



UNITED NATIONS  
*Office on Drugs and Crime*

# LAO PEOPLE'S DEMOCRATIC REPUBLIC

2003

Country profile



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*Office on Drugs and Crime*

## **Country Profile**

**on**

***LAO People's Democratic Republic***

**2003**



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## **UNODC Country Office LAO People's Democratic Republic**

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## ABBREVIATIONS

<b>ADB</b>	Asian Development Bank
<b>AFTA</b>	Asian Free Trade Area
<b>AIDS</b>	Acquired Immunodeficiency Syndrome
<b>ASEAN</b>	Association of South East Asian Nations
<b>ATS</b>	Amphetamine Type Stimulants
<b>BLO</b>	Border Liaison Office
<b>BoL</b>	Bank of the Lao PDR
<b>CCA</b>	Common Country Assessment
<b>CIC</b>	Committee for Investment and Co-operation
<b>CMR</b>	Child Mortality Rate
<b>DCDC</b>	District Committee for Drug Control
<b>DDR</b>	Drug Demand Reduction
<b>ESCAP</b>	Economic and Social Commission for Asia and the Pacific
<b>FAO</b>	Food and Agriculture Organisation
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>GNP</b>	Gross National Product
<b>GDI</b>	Gender-related Development Index
<b>GRID</b>	Gender Resource Information Development
<b>HDI</b>	Human Development Index
<b>HDR</b>	Human Development Report
<b>IFAD</b>	International Fund for Agricultural Development
<b>ILO</b>	International Labour Organisation
<b>IMCH</b>	Institute of Maternal and Child Health
<b>IMF</b>	International Monetary Fund
<b>IMR</b>	Infant Mortality Rate
<b>IUCN</b>	International Union for Conservation of Nature
<b>Lao PDR</b>	The Lao People's Democratic Republic
<b>LCDC</b>	Lao National Commission for Drug Control and Supervision
<b>LDC</b>	Least Developed Country
<b>LFNR</b>	Lao Front for National Reconstruction
<b>LFTU</b>	Lao Federation of Trade Unions
<b>LPRP</b>	Lao People's Revolutionary Party
<b>LRYU</b>	Lao Revolutionary Youth Union
<b>LWU</b>	Lao Women's Union
<b>MoFA</b>	Ministry of Foreign Affairs
<b>MoF</b>	Ministry of Finance
<b>MoH</b>	Ministry of Health
<b>MRC</b>	Mekong River Commission
<b>NBCA</b>	National Biodiversity Conservation Area
<b>NCCA</b>	National Committee for the Control of AIDS
<b>NDMO</b>	National Disaster Management Office
<b>NEM</b>	New Economic Mechanism
<b>NGO</b>	Non-Governmental Organisation
<b>NRS</b>	National Reconnaissance Survey
<b>ODA</b>	Official Development Assistance
<b>PCDC</b>	Provincial Committee for Drug Control
<b>PMO</b>	Prime Minister's Office
<b>RTM</b>	Round Table Mechanism
<b>SEA</b>	South East Asia
<b>SOCB</b>	State-Owned Commercial Bank
<b>SOE</b>	State-Owned Enterprise
<b>SPC</b>	State Planning Committee

<b>STD</b>	Sexually Transmitted Disease
<b>UN</b>	United Nations
<b>UNAIDS</b>	United Nations Programme on HIV/AIDS
<b>UNCDF</b>	United Nations Capital Development Fund
<b>UNCED</b>	United Nations Conference on Environment and Development
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNDAF</b>	United Nations Development Assistance Framework
<b>UNDCP</b>	United Nations Drug Control Programme
<b>UNDP</b>	United Nations Development Programme
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organisation
<b>UNFPA</b>	United Nations Population Fund
<b>UNGASS</b>	United Nations General Assembly Special Session
<b>UNHCR</b>	United Nations High Commission for Refugees
<b>UNICEF</b>	United Nations Children's Fund
<b>UNIDO</b>	United Nations Industrial Development Organisation
<b>UNODC</b>	United Nations Office on Drugs and Crime
<b>UNV</b>	United Nations Volunteers
<b>UXO</b>	Unexploded Ordnance
<b>VAD</b>	Vitamin A Deficiency
<b>VHV</b>	Village Health Volunteer
<b>WB</b>	World Bank
<b>WFP</b>	World Food Programme
<b>WFS</b>	World Food Summit
<b>WHO</b>	World Health Organisation
<b>WTO</b>	World Trade Organisation





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**1 SUMMARY TABLE OF GENERAL STATISTICS (relevant to the drug problem)**

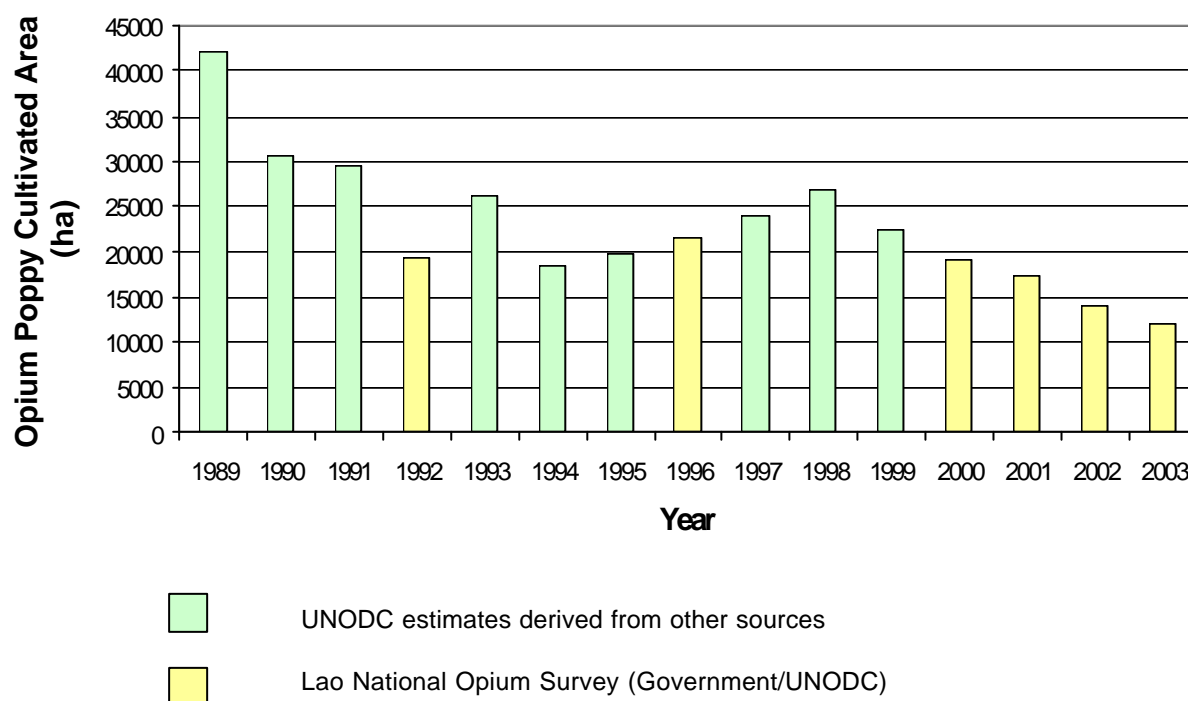
<b>SUMMARY STATISTICS</b>			
<b>Indicator</b>	<b>Country value</b>	<b>Comparative aggregate average</b>	
		<b>Developed countries</b>	<b>Developing countries</b>
<b>Human Development Index Rank (2002)</b>	<b>143 out of 173</b>		
<b>Land</b>			
Size of country, (sq.km)(1999)	<b>236,800</b>		
Arable land, (sq.km)(1999)	<b>8,750</b>		
<b>Population</b>			
Population (million)(2000)	<b>5.4</b>		
Population growth, %(1998)	<b>2.2</b>	0.30	1.40
Life-expectancy at birth (2000)	<b>54.0</b>	77.00	64.70
Population age 15 and above, %(2000)	<b>56.0</b>	80.50	66.60
Population age 15 to 24, (%)	<b>18.5</b>	13.60	18.60
Share of urban population, %(1999)	<b>24.0</b>	78.1(1998)	39.0(1998)
<b>Economic development</b>			
GDP growth, %(2000)	<b>5.7</b>	1.00	2.50
GDP per capita, PPP US\$ (2000)	<b>1,575</b>	24,973	3,783
Trade: imports as share of GDP, %(1999)	<b>49</b>	21.7(1998)	30.2(1998)
Trade: exports as share of GDP, %(1999)	<b>37</b>	22.7(1998)	31.7(1998)
Share of agriculture in GDP, (%) (2000)	<b>52.9</b>	2.5(1998)	13.5(1998)
Total external debt, % of GNP (1998)	<b>199.1</b>		42.80
Kip exchange rate to US\$ as of March 2003	<b>10,685</b>		
<b>Poverty and unemployment</b>			
Population below national poverty line (1984-1999)	<b>46.1</b>		
Income distribution ratio, (20% richest/20% poorest)	<b>4.2</b>		
<b>Health</b>			
Public expenditure on health, (% of GDP)(1998)	<b>1.2</b>	6.2	2.2
Population with access to essential drugs %(1999)	<b>66.0</b>		
Doctors per 100,000 people (1992-1995)	<b>24.0</b>	246.0	78.0
HIV/AIDS prevalence (2000)	<b>0.05</b>	0.31	1.32
<b>Educati on</b>			
Adult literacy rate (2000)	<b>48.7</b>		73.7
Combined enrolment ratio (primary, secondary, tertiary) (1999)	<b>58.0</b>	91.0	61.0
Radio per 1,000 people (1995)	<b>129.0</b>	1,005.0	185.0
Television per 1,000 people (1998)	<b>4.0</b>	621.0	162.0
Telephone lines per 1,000 people (2000)	<b>8</b>	556	78
Sources: WB, UNDP, DESA, FAO and IMF			

## EXECUTIVE SUMMARY

The Lao People's Democratic Republic (The Lao PDR) is landlocked, bordering Myanmar, Thailand, China, Viet Nam and Cambodia. It is the third largest producer of illicit opium worldwide; it has the world's second highest opiate addiction rate. Opium is produced and consumed in the mountainous and inaccessible North by subsistence farmers from ethnic groups. Opium plays an important economic role – transacted in cash, or used as payment for labour, barter for food and other commodities. While poverty was a reason for growing opium, addiction is a limiting factor for productivity, leading again to poverty, with many trapped in this vicious circle. Between 1998 and 2003, opium cultivation area decreased by about 55%. The 2003 opium survey estimated cultivation at 12,000 hectares, with 120 tonnes opium production at 10-kg/ha yields. The Government reported that, resulting from its eradication campaign, the actual area harvested was 7,847 hectares, and 78.5 tonnes opium produced.

In 2003, the Government reported 30,000 opium addicts, against 53,000 in 2002. Opium consumption was estimated at one third of total opium production. The variety of ethnic groups and sub-groups with different cultural traditions and languages underlines the need for cultural sensitivity and the complexities of customizing approaches. Community-based drug abuse reduction involves not only detoxification and rehabilitation, but also the important preparatory stage for the community to understand the linkage between poverty and addiction. In 2002, an internal UNODC review of the community-based approach concluded that strong village leadership, supportive village community, socio-economic improvements, as well as reduced opium supplies by law enforcement, were important for sustainability.

Estimated national area under opium poppy cultivation, 1989-2003



Opium elimination has to be phased out gradually at household level, so as not to cause undue hardship to farmers, otherwise there will be no joint ownership with farmers, jeopardising sustainability. Poppy agreements must be reasonable, to enable farmers to honour their commitments. Success indicators of sustainable opium elimination would thus include indicators

such food security, income generating activities, access to health and education for poppy farming households. This requires a participatory approach, institutional capacity at village/district levels, agency coordination, and mainstreaming of opium issues into rural development. If opium prices rise, farmers might be tempted to produce again and remaining cultivation could shift into more inaccessible areas. The challenge is to deliver alternative livelihoods on time. With assistance from the international community, the Government has to provide an enabling environment, which promotes continuity in staffing, as well as funding flows.

