



Buildings under construction at the Global South Industrial project site in the Loikaw Industrial Zone in Kayah State.
(Supplied | Kayah Earthrights Action Network)

The scrap over Loikaw's industrial zone

SEPTEMBER 7, 2020



The Kayah State government's fast-tracking of a Chinese company's proposal to invest tens of millions of dollars in a forgotten industrial zone in the state capital has angered local activists, politicians and armed groups.

By HTIN LYNN AUNG and EI EI TOE LWIN | FRONTIER

When the Kayah State government revealed its plan to [overhaul the Loikaw industrial zone](#) in January 2018, timber merchant U Tezar Win Tun was one of the few businesspeople to show enthusiasm.

Established in the state capital in 2007 by a local military commander, the 817-acre zone lacked basic infrastructure and had always struggled to attract businesses. Empty plots were allegedly used to store illegal timber and illicit drugs.

Tezar Win Tun was one of the few people who actually ran a business in the zone – his timber mill had started operations in 2014 – and had been elected to lead the industrial zone management committee in early 2017.

“Come and do business where there’s better electricity and water,” Tezar Win Tun told *Frontier* at the time. “Everybody should invest and do business in Loikaw.”

The government said it wanted to “reform” the zone, including around 600 acres that had never been developed. “We will produce high-quality corn and export it, and invite investors from Myanmar and abroad,” Kayah State’s Minister for Finance and Planning U Maw Maw said.

But the plan soon changed. In July of 2018, a Chinese company, Hunan Global South Industrial, and a local firm [registered](#) a joint venture, [Global South Industrial](#). It [proposed](#) a US\$250 million, three-phase development – the [Myanmar-Global South Industrial Park](#) – at the Loikaw industrial zone, which would feature administrative quarters, a metal refinery, factories, hotels and a convention centre on 300 acres.

Tezar Win Tun said he had concerns about the project from the start, including the manner in which the state government – particularly chief minister L Phaung Sho and the minister for planning and finance, U Maw Maw – was backing the proposed mega-development.

In September of that year he submitted a complaint to the chief minister about the project – and soon found himself out in the cold. When the investors [formally presented](#) their plans to the Kayah State government on September 28, he wasn’t even invited to attend. On October 1, the company submitted a formal proposal. Although the state government was unable to approve the investment due to its size, it issued a no-objection notice nine days later.

But as the head of the industrial zone management committee, Tezar Win Tun was still a problem for the investors. And then, in December, the chief minister sacked him.

“I objected to the fact that the state government approved the project and allocated land to it without even notifying us ... There was also no transparency over the environmental and social impact assessments,” he said. “The industrial zone committee sent complaints to the Kayah State Hluttaw and state government. But after that, the committee was reorganised and I was removed from my position.”

Previously, the zone management committee had always been elected. On December 28, 2018, L Phaung Sho issued an order firing the 11-member committee and appointing nine people to a new management committee.

“The industrial zone must be protected. But when I carried out this responsibility, I was removed from my position,” Tezar Win Tun said.

The chief minister selected a local businessman, U Win Maw, to replace Tezar Win Tun as chair of the committee.

Win Maw had previously served as vice chair of the industrial zone committee. But he was also the minority partner in the proposed Global South Industrial project, holding a 10 percent stake.

Tezar Win Tun said the main reason the government had appointed Win Maw was so it had someone in charge who would support its activities.

The notice forming the industrial zone committee also made some important changes, specifying that it had to follow and implement the instructions of the government.

Previously, the committee had also been in charge of the entire 817 acres; now it was only responsible for “zone one”, the already developed 220-acre section.

L Phaung Sho put the rest of zone, where Global South Industrial hoped to invest \$250 million, under the “control and management” of his state government.

With the objecting committee members out of the way, the body’s powers significantly curtailed and the state government in control of the land, the project began to move forward. In June 2019, the Myanmar Investment Commission issued the company a

permit to invest \$50 million over the next two years to build a tin-tungsten and wolfram refinery and produce “value-added products”. The company promised to create 539 jobs for locals and 23 for foreigners.

