies will be considered for publication. Comments and queries are welcome and may be directed to the Chief, Strategic Narcotics Division. [Redacted] (u)

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Golden Triangle: Border Trafficking Monopoly Under Fire [redacted]

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Introduction

The Shan United Army (SUA) remains in control of the narcotics trade on the Thai-Burmese border but is entangled in a conflict with a coalition of competing trafficking groups that has the potential to cut its market share of regional heroin production and is already altering trafficking patterns in the Golden Triangle. If the coalition succeeds in breaking the SUA's monopoly, heroin exports from the Golden Triangle will likely rise as these competitors enter the market. [redacted]

Currently, fighting among the coalitions is at a stalemate, mainly because CIF-WNA tactics have negated superior SUA firepower. The SUA is stronger man for man, more cohesive militarily, and has better leadership. But CIF-WNA aggressive hit-and-run tactics have kept the SUA offguard and on the defensive. [redacted]

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The Shan United Army's (SUA) drive to control the heroin trade along the Thai-Burmese border began in 1982 after a series of Thai military operations drove the SUA out of its strongholds in the northern border area. SUA forces regrouped in Burma, and its leaders opted to expand their control westward into areas controlled by its chief rival, the 3rd Chinese Irregular Force (CIF). Working with its ally the Tai Revolutionary Army (TRA), the SUA achieved its objective in September 1984 following a series of assaults against CIF positions near Piang Luang that resulted in the capture of the last of the CIF's border refineries. [redacted]

Earlier this year, the CIF-WNA used a lull in the fighting to start its first large-scale refining operation on the border since losing its Piang Luang outposts in 1984. [redacted]

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[redacted], the CIF has built several small refineries at Ang Khan. The BCP and SSA/N have agreed to supply the refineries with raw narcotics. The BCP has also dispatched several hundred troops to the border to defend southbound caravans and harass local SUA units. There have been several small skirmishes between BCP and SUA troops in recent weeks. [redacted]

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Forming Coalitions

Financially maimed by the defeat at Piang Luang, CIF leaders set out immediately to build a coalition of trafficking and insurgent groups strong enough to dislodge the SUA and reopen its own trafficking routes. The CIF solidified ties to the Wa National Army (WNA), an ethnic group that has long opposed the SUA, and recruited the Lahu National Army and leading members of the National Democratic Front, an umbrella organization of anti-Rangoon groups. The Burmese Communist Party (BCP) has backed the CIF-WNA campaign against the SUA for several months but did not commit troops to the fighting until April. BCP participation mainly has been limited to logistic support, increased use of the Shan State Army/North faction (SSA/N), a BCP ally, to harass SUA caravans, and a steady stream of its own opium caravans to the CIF. [redacted]

Prospects for Peace

We judge it likely that fighting will continue for at least several more months:

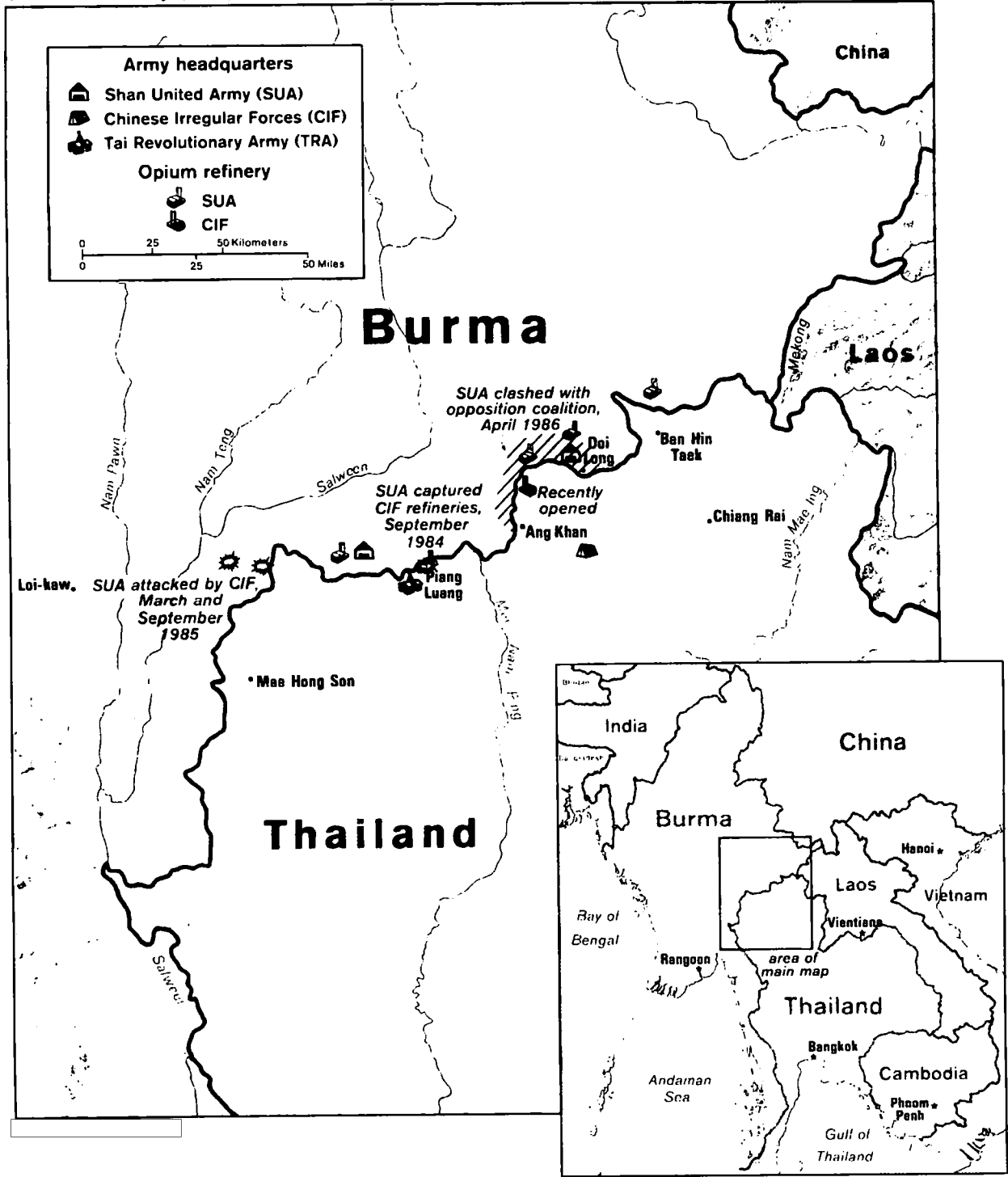
- The CIF-WNA alliance appears solid by Golden Triangle standards and is unlikely to end its attacks on the SUA any time soon. The CIF leadership views the current conflict as essential in regaining the group's share of the narcotics trade, and WNA leaders want to reopen their opium and jade routes to the border.
- Friction between the SUA and TRA leadership has made this alliance more shaky, but the SUA could probably hold its territory even if the TRA broke away. TRA units are not directly responsible for