The recent emergence of Amphetamine-Type-Stimulant (ATS) abuse, initially in urban, and then in rural areas was fuelled by increased transit trafficking from neighbouring countries. In 1999/2000, surveys in educational institutions in three urban areas in Vientiane, *Savannakhet* and *Luang Prabang*, revealed that drugs commonly abused were ATS, prescription drugs, cannabis and solvents. The most susceptible age group was 15-19 years. In Vientiane, 17-year old males showed high lifetime prevalence rates of ATS (14%). In 2002, surveys conducted in Vientiane indicated high lifetime drug abuse prevalence, mainly ATS, for unemployed youth (42%), disco clients (34%) and service girls (14%). Injecting drug abuse is low, as is HIV/AIDS prevalence, but high prevalence rates in neighbouring countries and population mobility adds to Lao vulnerability.

Major routes identified in trafficking ATS, heroin and opium were through the northwest provinces to China, Viet Nam, Thailand or Cambodia. Transit trafficking of heroin and ATS has grown, as controls on the Thai-Myanmar border tighten. Availability of raw materials and chemists, mobility of production and limited law enforcement capacity puts the Lao PDR at high risk of illicit drug production, in particular, ATS and heroin. In the sub-regional context of fast changing drug production and trafficking scenario, law enforcement capacity and capability must be rapidly geared up.

The Lao PDR is party to the 1961 single Convention and 1971 Conventions and is in the process of becoming party to the 1988 Convention. It has not ratified the 1972 Protocol. Article 135 of the Lao PDR Penal Code in 1990 prohibited trafficking, as well as manufacture of heroin and other narcotics, but it was only in 1996 when production and possession of opium were made illegal. In 2001, Article 135 was again amended, considerably increasing penalties. A series of ministerial decrees contributed to the establishment of a legal framework for control of licit trade of drugs.

In 2000, approval of the Opium Elimination Programme was followed closely by the Prime Minister's Order, which made all government agencies accountable for drug control. In 2001, the 7th National Party Congress made opium elimination a national priority. A National Drug Demand Reduction Strategy was approved in 2002 and a Law Enforcement Strategy is under formulation. The three strategies would then form a comprehensive nation plan for drug control. A number of initiatives helped to mainstream and consolidate drug control and be linked to poverty reduction in the National Poverty Eradication Programme document. The Lao PDR aims to be no longer a Least Developed Country by 2020 and to meet the Association of South East Asian Nations (ASEAN) drug free goal by 2015.

Movement into Thailand is relatively easy and attractive due to the wide difference in economic opportunities. UNICEF reported that 15,000 youths from one province alone, at least 50% under 15 years, crossed into Thailand, most illegally. Females aged 20 or below formed the biggest group of migrants, and are at high risk of being trafficked for prostitution. A Memorandum of Understanding with Thailand, addressing trafficking of women in particular, was signed in September 2002. A National Action Plan to Combat Sexual Exploitation of Children is being drafted.

Security incidents occurred sporadically, including bomb explosions and shooting incidents in public places. The Lao PDR is a one-party state in which the Lao People's Revolutionary Party

leadership permeates down to district and village level. As politics and law and order issues are closely inter-linked, much of crime control is informal. Since 1989, the Government started establishing the foundations for transition to the Rule of Law. Key laws were enacted, and promulgation of a new Constitution in 1991 represented a milestone in this process. Weaknesses of the legal system relate to legislative drafting, public awareness of the legal system, dissemination of legal information to judges, prosecutors and police and co-ordination among them.

The 7<sup>th</sup> Party Congress resolved to pursue transparency and accountability in Government to combat corruption at all levels. A State Inspection Authority (SIA) established in June 2001 carries out audit inspections of state institutions and state-owned enterprises and is responsible for prevention and suppression of corruption. The SIA reports to and is under direct instruction of the Prime Minister.

The Lao PDR's Government condemned all forms of terrorism and supports the global fight against terrorism. The Government is committed to international cooperation to prevent and suppress any acts of terrorism through all lawful means, in accordance with the *Security Council Resolution 1373* adopted on 28 September 2001. The Lao PDR has adopted the *ASEAN Declaration on Terrorism* on 3 November 2002. The Lao PDR also signed the ASEAN Declaration on Joint Action to Counter Terrorism in November 2001.

## 2 SUMMARY STATISTICS - DRUGS

### Opium cultivation and production (UNDCP, *Global Illicit Drug Trends, National Opium Survey, 2002*)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Opium cultivation (ha.)	19	26	18,5	19,6	21,6	24	26,8	22,5	19	17	14	12
Opium production (tonnes)	127	169	120	128	140	147	124	124	167	134	112	120

	<b>2.1 Evolution of the area under opium poppy cultivation by province</b>						
<b>Province</b>	<b>1992</b>	<b>1996</b>	<b>1998</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Luang Prabang	3,510	3,550	2,786	3,036	2,950	3,400	2,576
Huapanh	3,770	3,817	3,450	3,921	2,903	2,934	2,530
Phongsaly	2,840	3,558	5,778	3,872	3,278	1,703	1,602
OudomXay	1,860	2,416	5,597	4,061	3,112	1,901	1,579
Luang Namtha	1,730	2,197	3,593	1,514	1,687	1,355	1,197
Xieng Khuang	2,880	2,916	2,902	1,376	1,426	1,078	979
Bokeo	620	785	428	448	427	332	480
Xayabouri	400	754	1,014	508	729	857	472
Xaisombun	n/a	n/a	N/a	224	521	240	354
Vientiane	880*	900*	672	19	117	210	130
Bolikhamsay	700	708	617	73	105	42	74
Total	19,190	21,601	26,837	19,052	17,255	14,052	11,973
<b>Rounded total</b>	<b>19,200</b>	<b>21,600</b>	<b>26,800</b>	<b>19,100</b>	<b>17,300</b>	<b>14,100</b>	<b>12,000</b>

\* Includes Xaisombun

\*\* Previously within Xaisombun, the Hom and Longxan Districts are part of the Vientiane Province since 2001

Taking into account the estimated domestic consumption of opium, a substantial surplus is available for processing heroin, in the Lao PDR or outside the country. The potential manufacture of heroin in the table below is based on the surplus of Lao opium.

#### Potential manufacture of heroin, based on surplus of opium (in kg)

<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>% Change (2001 compared to 1998)</b>
7,700	5,300	NA	9,700	6,400	+21%

Source: UNDCP, Global Illicit Drug Trends 2001

#### Seizures (in kg)

	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Heroin	16.2	72.3	80	14.8	20	49.70	17.24
Opium	199	200	442	225.8	151.4	468.8	123.4
ATS (tablets)	9,698	774,714	670,874	861,801	1.95m	928,167	1.5m
Cannabis (kg)	1,896,300	7,026,000	410,000	2,187,000	1,860,000	1,960,000	3,038

Source: UNDCP, Global Illicit Drug Trends 2002, and LCDC 2003

Annual prevalence of opiate abuse (age 15 and above)	2%
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Source: UNDCP, Global Illicit Drug Trends 2002

### 3 THE YEAR IN REVIEW: MAIN EVENTS

The 2003 Lao National Opium Survey reported 12,000 hectares opium poppy cultivated; a reduction of 2,100 hectares (15%) compared with 2002, and 55% decrease since its peak of 26,800 hectares in 1998. The estimated higher yield of 10 kg/ha, presumed to be due to better weather conditions, resulted in an estimated potential production of 120 tonnes, representing 7% increase over 2002. The Government reported that due to its eradication campaign, the actual area harvested was 7,847 hectares, and actual opium production only 78.5 tonnes. Estimated 40,000 households cultivated opium poppy, each averaging 0.29 hectares. The district authorities reported 1,537 villages growing opium. The largest decreases occurred in the six target provinces of the Opium Elimination Programme where 87% cultivation was concentrated. The Government declared six districts opium free in 2003, and this information from the Government was used in establishing the national estimates. As opium surveys take place near harvest time, the following prices refer to the 2002 Lao National Opium Survey. The weighted average farm gate price was about US\$160: an increase of 26% over the previous year and confirming decreasing opium availability. Families harvested an average of 1.15 kg opium in 2002, sold about half for US\$88-92 (representing around 42% of their annual cash income), 37% for personal use and 7% for barter.

The survey methodologies for addiction were different in 2003. Data collected were much smaller (678 against 4,464 in 2002), six districts were not included (four in Xayaboury, two in Bolikhamsay Provinces). It was based on a village census organised by provincial and district authorities, instead of on a sample basis as in 2002. These differences have probably contributed to the drastic reduction in the number of addicts reported and should be taken into consideration in the following Government data. The six provinces accounting for 87% opium cultivation also accounted for 85% addicts. The Government reported about 30,000 addicts, mainly males (78%). The highest number of addicts appeared among the 50-60 and 60-70 age groups, both adding up to 54%. The mean age was 57 years for males and 60 years for females. In 2003, the average annual opium consumption ranged between 1.3 to 1.5 kg per addict, with a mean value of 1.4 kg/year. Based on the Government estimate of 30,000 addicts, total consumption in 2003 would range between 39 to 45 tonnes opium.

The 2002 Lao National Opium Survey estimated opium poppy cultivation to be at 14,052 hectares, representing 18.6 % reduction (compared with 17,255 hectares in 2001) and with production estimated at 112 tonnes opium, at 8 kg/ha. Poppy was cultivated by 1,605 villages in 62 out of the 82 districts spanning the ten northern provinces. Opium plays an important economic role. Based on the 2002 opium farm gate price of US\$163 per kg, the total value of Lao opium was estimated at US\$18.3 million. Taking into account the local consumption of 54 tonnes, the potential export value of the remaining opium is estimated at US\$ 8.8 million. There were 52,600 opium addicts (2.18% of the population 15 years and above countrywide), of which 81% were men. Based on the average opium addict consuming about 1.1 kg opium per year, consumption was estimated at 58 tonnes. There was a 9.6% decrease compared to 2001, but a downward trend in the mean age of opium addiction: 49 years for men and 53 years for women (compared to 52 and 56 years respectively in 1998); 1.16% of addicts were below 20 years old. The highest rates of opium addiction were in the provinces of Luang Namtha (5.79%), Phongsali (4.17%) and Bokeo (3.73%). An internal UNODC review in 2002 concluded that the method of opium detoxification did not appear to affect the success rate of opium treatment but that important factors for sustainability of the community-based approach appeared to be strong village leadership and supportive village community, socio-economic improvements, as well as reduced opium supplies by law enforcement. Community-based treatment and rehabilitation should thus be co-ordinated with alternative development to improve the villagers' living conditions and, thereby, enhances sustainability to drug demand reduction. Law enforcement plays is essential in the suppression of illicit drugs, since easy availability was an important

factor influencing new drug abusers and relapse cases. During the 2002-2003 growing season, the Lao authorities stepped up the opium poppy eradication.

In 2002, surveys conducted in Vientiane among non-captive groups indicated high life time drug abuse prevalence, especially for ATS, at 42% for unemployed youth, 34% for disco clients and 14% for service girls. Current prevalence figures were also high in all groups. Intravenous drug use is still low, but the increasing abuse of ATS and associated risk behaviour add another potential contributing factor to HIV/AIDS transmission. While HIV/AIDS prevalence is still low at 0.05%, high prevalence rates in neighbouring countries and population mobility add to Lao vulnerability. The surveys followed those carried out in 1999/2000 in educational institutions in three urban areas in Vientiane, Savannakhet and Luang Prabang. Those had revealed that ATS was commonly used, the most susceptible age group for drug abuse was 15-19 years of age, and in Vientiane, 17-year-old males had shown high lifetime prevalence rates of ATS (14.1%). In December 2002, the Government held a national drug demand reduction seminar, where all concerned Government agencies, including provincial officials, were presented with the draft national policy paper on the national drug demand reduction strategy, which has since been approved.