Win Maw’s deputy on the industrial zone committee, U Tin Tun, refused to comment on the project. “We have divided the industrial zone into two parts and the refinery is in the other part, so I can’t say anything about it,” he said.



Kayah State Chief Minister L Phaung Sho speaks at a school health event in 2018. (Wikimedia Commons)

Cutting corners

Soon, though, residents and activists were also expressing concern about the project, particularly over issues such as electricity supply, waste management, and the apparent lack of transparency of the investors and state government.

A range of activist groups, including Karenni Mega Investment Watch, the Myanmar Alliance for Transparency and Accountability and Kayah Earthrights Action Network, joined forces to examine the project more closely.

However, they could find no information on whether an environmental impact assessment or initial environmental examination had been conducted, or whether the company had developed an environmental management plan.

On August 28 the groups released their two-year, 109-page report, titled “Conspiracy”, warning that the government’s haste to implement the project had resulted in a lack of transparency and accountability.

“This is such a large project – and one that is not environmentally friendly, either – but the government approved it in such a short amount of time,” said Saw Johnny Min, a member of the Kayah Earthrights Action Network.

In its investment proposal, the company said it plans to process 740,000 tonnes of raw material to produce 5,000 tonnes of refined minerals a year. The raw materials will come from a mine that the Global South Industrial investors operate in southern Shan State’s Pekon Township, just over the border from Loikaw.

The 2,488-acre concession is held by [Southern Nonferrous Metal](#), which has also applied for a nearby 667-acre block. The investors have also applied for an exploration permit for a 9,669-acre block in Dawei, Tanintharyi Region, under the company name [Myanmar Kayan Southern International](#).

The project will require 5 million gallons of water and 72,800 megawatt hours of electricity a year, the company’s investment proposal says. It is unclear where this power will come from, or how waste water will be managed.

At the report launch, the activists also said the number of local workers engaged on the project full time – about 15 – was a fraction of what Global Southern had promised.

Other workers, the activists said, were employed only casually.

“Hiring a local resident on a day-to-day basis is not the same as hiring them on a salary. You can’t call it creating a job opportunity,” said Khun Angelo, a member of MATA.

U Soe Moe, another MATA member, said the project reflected broader problems with how investments were managed in Kayah State.

“It seems like every project lacks transparency and accountability. Even though the state is small, we need to reconsider how to deal with the effects of big projects that are full of injustice,” he said.

The project is already around 80 percent complete and the refinery is due to come online in June 2021. But the activists want the government to review the project to ensure it does not violate human rights or harm the environment, and plan to send their report to various government bodies as well as the relevant hluttaws.

Win Maw from Global South Industrial told *Frontier* that he had done his best to engage with a wide range of stakeholders, from farmers to parliamentarians.

“I explained the project in detail – there is nothing we are not open about,” he said. “We will create job opportunities in the factory for the health of the locals and the livelihoods of the farmers’ families. We have openly promised to shut down the plant if something goes wrong.”

He said lawmakers had wanted to set up a group to monitor the project, but he had rejected their demands. “They said we would have to follow their orders – if they didn’t agree with the project, we would have to stop. This demand is unacceptable. If they found something that’s not good, we can fix it.”

On the number of workers, he said more than 200 locals are employed as daily wage earners, and more full-time staff would be hired once the refinery begins operations.

Win Maw conceded that no environmental impact assessment had been conducted – in apparent violation of Myanmar’s EIA Procedures – but said Global South Industrial had hired a consultant and was waiting approval from the Ministry of Natural Resources and Environmental Conservation to begin the assessment.

“The approval has been delayed a little because of COVID-19 ... but it will start soon and [the EIA] can be finalised by the end of December.”



The National League for Democracy's new Kayah State branch office in the capital Loikaw. (Nyein Su Wai Kyaw / Frontier)

The Kayan army comes to town

Win Maw, the new head of the industrial zone committee, is no ordinary investor. He's also a leading member of the Kayan New Land Party, an ethnic armed group that rose up against General Ne Win's socialist regime in 1964.