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Shan United Army (SUA) Clashes with Opposition Coalition (CIF and TRA)



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protecting coalition strongpoints, and a TRA deflection will not leave large gaps in the SUA's defenses.

- Thai Army support has been crucial in allowing the CIF-WNA to battle the SUA to a stalemate. Embassy reporting indicates the Thai Army allows the CIF easy access to Thai sources of weapons and ammunition and has assisted WNA leaders in planning operations against the SUA. We expect this pro-CIF bias to continue as long as the SUA remains dominant and the CIF does not regain its former position as a major heroin producer.

- Both sides have been conserving their resources and avoiding protracted setpiece battles. The coalitions let months pass between engagements, using the time to bolster their coalitions and fortify positions.
- A recent series of assassinations of SUA and CIF-WNA officials has raised the level of tension in border communities and is likely to prolong the conflict. Following a failed attempt on the life of CIF leader Gen. Li Wen-Huan in 1984, the CIF assassinated a number of SUA brokers and operatives. Both sides have now deployed hit teams to eliminate key enemy personnel.

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Accommodation Likely

SUA reaction to establishment of the CIF refinery complex at Ang Khan will indicate the longer term course of the conflict. The refinery represents a major step toward rebuilding the CIF cross-border marketing chain. [redacted] SUA leaders have intensified efforts to attack caravans supplying the refineries but have yet to attack the complex. Attacking the complex would demonstrate that SUA leaders still believe they can maintain their monopoly over border trafficking. SUA inaction, however, would indicate tacit acceptance of the CIF network and signal a change to more competitive border trafficking characteristic of the 1970s.

[redacted]

In our judgment, the SUA ultimately will seek some sort of an accommodation—perhaps losing some narcotics income while maintaining control over pricing. Prolonged fighting has drained SUA resources and increased costs of acquiring opium from the northern Shan State and moving heroin to the Thai market. The CIF-WNA alliance has shown more staying power than SUA leaders expected, and CIF strategy is one of patience, designed to prolong the conflict and force such a favorable compromise. If the CIF-WNA is able to intensify its military pressure and retake some key border positions, the SUA may be unable to prevent competitors from resuming full-scale trafficking along the border.

Impact on the Heroin Trade

In our judgment, if the SUA is forced to open trafficking routes to its competitors, regional heroin availability will increase and wholesale prices in Thailand will drop. The SUA has been using its monopoly to hold back narcotics from the market to drive up prices. With more groups operating on the border, it will be forced to compete as a supplier to Thai middlemen. Increased competition will reduce the profitability of wholesale border trafficking and probably push traffickers to increase their control further along the marketing chain, where profits are greater.

The BCP may be the big winner in the conflict. For several years, the BCP has controlled much of the opium moving to border refineries but has always

lacked the marketing infrastructure to become a major force in the regional heroin market. During the last two years, it has increased its processing capacity in the northern Shan State and has worked to expand its marketing networks out of the Golden Triangle.

[redacted]

Fighting also has spurred the use of smuggling routes—particularly through Burma and India—that bypass the Thai-Burmese border. Increased use of these routes will complicate interdiction efforts in the region and contribute to the involvement of Indian and Nepalese networks, which have better connections in Great Britain, Canada, and the United States than do ethnic Chinese.

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