In June 2002, three persons were sentenced to capital punishment since its inclusion in Article 135 of the Penal Code in 2001. The emergence of ATS abuse, initially in urban, and then rural areas was fuelled by increased transit trafficking from neighbouring countries. Due to more intensive law enforcement in Thailand and sporadic border closures along the Myanmar/Thai border, drug trafficking is now increasingly diverted through The Lao PDR from the North. Precursors are also trafficked from the northern borders. In 2002, in the Nong Khai Province, in northeast Thailand, 2 tonnes caffeine were seized, en route to the Lao PDR, but its final destination was unclear.

## **4 GENERAL SETTING**

### **4.1 MAJOR SOCIO-ECONOMIC CHARACTERISTICS OF THE COUNTRY**

#### **4.1.1 Size of country/population density/population growth**

The Lao PDR is a landlocked country with a land area of 236,800 square km, about the same size as the United Kingdom (242,900 square km) and a third of the size of Myanmar (676,600 square km). The total population was 5.4 million in 2000. Population density is extremely low (23 people per square km). Population growth (2.4% p.a. over the 1975-98 period) has been above the developing countries' average (2.0%). Over the 1975-2000 period, population growth declined to 2.2% p.a. (*Human Development Report, 2002*).

#### **4.1.2 Geographic characteristics**

About 80% of the country is mountainous. 53% is covered by forests (World Bank, 2000). Traditionally, the main route of transport - for all kinds of goods - has been the Mekong River (4,600 km), which for 1,800 km forms the borders of The Lao PDR with Myanmar and Thailand. Road transport is limited. Out of 18,400 km of roads in 1995, less than half were surfaced. Many dirt roads become impassable during the rainy season. According to the World Bank report, approximately 33% (of all villages in the Lao PDR), 22% of the population, live in areas that are in accessible to vehicles. The percentage is higher in the north of the country (55% of all villages), which is also the location of most of the country's illicit opium production.





*Photo: About 80% of the Lao PDR is mountainous*



*Photo: Akha family in the Luang Namtha Province*

#### **4.1.3 Ethnic groups**

Despite the small size of its population, there are 68 distinct ethnic groups officially recognised by the Government. They can be divided into three broad categories: *Lao Loum* ("lowland Lao"), *Lao Theung* ("mountain Lao") and *Lao Soung* ("Lao of the mountain tops"). In addition, small numbers of ethnic Vietnamese and Chinese live in the Lao PDR. Some 60% of the population belong to the Lao Loum group, generally residing in the western valleys. They are mainly engaged in irrigated rice farming and they dominate the cities. A further 35% of the population belong to various hill tribes of which some two thirds form part of the Lao Theung tribes and one third of the Lao Soung tribes. Some of the Lao Theung tribes are involved in opium production, often hired as labourers. The Lao Soung tribes live mainly on subsistence farming and are engaged in upland rice cultivation. They are considered to be the main opium producers, thus complementing their meagre income from other sources. In terms of quality of life (education level, state of health, income level, etc.), the Lao Soung are the most disadvantaged group in the Lao PDR. In general, quality of life is lower in the remote opium-producing areas in northern the Lao PDR than in the rest of the country.

#### **4.1.4 Historical background**

Opium was known before in the Lao PDR: its cultivation expanded in the colonial period. In 1899, opium trafficking in the French Indochina was consolidated into one single opium monopoly, which was also responsible for the supply of refined opium for smoking in Government-owned opium dens. Between 1916 and 1918, the *Régie d'opium* sold more than 115 tonnes opium annually, around the same level of the 2002 Lao opium production of 112.1 tonnes. At that time, however, some 60 tonnes of opium had to be imported to cover rising domestic demand in Indochina. In 1918, there were 1,512 opium dens and 3,098 opium retail shops in Indochina. Up to the end of the French opium monopoly in 1950 - as well as for a number of subsequent years - poppy fields of the Lao PDR supplied the opium dens of Saigon. During the Viet Nam War, some of the opium produced in the Lao PDR ended up as heroin for US troops stationed in Viet Nam.

#### **4.1.5 Economic growth**

Particularly since the proclaimed *New Economic Mechanism* in 1986, which led to a liberalisation of the economy, the economic situation in the Lao PDR started to improve. In July

1997, the Lao PDR joined ASEAN. The countrywide average annual GDP growth rate was at about 6.5 % p.a. over the 1990-2000 period (World Bank, 2001).

While economic performance has thus been very satisfactory at the macro level, the benefits of the open market policies remain largely concentrated in Vientiane and other urban areas, resulting in growing disparities between urban and rural areas. Urban areas have been the main beneficiaries of economic growth, while the weaker performance of the agricultural sector resulted in a relative decline of living standards in rural areas. This could potentially have negative consequences for drug control such as: (i) an accelerated migration from rural to urban areas, with an increase in urban poverty, trafficking and drug abuse; and (ii) in rural areas, an incentive to rely more on opium as a cash crop to compensate for deteriorating terms of exchange for agricultural products. A positive sign against this background is the high priority given by the Lao Government to rural development as part of its overall socio-economic strategy since the mid-1990s. In line with the economic crisis in Thailand and other Southeast Asian countries in 1997/98, economic growth in the Lao PDR slowed down.

#### **4.1.6 Level of socio-economic development**

The Lao PDR is officially recognised as a Least Developed Country (LDC) and it relies heavily on external aid. Inflation used to be moderate (around 11% in much of the 1990s) but increased to 140% in December 1998, following the Asian financial crisis and the depreciation of the Lao currency, the *Kip*. In the fourth quarter of 1999, consumer price inflation rose by an average of 99.9% year on year. From September 1999 to early 2002, month-on-month inflation has either been negative or just positive, thanks mainly to reduced food price pressures and the stabilisation of the *Kip*. However, in the second quarter of 2002, the *Kip* resumed its downward trend against the US\$ and the Thai Baht.

Overall living standards in the Lao PDR, following decades of wars and destruction, are still very low, making the country particularly vulnerable to drug production. According to the 2002 UNDP *Human Development Index*, the Lao PDR ranks 89 out of 173 countries. The ranking of its five neighbouring countries is as follows: Thailand: 70; China: 96; Viet Nam: 109; Myanmar: 127; and Cambodia: 130.

Differences in the Gross Domestic Product (GDP) become less marked once they are adjusted for differences in purchasing power to eliminate distortions arising from the exchange rates. The GDP per capita in the Lao PDR amounted to US\$1,575 in 2000. The GDP in Cambodia was slightly lower at US\$1,446; Viet Nam was at US\$ 1,996 and Thailand at US\$ 6,402 per capita (HDR, 2002).

Some 26% of the population falls below an income poverty line of US\$1 per day, more than 73% fall under US\$2 per day (HDR, 2002). The incidence of poverty in rural areas in the Lao PDR is 53%, compared with 24% in urban areas (Economist Intelligence Unit, 1998-98). 76.5 percent of the population (WB, 2000) still lives in rural areas, a higher proportion than is normally found in developing countries (61% on average), or in industrialised countries (22%). In 2000 life expectancy was 54 years old, and thus below the developing countries average (64.7 years). 34% of the population does not have access to health services (HDR, 2001). Poor access to health services has been cited as a major reason for widespread abuse of opium as the general medication for all kinds of ailments in the northern Lao PDR. Adult illiteracy rate at 51.3% is relatively high: 6.6% in Viet Nam, and 32.2% in Cambodia (HDR, 2002). The spread of mass media is still in its infancy. The net foreign direct investment accounted for 4.2% of the GDP in 2000, compared to 4.1% for Viet Nam and 2.8% for Thailand. The Official Development Assistance (ODA) received in 2000 was 16.4% of the GDP, compared to 17.3% ten years earlier (HDR, 2002).

The economy of the Lao PDR is predominantly agrarian and largely subsistence based. Agriculture accounted for 53% of the GDP in 2000, industry for 23% (World Bank, 2000). 77% of the country's workforce (1996) is employed in agriculture (World Bank, 1998). The banking

system is in its infancy. Tourism is still small by standards of neighbouring Thailand, but it is rapidly expanding. Tourist arrivals have multiplied from 37,613 (1991) to 737,208 in 2000 (Lao Tourism Authority). Restrictions on tourism have been largely relaxed since 1994 and low budget tourists (back-packers) are increasingly discovering the Lao PDR. The Travel and Tourism Economy contribution to the GDP in 2000 was 11% (World Travel & Tourism Council).

#### **4.1.7 Foreign trade**

As a consequence of the opening up of the economy, foreign trade has grown strongly in recent years - by an average 15% p.a. over the period 1986-1996 (IMF, 1998). Imports amounted to US\$591 million and the exports amounted to US\$393 million in 2000 (IMF, 2001). The imports - mostly consumer and capital goods - originate in Thailand (45%), Japan (7.6%), China (4.6%, incl. Hong Kong), and Viet Nam (3.7%) (World Bank, 1998). Exports mainly go to Thailand (30.2%) and Viet Nam (29.1%), and, to a lesser degree to Europe, (France 2.6%; the United Kingdom 2.1%; Germany 1.5%) (1996). Wood products represented the largest export item in 2000, with US\$119.9 million, electricity exports were at US\$111.6 million, garments at US\$76.9 million, motorcycles at US\$41 million and coffee exports at US\$15.1 million (IMF, 2001). Exports of other agricultural and non-timber forest products accounted for US\$12.7 million. Increasing volumes of legitimate trade with neighboring countries poses a challenge to law enforcement, as illegal drugs are often smuggled along with commercial goods.

#### **4.1.8 Value of opium production**

Opium does play an important economic role for the opium producing regions in the northern Lao PDR. A total of 1,605 villages of the northern provinces cultivated opium in 2002. The estimated value of illicit opium production (estimated at 2001 farm-gate prices) amounted to US\$18.3 million in 2002 (112.1 tonnes at US\$163/kg) (2002 *National Opium Survey*). Some 58 tonnes of opium are apparently abused for domestic consumption purposes. Therefore, the value added of the opiates industry in the Lao PDR in 2002 should not have exceeded US\$8.8 million (54 tonnes at farm-gate price of US\$ 163/kg).

In 1998, opium accounted for 37% of the total cash income of households selling opium, and was equivalent to 64% of overall cash income generated from agricultural resources of households selling opium in the northern Lao PDR (1998 *National Opium Survey*) (Cf. Section on opium prices)

## **5 DRUG SITUATION**

### **5.1 Product and cultivation**

#### **5.1.1 Opium cultivation**

The Lao PDR is the world's third largest producer of illicit opium after Afghanistan and Myanmar. Opium is produced in ten provinces and the Saisomboun Special Zone in the mountainous North of the country, in regions where access is difficult. The villages growing opium poppy are generally poor, reflecting limited alternatives to generate cash income.

Since 1992, the Government and UNODC have undertaken a number of surveys based on an inventory of all known opium-

Photo: Opium poppy in the Xieng Khouang Province



producing villages and data from a sample of opium producing villages. The 1992 Lao National Opium Survey estimated the cultivation area at 19,200 hectares and opium production at 125 to 130 tonnes. The survey indicated that opium poppy was grown in 58 out of 69 districts of the northern Lao PDR (about 85% of the districts in the northern Lao PDR). Some 60,000 households in 2,200 villages (32%) were found to be involved in opium production.

The 1996 Lao National Opium Survey, using a similar methodological approach, showed an increase in cultivation to 21,600 hectares, resulting in an output of around 140 tonnes. Some 69,000 households were involved in the production of opium, mostly on small-scale fields.

A much larger survey, carried out in 1998, showed that the area under opium cultivation had increased to 26,837 hectares. The increase was basically limited to the northwestern parts of the country, bordering China and Myanmar. Apart from some additional statistical reasons (two



districts had not been covered in the previous surveys), the main factor for the increases in areas under cultivation had been the population growth in remote areas, which enabled families to cultivate larger plots. In previous surveys, manpower had been found to be one of the main limiting factors for expansion of opium poppy cultivation. As families grew, the average household area under opium cultivation in the Lao PDR increased by about 20%, from 0.3 hectares per household in 1992 to 0.36 hectares per household in 1998. Due to a significant drop in the yield levels, there was no increase in production. The poor yield (4.6 kg/hectares in 1998 as opposed to 6.6 kg/hectares in previous surveys) was mainly a result of a severe drought in northern Lao PDR in 1998. Diminishing soil fertility also played a role. The 1998 survey estimated the price of one kilo of raw opium at US\$65.