In 1994, the group signed a ceasefire with the military government and part of its territory was recognised as Kayah State Special Region 3. Writing in *Frontier* in April, researcher Dr Ashley South [described](#) the group's status as “ambiguous”, as unlike most other ethnic armed groups it has not renewed its bilateral ceasefire since 2011 or been invited to sign the Nationwide Ceasefire Agreement. In practice, South wrote, it “functions similar to a *pyithu sit* (people's militia), liaising closely with the Tatmadaw”.

According to South, the KNLP controls significant territory containing about 200 small villages in an upland area that overlaps four administrative divisions – Thandaunggyi Township in northern Kayin; Demoso Township in Kayah; Pekon and Pinlaung townships in Shan State; and Nay Pyi Taw Union Territory – and wants the Kayan-inhabited areas of these townships to be combined and recognised as a self-administered zone.

A 2014 *Myanmar Times* [article](#) referred to Win Maw as a “senior member” of the KNLP, but also gave his rank as “major”, suggesting he is or was a member of the Kayan New Land Army, the group’s armed wing.

At the report launch, civil society members reported that Win Maw had threatened residents who had expressed opposition to the project, telling them he would not tolerate any complaints. Khun Angelo said residents recounted that Win Maw had told them the project was given to the KNLP because “in the 25 years since the ceasefire, not a single gun has been fired”. (Win Maw denied the allegations.)

The KNLP did not publicly support the NLD in the 2015 election, but said it would “help any political party” to beat the Union Solidarity and Development Party. “We will help the strong party in our region, whether it is the [National League for Democracy] or ethnic political parties,” a senior member was [quoted as saying](#).

There are some high-level links between the KNLP and the NLD, however. Win Maw’s daughter, Daw Wint War Tun, ran successfully as an NLD candidate in the Pyithu Hluttaw seat of Shadaw in Kayah State.

Civil society groups say the project also violates the 2012 union-level ceasefire agreement between the government and the Karenni National Progressive Party. The agreement stipulates that large-scale projects to be implemented in Kayah State must be coordinated with the group.

KNPP secretary Khur Daniel told *Frontier* that no one had discussed the refinery project with his organisation.

“We have not commented on this project or made any official statement, but if the people do not accept it, we will stand by the people,” he said.

“Some ethnic armed groups have made peace with the government and are known to be acting against the will of the people,” he said. “The KNPP has a policy of not doing business that is not acceptable to the people.”

Impeachment

The project has been proceeding against a backdrop of increasingly difficult relations between the state government and civil society groups. As *Frontier* [reported recently](#), most civil society activists and armed groups in the state backed the NLD’s campaign in 2015, but tensions began to emerge in 2017, particularly over L Phaung Sho’s leadership.

In particular, the chief minister has drawn criticism for supporting the construction of a statue of independence hero Bogyoke Aung San that was erected in the centre of Loikaw in late January 2019. Some of the state’s Karenni, or Kayah, people regarded the move as an insult that showed the Bamar-dominated NLD did not care about their history and their feelings.

The state government has placed numerous restrictions on civil society and political activities, and earlier this year used COVID-19 as a pretext to ban speeches, writing pictures, posters, placards, pamphlets and anything deemed to be defamatory to authorities, *The Irrawaddy* reported.

“The situation in Kayah State is not good between community organisations and the state government,” said MATA members U Ye Lin Myint. “The state government sees them as critics, which weakens investment monitoring.”

Civil society groups said the only opportunity they had to engage with the government on the refinery was on August 23, 2019, when the company organised a meeting with representatives of the government, hluttaw and ethnic armed groups.

Political events may complicate the future of the project, however. In July, the tensions in the NLD’s Kayah State branch that had been simmering for years broke out into the open. The trigger was the state office’s decision not to nominate the hluttaw speaker, U Hla Htwe, as a candidate for the November election, despite the Shadaw branch having selected him again to run for the state hluttaw. Hla Htwe instead nominated as an

independent and was fired from the party, but would soon get his revenge on L Phaung Sho.