*Photo: Raw opium and opium pipes*

In 2000, some 391 villages were surveyed out of the 6,404 villages in the 11 provinces of the northern Lao PDR. Nationally, the survey estimated that there were 19,052 hectares of opium poppy under cultivation in the 1999-2000 season. This represented a reduction in total opium poppy area of nearly 30%, compared with the 1998 estimate of 26,800 ha. The survey confirmed that in every district where alternative development projects were being implemented, a significant decrease was noticeable. The national yield was estimated at 8.7 kg/hectares with important provincial variations, and total production ranged at about 167 tonnes of raw opium. The number of opium addicts was estimated at 62,895 persons, against 63,248 persons in 1998. At the country level, the farm gate price of opium was estimated at 695,257 Kip/kg (or US\$92/kg), but with important provincial variations.

The 2001 Lao National Opium Survey estimated that there were 17,255 hectares of opium poppy under cultivation, a reduction of 9.5% compared with the 2000 survey. The total opium production was estimated at 134.2 tonnes. The downward trend from 1998 continued into 2002.

The 2002 Lao National Opium Survey revealed that 14,052 hectares were under opium production in the Lao PDR, representing a reduction of 18.6% compared with the 2001 estimate of 17,255 hectares. The total potential production was estimated at 112 tonnes of opium, representing a 16% decrease compared to the previous year. Yields per hectare vary significantly in the Lao PDR. Previous surveys have showed a range from less than 2.4

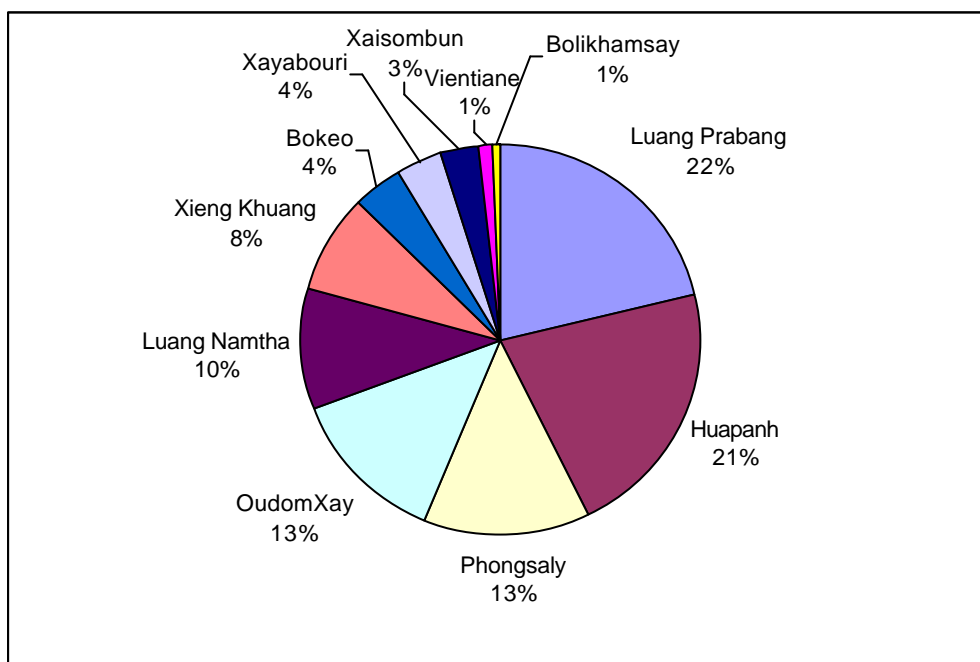
kg/hectare to 34 kg/hectare. The share of the Lao PDR in the estimated global area under cultivation of opium poppy was around 8.5%, while its share in global illicit opium production was only about 3.5% in 2000. This reflects a very low yield of opium poppy production: 8.7 kg/hectare in 2000 and 8 kg/ha in 2002, compared to 41 kg/hectare in Afghanistan (eight-year average) (UNODC 2002). It is estimated that about 58 tonnes are for domestic consumption, leaving around half of the production for export. Out of the 82 districts in the northern provinces, opium poppy cultivation was reported in 62 districts. Ten districts account for 36% of the total national area, while 80% of the cultivation takes place in the top 34 districts (2002 National Opium Survey).

Table: Estimated areas under poppy cultivation by province, 2002 National Opium Survey.

Pr. No.	Province	Villages growing surveyed	Field measured	<sup>2</sup> Average household area (ha)	<sup>3</sup> Average village household growing	<sup>4</sup> Average village area (ha)	Village growing	Total area* (ha)
06	Luang Prabang	38	271	0.50	26.87	13.55	197	3,400
07	Huapanh	44	340	0.37	21.72	8.08	363	2,934
04	Udomxay	51	413	0.35	25.73	9.01	211	1,901
02	Phongsaly	51	304	0.32	16.94	5.45	299	1,703
03	Luang Namtha	48	485	0.26	31.92	8.26	142	1,355
09	Xieng Khouang	28	114	0.29	22.74	6.57	236	1,078
08	Xayabouri	15	143	0.36	23.89	8.57	100	857
05	Bokeo	9	32	0.40	23.89	9.48	35	332
18	Xaisombun	2	8	0.45	23.89	10.65	3	240
10	Vientiane	10	22	0.42	23.89	9.98	21	210
11	Bolikhamxay	2	8	0.16	23.89	3.80	11	42
		<b>298</b>	<b>2140</b>				<b>1,618</b>	<b>14,052</b>

The 2003 National Opium Survey reported 12,000 hectares opium poppy cultivated, a reduction of 2,100 hectares (15%) compared with 2002, and 55% decrease since its peak of 26,800 hectares in 1998. The average potential yield ranged between 6 and 14 kg/ha, with a mean value of 10 kg/ha. The higher yield, presumed to be due to better weather conditions, resulted in an estimated potential production of 120 tonnes, representing 7% increase over 2002. Opium poppy was cultivated by an estimated 40,000 households, each averaging 0.29-hectare. The district authorities reported 1,537 villages growing opium, 73 villages (or 5%) less than the 1,610 villages in 2002. The Government reported that due to its eradication campaign, the actual area harvested was 7,847 hectares, and actual opium production was only 78.5 tonnes. The largest decreases occurred in the six target provinces of the Opium Elimination Programme where 87% cultivation was concentrated. The Government declared 6 districts opium free in 2003, and this information from the Government was used in establishing the national estimates. As opium surveys take place near harvest time, the following prices refer to 2002 opium. The weighted average farm gate price was about US\$160/kg (1.6 million Kip at 10,166 Kip/US\$), an increase of 26% over the previous year and confirming decreasing opium availability. Families harvested an average of 1.15kg opium in 2002, sold about half for US\$88-92 (representing more than 40% of their annual cash income), kept 37% for personal use and 7% for barter. Only 1% farmers received cash advances for their opium before harvest.

2003 Opium poppy cultivation in the Lao PDR: distribution by province



### 5.1.2 Production of cannabis

Commercial cannabis production is largely in the lowlands, in the southern Lao PDR and in particular in areas near to the Mekong River (provinces of Vientiane, Bolikhamsay, Saravanh, Champasak and Savannakhet), and for export to Thailand. No estimates are available on the extent of illicit cannabis cultivation, but seizures suggest that cannabis production in the Lao PDR is significant, despite eradication activities undertaken by the government. Herbal cannabis from Cambodia, the Lao PDR, Thailand, and to a lesser extent the Philippines, continues to play a significant role in regional and international trafficking (INTERPOL, 1998)

## 5.2 Manufacture

### 5.2.1 Manufacture of heroin

Traditionally, heroin manufacture in the region of the Golden Triangle was concentrated in the Shan State (Myanmar), as well as in northern Thailand. It was believed that the surrender of Khun Sa and his organisation to the Myanmar Government in the mid-1990s created a void in the region, leading to the emergence of new heroin producers in the Myanmar-Thailand border region, including the emergence of heroin production in the Lao PDR (INTERPOL, 1998).

Despite the production of opium, domestic production of heroin seems to be still limited, and most of the heroin seized in the Lao PDR has been in transit, usually originating in Myanmar. Heroin refineries are thought to be small and easy to move, usually located in the border areas of the northwest of the country. In 1998, a major heroin laboratory was detected in the Bokeo Province in the north-western Lao PDR (bordering Myanmar). Large quantities of drugs and several tonnes of processing chemicals, along with trafficker vehicles, weapons, and cash, were seized. On 7 August 2002, the Oudomxay Counter Narcotics Office charged two men with production of both heroin and ATS, and seized 5 kg heroin, 8 kg ATS and 4 kg opium, as well as the producing equipment.

### 5.2.2 Manufacture of synthetic drugs

A domestic market for ATS had been developing since the mid-1990s, particularly among the urban youth. The demand for ATS in neighbouring Thailand and manufacture of ATS in Myanmar had risen dramatically. It was thus only a question of time until production in the Lao

PDR started as well. In 1996, the authorities dismantled two laboratories producing ATS in the Bokeo Province (the north-western Lao PDR, bordering Thailand). The first laboratory was built in 1995; the second one was still under construction when seized. Equipment, 1 tonne of precursor chemicals, 10kg ATS, as well as 7.5kg heroin, was seized. The chemicals came by road from China; equipment from Thailand and the chemist was a Thai national. 10 Thai, 7 Myanmar and 5 Lao nationals were arrested in the operation. The cover-up was a legal Thai-Lao joint company. The ATS was produced for the Thai market. ATS production was detected in August 2002, as reported above, together with heroin. In mid-2002, the Thai police in the Nong Khai Province seized 2 tonnes of caffeine that were intended to be smuggled into the Lao PDR. The final destination of these controlled chemicals was not clear.



*Photo: Heroin (reportedly originating from Myanmar) seized in the Houaphan Province*



*Photo: ATS tablets*

### **5.2.3 Drug trafficking**

Although progress has been made in the last couple of years, the ability of the Lao PDR to control in-country and cross-border trafficking is still hampered by a lack of trained officials and resources. The lengthy borders with Thailand, Myanmar, China, Viet Nam and Cambodia are difficult to control. Checkpoints exist only along principal land routes and river crossings. This leaves large areas along the remote borders with little or no oversight. A major part of the trafficking takes place across the Mekong River.

### **5.2.4 Opium**

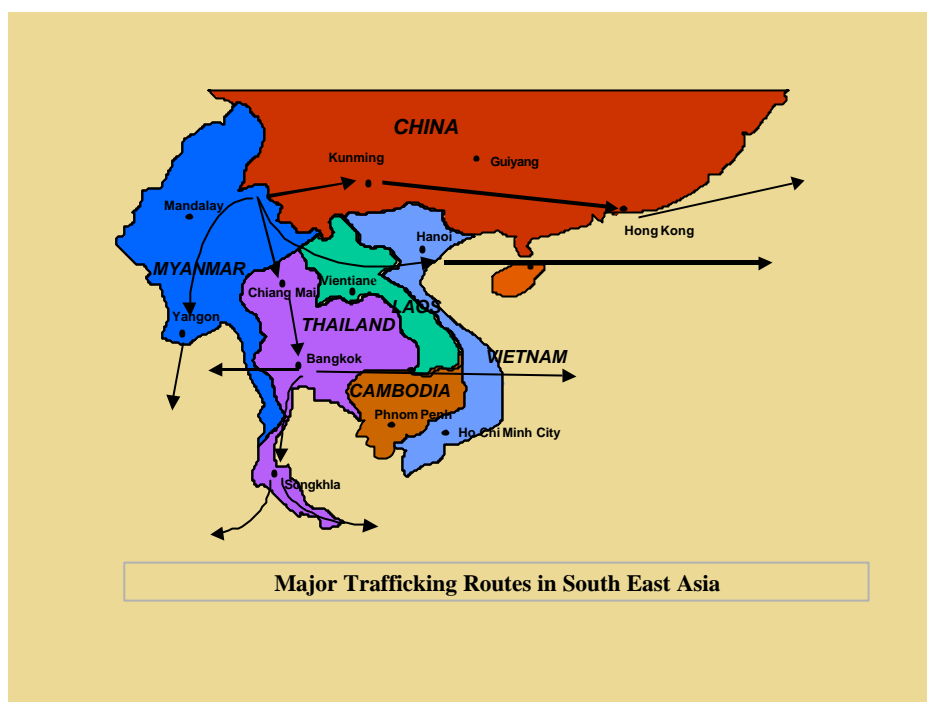
Domestic consumption of opium in the Lao PDR in 2002 is estimated at around 58 tonnes and around 54 tonnes of opium could be available for export. Exports go mostly to Thailand, Myanmar, Viet Nam and China. Seizures of opium in the Lao PDR fluctuated between 0.1 and 0.7 tonnes since the 1990s (123kg seized in 2002) (LCDC, 2003). The main trafficking routes are overland across the Lao/Thai border, although river ways are also increasingly used. In particular, the Bokeo and Oudomxay Provinces on the Thai border serve as entrance/exit transit areas in northwestern Lao PDR.

While opium is abused at the village level as a means of payment for farm labour and to barter for food and essential commodities to small traders, the trafficking of opium within the Lao PDR is done mostly on a small-scale between producers and petty traders at the local level. Transactions are usually negotiated in cash, in the local currency, although other currencies may be used, and these usually indicate the market destination. In the districts adjacent to the Thai border, farmers were paid predominantly in Thai Baht. In these districts, traders for the Thai market are also offering higher prices, possibly due to excellent access to international markets and diminishing supply in and around the Thai-Myanmar-Lao border region. The Chinese Yuan

was often used in Phongsaly province, which borders China, indicating the China route (*Lao National Opium Survey 2002*).

### 5.2.5 Heroin

Heroin is reportedly transiting through the Lao PDR from Myanmar to China, Thailand, Viet Nam and to Cambodia. These routes are mostly overland, although river ways are also increasingly used to transport the heroin into/through the Lao PDR. Some illicit drug trafficking appears to move north using overland routes through Luang Namtha to China (Yunnan, Guangxi and Guangdong provinces). There are no estimates on the extent of trafficking towards Viet Nam, but officials of both countries believe that it is



gaining in importance, as is heroin trafficking through the southern Lao PDR to Cambodia. Heroin also leaves the country via Vientiane's Wattay airport with the help of couriers or by mail. For the year 2002, LCDC reported the seizure of 17.24kg heroin, but seizures in northeastern Thailand indicate that the scale of heroin trafficking could be much higher.

### 5.2.6 Cannabis

Cannabis trafficking takes place mainly in Vientiane and the southern provinces. Seizures have fluctuated strongly in recent years. In 2002, the Lao authorities seized 3,038kg cannabis (LCDC, 2003).

According to intelligence reports, production of cannabis resin is largely undertaken on contract for Thai nationals who smuggle the drug to Thailand and other destinations (*Annual Report Questionnaire, 1994*). There was an increased involvement of Thai criminal organisations in cannabis trafficking in the Lao PDR in the 1990s. These organisations advanced funds and equipment to produce cannabis in the Lao PDR. Together with Cambodia and Thailand, the Lao PDR was one of the main source countries of herbal cannabis in regional trafficking (Interpol, 1998).

### 5.2.7 Cocaine

In October 2002, a drug courier from Ghana was arrested at Vientiane International Airport with 1.5kg cocaine. It was the first cocaine seizure in the Lao PDR, and as there appears to be no domestic market for cocaine, may be indicative of international transit trafficking.

### 5.2.8 Synthetic drugs

Major routes identified in trafficking ATS from northern Thailand were (i) Bokeo, Luang Namtha, to China; (ii) Bokeo, Luang Namtha, to Viet Nam; (iii) to the northern Lao PDR through Luang Prabang, Vientiane, and back to Thailand, or to Viet Nam or Cambodia. An increasing amount of ATS produced in Myanmar for the Thai market is being trafficked through the Lao PDR, as the Thai-Myanmar border is becoming increasingly controlled.



The burgeoning demand for ATS in the region was met by ever increasing supplies, with increasing trafficking through/for the Lao PDR. Over 860,000 tablets were seized in 1999, about 1.95 million in 2000, 930,000 in 2001, and 1,516,340 in 2002 (LCDC, 2003). In the context of the fast changing drug production and trafficking scenario in the sub-region, law enforcement capacity must be rapidly geared up or the Lao PDR will be further exploited as a transit country.

### **5.2.9 Precursors**

The Lao PDR is being used as a transit point for precursors from China to clandestine laboratories in Myanmar and Thailand. Precursors from China entered the Lao PDR through official border crossings at Boten, as well as across the long land border (*Terminal Report Precursor Control in East Asia Project*). The Lao PDR is also used for trans-shipment purposes (re-exports) of chemicals, to disguise their true origin and the final destination.

In 1996, a clandestine methamphetamine and heroin laboratory, which also doubled as a precursor warehouse, was discovered in the Bokeo Province. Authorities seized 725 litres of hydrochloric acid, used in the manufacture of heroin, equivalent to 55% of seizures of this chemical in the Far-East/South-East Asia region. Also the authorities seized were ethyl ether and acetone. The seizure of the ATS precursors ephedrine (100kg), pseudoephedrine (270kg) and phenylacetic acid (552kg) showed that alternatives to ephedrine were being used in the sub-region (*AD/RAS/96/B38, Terminal Project Report*).

## **5.3 Drug prices**

### **5.3.1 Opium**

Opium prices in the Lao PDR have strongly fluctuated over the years. After a rise in the late 1980s, prices fell in 1992 and 1993 before rising strongly over the 1994-1996 period and falling again strongly thereafter.

The rise over the 1994-96 periods can be probably linked to the surrender of Khun Sa in Myanmar. This resulted in a temporary decline of production in Myanmar. Rising prices in the Lao PDR acted as an incentive for farmers to expand cultivation, which they did in the western provinces of the northern Lao PDR. The decline in prices over the 1996-98 periods, by contrast, has less to do with developments in the region. It is rather a reflection of the rising share of high quality Latin American heroin, notably from Colombia, on the United States market, replacing some of the heroin from South-East Asia. At the same time, the dismantling of a major heroin laboratory in the Lao PDR in 1998, may have - at least temporarily - reduced the demand for opium in 1998, resulting in falling prices for farmers. The strong depreciation of the Southeast Asian currencies in 1998 led to an additional decline, if prices are expressed in US-dollars. In February 1998, prices of opium, at US\$65/kg (1998 Lao National Opium Survey) were only half as high as a decade ago (US\$117). Only two years earlier (1996), prices reached some US\$263/kg and were thus more than twice as high as in 1988. The decline in 1998 was less marked in terms of local currency. Prices in local currency (Kip 158,000/kg in February 1998) are still three times higher than a decade earlier (Kip 47,000 in 1988), or five years earlier (Kip 49,000 in 1993). However, due to strong inflation in 1998, such current prices may not be directly comparable.

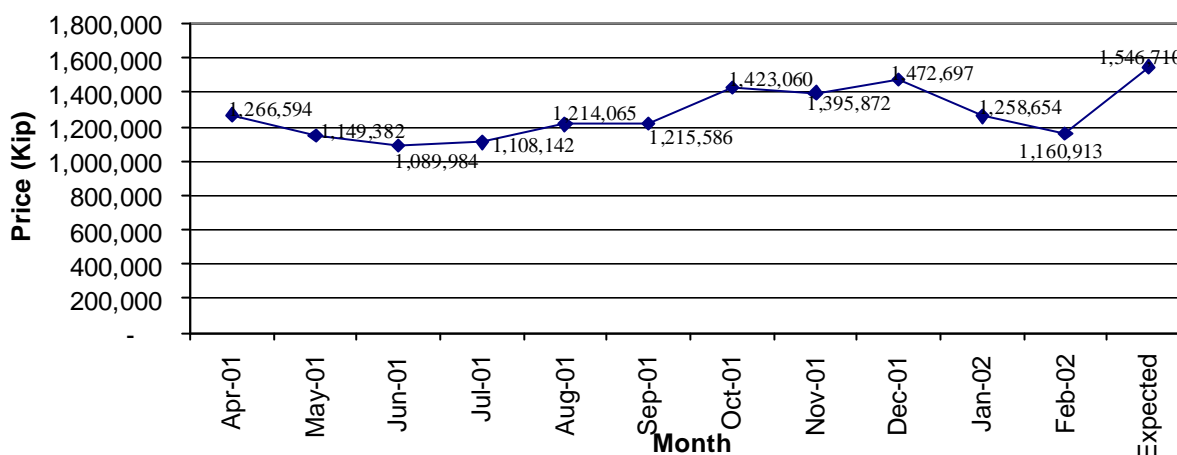
The average prices for the 2000 opium season showed large variation between provinces. The lowest average price was observed in Phongsaly (309,000kip/kg), while it was ten times more in Bolikhamsay (3,611,000 Kip/kg). Phongsaly, Oudomxay and Luang Prabang had relatively low prices, while in Bokeo, Huapanh, Xieng Khouang and Bolikhamsay relatively higher prices were reported.

The farm gate prices for opium vary not only by location, but also by time. Typically, the prices are lower just after the harvest but gradually increase as the opium gets drier and the stock available gets smaller. The farmers do not sell all their opium immediately after the harvest, nor

is all of it sold to traders. Most farmers keep part of the harvest for their own consumption or for sale to other people either in the same village, or to nearby villages for local consumption.

In April 2001, opium was estimated to be sold for 1,267,000Kip/kg (or US\$149/kg at the April 2001 exchange rate of 8,484kip/US\$). Prices continued to fall until June 2001, reaching an annual low of 1,089,984kip (or US\$124). From then on, the price rose, as stocks were depleted until December 2001, when the price reached 1,473,000 kip (or US\$156 at December 2001 exchange rates of 9,467kip/US\$). As the first harvests started to come in January 2002, the price fell steadily until February 2002 where it was 1,161,000kip (or US\$122 at February 2002 exchange rates of 9,502kip/US\$). At the time of survey, the farmers were expecting to be able to sell their product in March 2002 for 1,547,000kip (or US\$163 at March 2002 exchange rates of 9,471Kip/US\$) (*Lao National Opium Survey 2002*).

Weighted price s received by farmers for opium in 2001-2002 (*Lao National Opium Survey 2002*)



The opium farm gate price for 2002 estimated at US\$163/kg. However, as opium production decreases under the Opium Elimination Programme, opium prices can be expected to increase, as already reported by one UNODC project in the Nonghet District of the Xieng Khouang Province. Higher prices will make phasing down of remaining opium production more difficult.

### 5.3.2 Heroin

The available price data for heroin date back to 1994 (ARQ 1994). Authorities then reported wholesale heroin prices (at 100% purity) to be between US\$4,000 and US\$5,000/kg. Assuming a 10:1 *ratio*, opium prices per kg - once transformed into heroin - would amount to US\$400-500/kg. In 1994, opium farm gate prices amounted to US\$134/g. These data suggest that profit margins in the Lao PDR were not very high. The real profits are made once the drugs leave the Lao PDR. The wholesale value of heroin in the United Kingdom amounts to US\$33,000-50,000/kg (1998), in Italy to around US\$45,000/kg (1997), and in the USA to US\$112,000-150,000/kg (1997).

### 5.3.3 Amphetamine-Type-Stimulant (ATS)

The street price of one ATS tablet in Vientiane was between 7,000 and 10,000 Kip in March 2003 (1 US\$ = 10,650 Kip), subject to location of sale and quality.