Within weeks, the Kayah State Hluttaw had initiated impeachment charges against the chief minister, accusing him of siphoning off state income into a private bank account and ignoring a hluttaw decision on a land lease. On September 1, 16 of the assembly's 20 members voted to remove him – well above the two-thirds threshold required – including five of L Phaung Sho's eight NLD colleagues. President Win Myint accepted the hluttaw's decision and has assigned the state's agriculture minister, Bosco, as acting chief minister.

The impeachment proceedings against L Phaung Sho seem to have acted as a green light for civil society and lawmakers to bring their concerns about the Global South Industrial project into the open.

On August 31, three days after the report launch, Kayah civil society organisations sent an open letter to the joint investigation team the hluttaw had set up to examine the allegations against L Phaung Sho, and asked it to also look at his decision-making in relation to the Global South Industrial project and the management committee of the industrial zone.

Meanwhile, lawmakers in the state hluttaw discussed the industrial zone issue on September 2, the day after the impeachment hearing.

Win Maw said fresh elections would be held for the industrial zone committee on September 27. He said this was a requirement under the Industrial Zone Law enacted in May and had been planned long before L Phaung Sho's impeachment.

But Win Maw said he had no intention of deviating from the two-year timetable of his MIC permit.

“We got permission after getting approval from all government departments and made a strict commitment to follow the commission's rules,” he said. “One of those rules is the project must be completed by July 5, 2021.”

This article was supported by the X-Border Local Research Network and UK Aid from the UK government. All views expressed are those of Frontier.

CLARE HAMMOND

More stories



CRPH compiles military rights abuse dossier

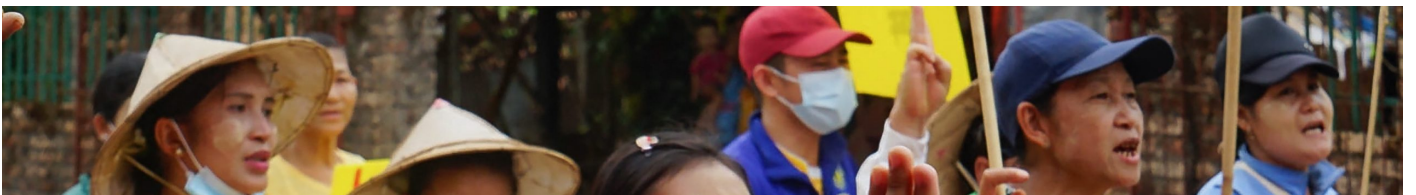
The body representing the ousted civilian government says it has gathered 180,000 pieces of evidence showing rights abuses by the Tatmadaw including torture and extrajudicial killings.

BY AFP

Related stories



Activists splash red paint to protest military bloodshed





In the borderlands, women lead the charge



Foreign firms face tough choices over Myanmar unrest

Latest Issue



VOLUME 6, ISSUE 18 **JANUARY 27, 2021**

STORIES IN THIS ISSUE

Myanmar enters 2021 with more friends than foes

The early delivery of vaccines is one of the many boons of the country's

geopolitics, but to really take advantage, Myanmar must bury the legacy of its isolationist past.

Will the Kayin BGF go quietly?

The Kayin State Border Guard Force has come under intense pressure from the Tatmadaw over its extensive, controversial business interests and there's concern the ultimatum could trigger fresh hostilities in one of the country's most war-torn areas.

SUBSCRIBE

VIEW ALL ISSUES

BE A FRONTIER MEMBER

Stay on top of Myanmar current affairs with our Daily Briefing and Media Monitor newsletters

JOIN US

SUBSCRIBE TO OUR PRINT + DIGITAL MAGAZINE

Our fortnightly magazine is available in print, digital, or a combination beginning at \$80 a year

SUBSCRIBE

JOIN THE COMMUNITY

Sign up for our Frontier Fridays newsletter. It's a free weekly round-up featuring the most important events shaping Myanmar

Your email address

SIGN UP



MAGAZINE

MEMBERSHIP

THE FRONTIER STORY

WORK WITH US

ADVERTISE

DONATE

CONTACT US

FOLLOW FRONTIER



LANGUAGE
ENG BUR

© 2020 FRONTIER MYANMAR

PRIVACY POLICY