## 5.4 Demand: Extent, patterns and trends in drug abuse

### 5.4.1 Opium

While poverty has been cited as a reason for opium growing, large-scale addiction to opium is a limiting factor for productivity, leading again to poverty. Many villages in the northern Lao PDR are trapped in such a vicious circle. Opium consumption in the Lao PDR is concentrated in the

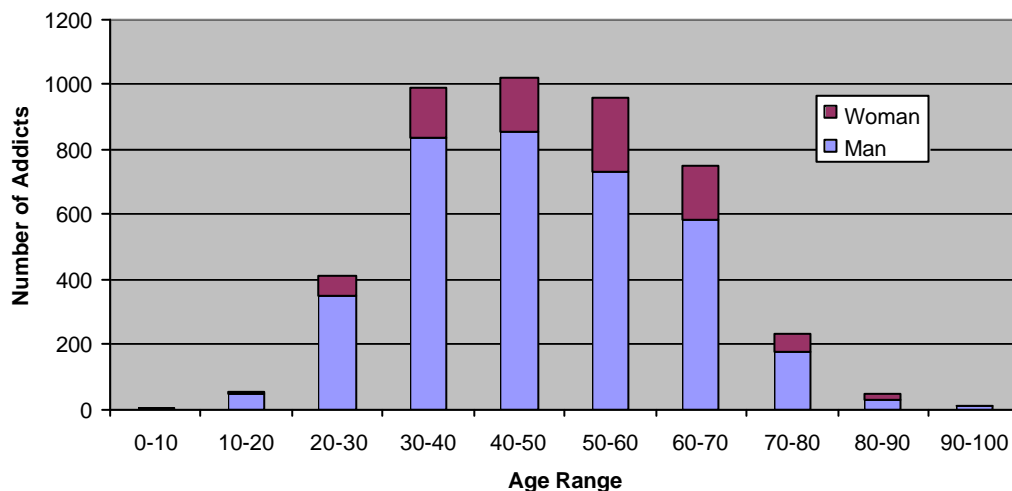
opium producing provinces of the North, with levels of addiction usually higher in villages where opium is grown. Given limited access to health services, opium is widely consumed for medical purposes, which in many cases leads to addiction.

The 2002 Lao National Opium Survey revealed that some 52,600 persons are taking opium (2.18% of the population of 15 years and above countrywide), a decrease of 9.6% compared to the 2001 Lao National Opium Survey. These figures confirm the Lao PDR as the world's second largest consumer of opiates (after Iran) in per capita terms (*World Global Illicit Drug Trends 2002*). As the average addict has been found to consume about 1.1kg opium/year, the total domestic consumption was estimated at around 58 tonnes.



*Photo: Addict smoking opium*

*Demographic Distribution of opium addiction by age and gender (2002 Lao National Opium Survey):*



The 2002 Lao National Opium Survey findings showed the highest number of addicts to be between 40 and 50 years old, for both men and women. It indicated a downward trend in the mean age of opium addiction: 49 years for males and 53 years for females (compared to 52 and 56 years respectively in 1998); 1.16% of addicts were below 20 years old. Opium addiction was

still largely a male phenomenon, with 81% addicts being men. However, women bear the brunt of the impact of addiction on the household, as they have to compensate for the loss of income. The 2002 Lao National Opium Survey reported the highest rate of opium addiction from the Long District of Luang Namtha Province at 6.26% (5.79% for the whole province). Other provinces with high rates of addiction were Phongsali (4.17%) and Bokeo (3.73%). As compared to previous decades, addiction rates seem to have fallen. According to the French administrator of the Xieng Khouang Region, about 60% of the male population were opium dependent in the early 1950's.

The survey methodologies for addiction were different in 2003, data collected was much smaller (678 against 4,464 in 2002), six districts were not included four in Xayaboury, two in the Bolikhamsay Provinces). It was based on a village census organised by provincial and district authorities, instead of on a sample basis as in 2002. These differences have probably contributed to the drastic reduction in the number of addicts reported and should be taken into consideration in the following Government data. The 6 provinces accounting for 87% opium cultivation also accounted for 85% addicts. The Government reported about 30,000 addicts, mainly males (78%). The highest number of addicts appeared among the 50-60 and 60-70 age groups, both adding up to 54%. The mean age was 57 years for males and 60 years for females. In 2003, the average annual opium consumption ranged between 1.3 to 1.5 kg per addict, with a mean value of 1.4 kg/year. Based on the Government estimate of 30,000 addicts, total consumption in 2003 would range between 39 to 45 tonnes opium.

Levels of addiction have been found to be high among Muxeu Dam (10.3%), Akha (8.8%) and Yao ethnic groups. The Hmong, by contrast, which are known for opium cultivation, have levels of addiction (5.1%) that are close to average in opium producing villages (*1998 Lao National Opium Survey*). Opium is normally smoked, or sometimes it is ingested. Injection of opium and other drugs has also been reported. Most opium abusers also consume alcohol. A third combine opium with aspirin or similar substances.

In 2002, an internal review was carried out on the implementation of community-based treatment and rehabilitation in six UNODC alternative development projects. While it was not possible to compare achievements, as projects were at different stages of implementation, data were not well documented and criteria for measuring results not standardised, the review did provide some important points for improving implementation.

The review concluded that important factors, which influenced the sustainability of a community-based approach, appeared to be: strong village leadership and supportive village community, socio-economic improvements, as well as reduced opium supplies by law enforcement and alternative development. The focus should be on the reinforcement of community strengths and capacities with community and socio-economic development, by strengthening village organisational capabilities and ensuring that certain primary needs such as income, water supply, education, health, communication, etc. were met. Community-based treatment and rehabilitation should be co-ordinated with alternative development, which brings improvements to the living conditions of villagers, and thereby adds sustainability to drug demand reduction. The timing and implementation of alternative development activities, as well as law enforcement, should be co-ordinated with the demand reduction activities, since easy availability was an important factor influencing new drug abusers and relapse cases. Thus treatment and rehabilitation should be done within a comprehensive and integrated context of drug control.

The two main kinds of medication used for opium detoxification in the Lao PDR were tincture of opium and herbal medicine. Additional medication was provided for symptomatic treatment and other ailments, especially diarrhoea, aches and pains, stomachache, headache, and insomnia. The method of opium detoxification did not appear to affect the success rate.

The cost of a 15 – day detoxification, including medication and food for the addict, was found to be around US\$25 per addict. This does not include logistics costs for Government staff and villagers. The details are as follows:



*Photo: Opium addicts undergoing detoxification in Beng alternative development project*

<b>Estimated cost per addict for a 15-day detoxification treatment using</b>	
Herbal medication	20,000 Kip
Opium tincture	35,000 Kip
<b>Additional costs</b>	
Medication for symptomatic treatment	100,000 Kip
Food for 15 days	75,000 Kip
<b>Cost per addict</b>	<b>195,000 - 210,000 Kip or about US\$25</b>

*(Kham Noan Hsam: Community Based Treatment and Rehabilitation as part of Drug Demand Reduction in on-going UNODC projects in the Northern Provinces of the Lao PDR, 2002).*

#### **5.4.2 Amphetamine-Type-Substance**

Amphetamine-type-substances (ATS) abuse, which started as a spillover from transit trafficking, was initially concentrated in urban centres, but has since spread to rural areas. Initial ATS cases were treated at the psychiatric unit of a major hospital in Vientiane, with 86 cases in 1999 and 210 cases in 2000.

During 1999 and 2000, with assistance from the UNODC under the AD/RAS/98/C75 project: - *Sub-regional development of institutional capacity for drug demand reduction among high risk groups*, the Government conducted surveys in educational institutions in 3 urban areas in Vientiane, Savannakhet and Luang Prabang, including secondary and vocational schools, colleges and the only university in the country, located in Vientiane. Altogether, the surveys covered 11,049 students from 43 institutions, within the age group of 12-21 years of age. The surveys found that drugs commonly abused were prescription drugs, cannabis, ATS and solvents. ATS was consumed mostly by “chasing the dragon”, that is, by heating the ATS on aluminium foil and inhaling the evaporating fumes. Prescription drugs were taken orally, solvents inhaled and cannabis smoked. Injecting drug use was very low, e.g. 0.65% in Vientiane. Data from the surveys are shown in the table below:

	Vientiane	Savannakhet	Luang Prabang
No. of students	2,631	3,534	4,884
Lifetime prevalence (all drugs)	17.5 %	7.6 %	5.5 %
Lifetime prevalence (ATS)	4.8 %	2.1 %	1.1 %
Current abuse* (all drugs)	7.2 %	2.9 %	2.5 %
Mean age of first ATS abuse	15.6	15.4	16.5

\* Current abuse means use in the last 30 days

In Vientiane, 17-year-old males showed high lifetime prevalence rates of ATS (14.1%). The mean age of first ATS abuse ranged between 15.4 to 16.5 years, and the most susceptible age group for drug abuse was 15-19 years of age. Peer pressure played an important role as peers presented drugs as beneficial, and many took drugs to be happy. Other contributing factors to drug abuse included family problems, psychological problems and for endurance.

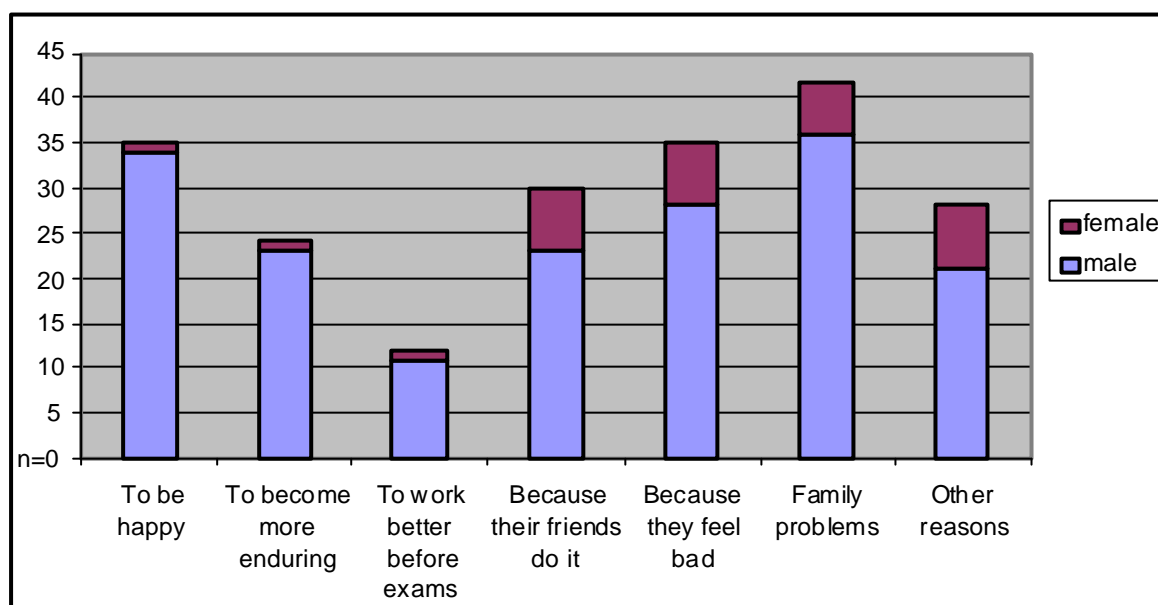


Figure: Reasons of Ya-Baa use distribution by gender in Vientiane

The 2002 Lao National Opium Survey, conducted in Vientiane among non-captive groups, indicated high lifetime drug abuse prevalence, especially for ATS, at 42% for unemployed youth, 34% for disco clients and 14% for service girls. Current prevalence figures were also high in all groups. The high number of non-responders for the service girls might indicate an under-reporting of personal drug abuse.

Drug use prevalence	Disco clients (n=50)		Service girls (n=50)		Unemployed youth (n=150)	
	No.	%	No.	%	No.	%
Lifetime prevalence	19	38.0	9	18.0	69	46.0
12-month prevalence	15	30.0	8	16.0	39	26.0
Current prevalence	9	18.0	7	14.0	31	21.0
No response	7	14.0	23	46.0	11	7.0
Mean age of first use		20.6		22		19
Type of drug		ATS		ATS		ATS
ATS lifetime prevalence		34%		14%		42%
ATS 12-month prevalence		30%		14%		25%
ATS current prevalence		18%		14%		20.7%

Various reports from health authorities and the Provincial Committee for Drug Control (PCDC)

showed ATS also in rural areas. In the northwest Bokeo Province, there were more reported ATS (2,054) than opium (1,895) abusers in 1998. During 1999-2000 in Luang Prabang, there were 2,138 ATS abusers, of which 1,856 or 86.8% were men and 282 or 13.2% were women. In Savannakhet Province, 221 ATS abusers were reported in 1999. ATS abusers were reported in four of Sayaboury's ten districts, particularly in the north by boatmen and other workers along the Mekong River. While data collected was far from comprehensive, it was clear that ATS abuse had spread rapidly, both in urban and rural areas.

UNODC missions in 2002 to the traditional opium using areas confirmed that ATS abuse had spread to the rural areas. One report indicated some 700 known cases in Oudomxay, 500 in Phongsaly, 400 in Long district of Luang Namtha. The youngest opium abuser was reported to be at the age 12 years old. The dosage averaged to five tablets daily, although it could range between half to 10 tablets. The cost varied from 5,000 to 10,000 kip per tablet (exchange rate about 10,000 kip per US\$ in 2002). ATS abuse appeared to have started in the late 1990s, as a spillover effect of transit trafficking.

#### **5.4.3 Heroin**

Heroin abuse has not - as yet - been identified as a major problem, despite the fact that heroin has been found in the Lao PDR since the early 1970s. In 1992, just one out of 80 opium abusers reported heroin abuse. In 1996, in Vientiane, only one person was treated for heroin abuse out of 16 patients treated for substance abuse. A survey in 1996 on 10,000 Lao refugees resettled in the rural villages of the Lao PDR showed that heroin abuse (smoking) - though still small compared to opium abuse - was (apparently for the first time) reported in some of the rural areas in the western parts of the country close to the border with Thailand and Myanmar.

#### **5.4.4 Cannabis**

Cannabis consumption is more widespread than heroin abuse, though it is reported to be less widespread than opium. In 1992, two out of 80 opium abusers were reported to have abused cannabis. Cannabis is usually smoked or ingested with food.

A Ministry of Health survey on drug abuse in 1997 had only identified solvent abuse among school drop-outs in Vientiane, and it was only later surveys which showed the availability of a wider variety of drugs, especially ATS.

#### **5.4.5 Money laundering**

There are no reports on money laundering activities in the Lao PDR. Various donors have funded training courses on money laundering for the staff from the Lao Central Bank and the State owned commercial banks.

## **6 CRIME SITUATION**

A comprehensive assessment of the prevalence of crime is difficult, as the Lao Government does not release any statistics on crime. Although crime has not been a major concern among the general public, street crime has been on the increase, particularly motorcycle drive-by theft of handbags and backpacks, as well as burglaries. These may be associated with increasing ATS abuse.

On a different level, security incidents occurred sporadically in the Lao PDR, which have included bombs in public places and on public transport. The incidents, which surfaced in 2000, stopped temporarily around July 2001, but reoccurred in September 2002 (Lao News Agency). Overland travel through the Saysomboune Special Administrative Zone and the southern part of the Xieng Khouang Province were restricted, due to the presence of armed groups and outbreaks of shooting incidents during 2002.

In February 2003, an attack on several vehicles by an armed group took place on Route 13, the main overland route to the northern provinces, four kilometres north of Vang Vieng (Vientiane Province), claiming at least thirteen lives. This attack was followed by a number of similar incidents on Route 13, as well as in some other parts of the northern Lao PDR. All these areas had been considered secure since the late 1990's.

Although organised crime in the Lao PDR does not appear to be significant currently, trafficking in drugs and human beings are activities, which appear to be on the increase.

## **6.1 Issues of specific concern**

### **6.1.1 Corruption**

Civil servants earn very low salaries and work under extremely poor conditions, increasing the propensity for corruption. It is difficult to quantify the level of corruption in the Lao PDR, especially when proper financial management is not in place. The recent spread of ATS transit trafficking from neighbouring producing countries and the high profits to be made represent a potential source of corruption.

Within the last two years, some arrests have been made which must be considered as a sign of the Government's commitment to combat corruption. Recently, several high officials have spoken out against corruption <sup>1</sup>. This positive trend has been reflected in reports of misuse of funds and poor financial management in several state owned enterprises, including the Lao May Bank, the Lao Aviation and Drug Factory No. 3. Misuse of cash was found in some Government Agencies. The State Inspection Authority (SIA) found illegal import of vehicles with the complicity of officials, deflated prices to reduce customs, collusion between officials and vehicle owners to legalise illegally imported vehicles. <sup>2</sup>

### **6.1.2 Human trafficking**

Migrating for work is a fact of life in many Lao villages. Movement into Thailand is relatively easy and due to the wide difference in economic opportunities between the two countries, the number of migrants is quite substantial. Some of these workers are being trafficked and experience various degrees of exploitation in their country of destination.

The situation concerning trafficked women and children is not well documented, and much remains to be done to understand the full dimension of the problem. A UNICEF report indicated that from one province alone some 15,000 youths, at least 50% under the age of 15, moved across the border into Thailand in search of work. Most crossed the border illegally and were girls under 15. There are numerous reports of young girls being trafficked to Thailand, and beyond, for the purposes of prostitution (International Organisation for Migration, project document - *Return and reintegration of trafficked and other vulnerable women and children between selected countries in the Mekong Region*).

In 2001, the United Nations Inter-Agency Project on Human Trafficking carried out a research in eight villages in the provinces of Saravanh and Sayaboury. The percentage of villagers who had crossed into Thailand for work was 17% in Saravanh and 11% in Sayaboury. Women have been found to be more likely to move to Thailand, and females aged 20 or below represent the biggest group of migrants. In one village in Saravanh, more than 26% of the female population had been to Thailand for work.

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1/ Embassy of Sweden - Study of Financial and Administrative Systems in Lao PDR, October 2002

2/ State Inspection Authority, Report 2001/2002



## **7 POLICY**

### **7.1 DRUGS: National drug control framework**

#### **7.1.1 Conventions adherence**

The Lao PDR is party to the *Single Convention on Narcotic Drugs, 1961*, and to the *Convention on Psychotropic Substances, 1971*. The Lao PDR is in the process of becoming party to the *United Nations Convention against Illicit Trafficking in Narcotic Drugs and Psychotropic Substances, 1988*. It has not ratified the 1972 Protocol.

#### **7.1.2 Legislation**

In 1990, a new article was included in the Penal Code (Article 135) by the National Party Congress. It prohibited trafficking, as well as manufacture of heroin and other narcotics. However, it did not include provisions to prohibit opium production. In 1996, opium production and possession was made illegal. The scale of penalties for illicit trafficking was then increased to life imprisonment and dispositions introduced for precursor control. In 2001, the Article 135 was again amended, and penalties were considerably increased, including the death penalty for production, trafficking, and distribution of heroin (more than 500gr), amphetamine (more than 3kg) and precursors (more than 10kg). Addicted persons may face imprisonment of one to five years (for possession of heroin of less than 2gr) or six months to three years (possession of ATS of less than 3 grams). Persons providing services for opium smoking will face imprisonment of three to ten years.

A legal framework for licit trade in compliance with the drug conventions has been established (see section on “Control of licit trade”).

#### **7.1.3 Drug control institutions**

The Lao National Commission for Drug Control and Supervision (LCDC) was set up in 1990 to coordinate national drug control. The LCDC is chaired by the Minister to the President's Office. Members of the Commission consist of representatives from the Ministries of Foreign Affairs, Public Security, Justice, Health, Education and Agriculture, as well as the Department of Customs (Ministry of Finance), and the Council of Ministers. In October 2001, the Lao President established a Central Committee for Drug Control headed by the Prime Minister, with the Public Security Minister and LCDC Chairman as the two deputy heads. The committee members consisted of Deputy Ministers for Defence, Information and Culture, Education, and Public Health. The Committee aims to guide the LCDC and other local organisations in drug demand reduction and law enforcement; to mobilise community participation; and raise funds to support drug rehabilitation in the country. The Prime Minister has established the Anti-Drug Fund and launched the Lao National Campaign against Drugs.

Provincial Drug Control Committees (PDCCs) were established, chaired by the Provincial Vice-Governor with the aim of strengthening drug control administration at the provincial level. These PDCCs replicate the structure and mandate of the LCDC at the provincial level.

In August 1992, the first Counter Narcotics Unit was established under the Ministry of the Interior. It is the leading drug law enforcement agency for the co-ordination of all law enforcement action against drug trafficking. In 1994, it was re-named to be the Counter Narcotics Office (CNO). The office consists of five sections: Investigation, Suppression, Intelligence, Foreign Affairs and Administration. The CNO has established decentralised units within the provincial police units in ten provinces across the country.

The Department of Customs (DoC) within the Ministry of Finance is responsible for import/export of goods at the borders. The DoC works closely with the CNO in the investigation of drugs

smuggled into the country through the borders. In the provinces, Customs officials work closely with the Police Departments.

In 1994, the Department of Food and Drugs (FFD) was created in the Ministry of Health as the regulatory authority responsible for control of the licit trade, including the import/export of narcotic drugs, psychotropic substances and precursors, and the issuance of licenses and authorisations.

The Forensic Laboratory established under the Food and Drug Quality Control Centre of the Ministry of Health, provides support services to the law enforcement authorities (Police, Customs and judiciary), as well as to the health services (drug abuse prevention, treatment and rehabilitation programmes and toxicology services).

The Ministry of Health and the Police Department, jointly carry out drug abuse treatment/detoxification. The Ministry of Education, the Ministry of Culture and Information and mass organizations, such as the Lao Youth Union and the Lao Women's Union carry out, drug abuse prevention.

#### **7.1.4 Main characteristics of national drug control policy**

In 2000, the Government endorsed a national strategy for opium elimination in the Lao PDR, prepared jointly by the LCDC and the UNODC. The strategy aimed at a gradual and firm approach in phasing out poppy cultivation, by warning the rural populations of the opium prohibition, and with international assistance, promoting alternative development. The opium elimination strategy targeted the highest poppy cultivation areas in twenty-one districts in six provinces, identified by the 1997-1998 Lao National Opium Survey.

In April 2001, the 7th National Party Congress, the highest national policymaking body, set the national development targets for the next five years. It made opium elimination - along with poverty reduction - one of the national priorities and targeted for opium elimination by 2005.

In the *interim* Poverty Reduction Strategy Paper prepared for the Board of Directors of the International Monetary Fund (IMF) and the World Bank (WB), the Government linked drug control directly to poverty reduction. The Government's goal is to be out of the Least Developed Countries Category by the year of 2020.

Since the launch of the Opium Elimination Programme, ATS trafficking and abuse have increased dramatically. The Government has formulated a National Drug Demand Reduction Strategy to address all types of drug abuse, including ATS. A Law Enforcement Strategy is also being initiated.

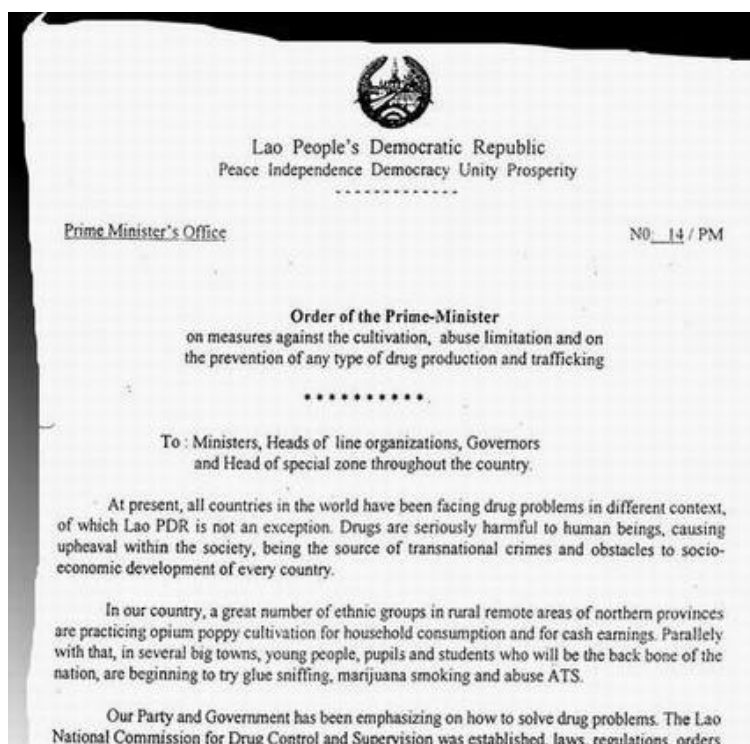
Together, the three strategies would combine into a comprehensive national plan for drug control. As a member of ASEAN, the Lao PDR is committed to meet the ASEAN goal to be drug free by 2015.

#### **7.1.5 Supply reduction**

The Lao National Opium Elimination Programme aims at eliminating opium poppy cultivation in the Lao PDR by:

- Alternative development through interventions aimed at reducing dependency on opium poppy cultivation for cash, which would (i) increase food security; cash income from alternative sources (including livestock, crops and non-agricultural activities), and (ii) improve market access and marketing.
- Community-based drug demand reduction to involve village communities in supporting drug abusers in treatment and rehabilitation, using culturally appropriate approaches. It will integrate closely with socio-economic development activities.
- Law enforcement, which is the responsibility of the Government. Agreements are being developed between the participating villages and the Provincial and District Drug Control Committees on the phasing-out of opium production.

*Photo: Prime Minister's Order n° 14, November 2000*



On 28 November 2000, as a follow-up to the Government approval of the Opium Elimination Programme, the Lao Prime Minister issued an order to eliminate opium poppy cultivation and reduce abuse and trafficking of drugs. It calls for a multi-sectoral approach involving education, treatment and rehabilitation and law enforcement. The order also introduced accountability for drug control at all government agencies and at all levels, irrespective of their functions. It marked a major shift in the Government's approach, locking all Government staff into ownership of drug control.

### **7.1.6 Alternative development**

Alternative Development projects are being or have been carried out by the UNODC, the United States and the GTZ (German Development Agency) in the Luang Namtha, Oudomxay, Bokeo, Luang Prabang, Vientiane (Palaveck), Xieng Khouang, Phongsaly and Houaphan Provinces. A Programme Facilitation Unit (PFU) was established jointly by the UNODC and the LCDC to form the co-ordinating, monitoring and supporting backbone of the Opium Elimination Programme. The monitoring tool for charting progress of the Opium Elimination Programme is the area of poppy cultivation, since production figures (based on fluctuating yields) are subject to the vagaries of weather. National opium surveys showed that between 1998 and 2002, opium poppy cultivation area decreased by about 50%. If opium elimination is to be sustainable, it has to be phased out gradually at the level of each village and each household, so as not to cause undue hardship to



*Photo: Alternative crops in Palaveck*

the farmers. However, if the phasing-out advances too rapidly and without adequate alternative development assistance, there will be no joint ownership of the programme with the poppy farmers. Poppy agreements negotiated with farmers to phase down production have to be reasonable, so that farmers will be able to honour their commitments. Unrealistic cutbacks in early years may jeopardise sustainability in the long term as, in subsequent years, farmers may have to compensate for losses or indebtedness incurred and may even increase cultivation.

Since the phasing down of opium cultivation is to be carried out in tandem with the provision of alternative livelihoods, the success indicators of a sustainable opium elimination programme would thus not only be limited to data on opium cultivation area but would have to include indicators for delivery of these alternatives, such as, improvements in health and education for poppy farming households. Achieving sustainability requires a strong participatory approach, institutional capacity at village and district levels, coordination among agencies, and the mainstreaming of opium issues into rural development. For sustainable delivery, there is obviously a need for intensive training structured for all levels. The Government and the donor community have to jointly provide an enabling environment, which promotes continuity in both expatriate and local staffing, as well as funding flows.

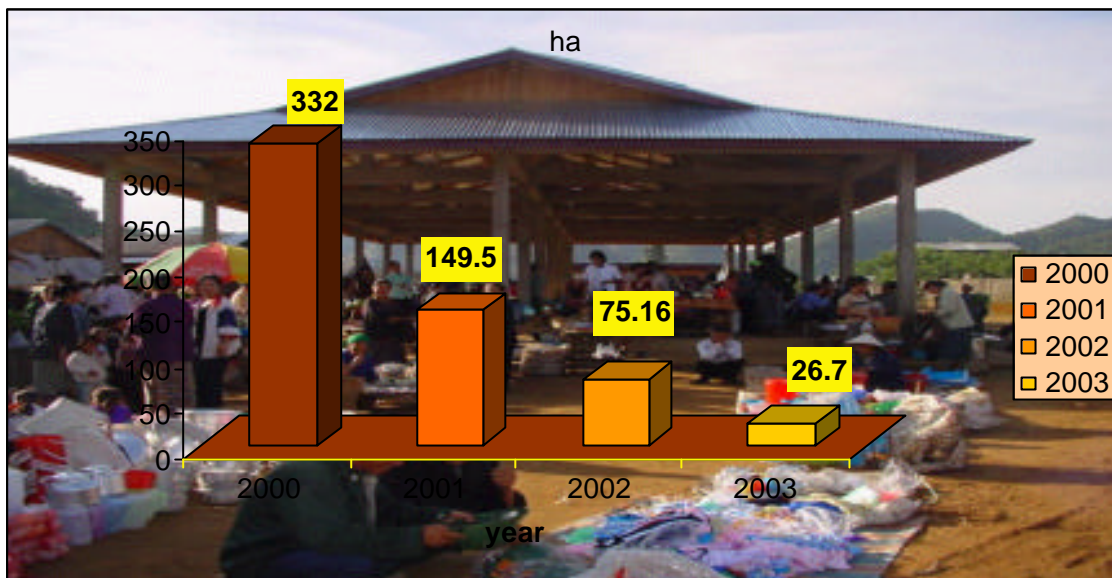
*Photo: Fish farming creates income to replace opium*



As best practices of alternative development are replicated and successes publicised, villagers could be more easily convinced that they could survive without opium. On the other hand, as opium poppy cultivation is phased down, remaining cultivation could shift into more remote areas, which would be difficult for enforcement to access. If opium prices rise, farmers might be tempted to produce again. The challenge is to be able to deliver alternative livelihoods fast enough to match the phasing down of opium, so that farming households can survive without

breaking the law, without having to resort to activities which harm themselves or others.

For mainstreaming of drug control into national development priorities, coordination among programmes and with other multilateral and bilateral agencies is ongoing. Under the framework of the Common Country Assessment (CCA), the challenges identified had included drug issues. Based on the CCA and taking into account the Millennium Development Goals (MDG), the UN Development Assistance Framework (UNDAF) deals with drug issues under all the four overarching goals of poverty eradication, basic human needs, sustainable use of natural resources and governance. Financial institutions have also contributed to mainstreaming. A Memorandum of Understanding was signed with the Asian Development Bank (ADB) and committed ADB to provide road access in opium producing areas in the Houaphan Province, thereby opening up opportunities for diversified agricultural production and access to services and markets. In another initiative in Houaphan, a UNODC micro-project is implementing the village-based development component of the ADB shifting cultivation stabilisation pilot project.



*Chart/Table: Improved socio-economic and marketing conditions have led to a significant drop in opium cultivation in the area of the UN Nonghet Alternative Development Project.*

#### **7.1.7 Law enforcement**

In June 2002, three persons were sentenced to death for drug trafficking. The first case of capital punishment since the enactment of new law for drug trafficking. While the death penalty existed also for other crimes, no execution is known to have been carried out over the last years.

#### **7.1.8 Crop eradication**

Prior to opium planting time, the Provincial and District Committees for Drug Control (P/DCDC) signed agreements with poppy farmers to reduce cultivation. In cases of breach of agreements, the farmers would be asked to eradicate the poppy voluntarily, or to give permission for eradication. The village headman's assistance was sought to convince the farmers to comply in future. In 2001, the Lao police initiated eradication of opium poppy, by destroying some 14 hectares opium in the Oudomxay Province. The Government reported that eradication reduced the 2003-opium harvest by more than 4,000 hectares.

The Government eradicated cannabis cultivation by burning and manual destruction over the last decade. The Interpol reported eradication of 152 tonnes of cannabis in 1996, and of 144 tonnes of cannabis plants in 1997 (Interpol, 1998).

#### **7.1.9 Demand reduction**

The National Drug Demand Reduction Programme would have to address all aspects of drug demand reduction, including epidemiology, prevention, treatment and rehabilitation. To close the door on the entry of new drug abusers, drug abuse prevention programmes would be high priority. Drug treatment and rehabilitation services would need to be geared up, with special attention given to relapse prevention.

To reinforce the National Drug Demand Reduction Policy, availability of illicit drugs in the country must be reduced by effective law enforcement. Supply reduction must be carried out *in tandem* with demand reduction, to add sustainability and to ensure a comprehensive and integrated system of drug control in place.

#### **7.1.10 Primary prevention**

The spread of ATS abuse among young people - initially in urban areas, and then to rural areas - was confirmed by surveys undertaken among students in urban areas in three provinces, among non-captive groups in Vientiane (unemployed youth, disco clients and service girls), as

well as in the review of UNODC projects in the northern rural areas.

The surveys identified some important factors influencing the young people's attitude and behaviour towards drug abuse. Some challenges posed here, including strengthening of family bonds and providing young people with healthy alternative lifestyles, should be addressed in the design of prevention measures. Local also should be improved to be more entertaining while being used to reinforce positive traditional values. Drug abuse prevention would be carried out together with HIV/AIDS prevention.

Recognising the urgency for prevention of drug abuse in schools, the Ministry of Education initiated a five-year masterplan in March 2001. In order to prevent high-risk behaviour and its consequences, including HIV/AIDS, life skills education in schools has since been integrated with drug abuse and HIV prevention into one *curriculum* in primary and secondary schools. Training materials have been produced and teacher training initiated. The implementation of this countrywide programme would need much support. The Ministry of Health takes a similar integrated approach, with health education expected to cover all substances (including opium and ATS) and all risk behaviours (including HIV/AIDS), with involvement of district health offices, village health committees and village-based health providers.



*Photo: Opium prevention poster in the Xieng Khouang Province*

A national AIDS committee to monitor and oversee prevention activities was established in 1988. HIV-prevention activities consisting of staff training and a survey on drug-injection and HIV took place, with the assistance of the WHO and the UNDP in 1992. Intravenous drug use is still low in the Lao PDR; however, the increasing abuse of ATS adds another potential contributing factor to the transmission of HIV/AIDS, with its associated risk behaviour. HIV is still mainly sexually transmitted in the Lao PDR. While HIV/AIDS prevalence is still low, estimated at around 0.05%, the high prevalence rates in neighbouring countries and population mobility across borders increases the vulnerability of the Lao PDR.

Low school enrolment and low levels of literacy have been attributed partly to lack of trained teachers, poor school facilities and lack of emphasis on formal education. Improvements in education are considered a condition for development as well as for drug abuse prevention.

### **7.1.11 Treatment and rehabilitation**

The Government held a national drug demand reduction seminar in December 2002 at which provincial officials and concerned Government agencies were presented with the Draft National Strategy Paper. The Government has since approved this paper. As a follow-up, a comprehensive national drug demand reduction programme document has been formulated. A Programme Co-ordination Unit will be established for the implementation of the national drug demand reduction programme. The UNODC-assisted PFU currently monitors opium elimination programme, including the drug demand reduction component.

The Ministry of Health policy emphasises voluntary treatment, with neither addiction nor relapse to be considered as crimes. It recognizes that options for treatment methodologies should be made available. Given the extreme staffing and budgetary constraints in the health sector at present and for the foreseeable future, it considers that, to the extent possible, drug treatment should be integrated, wherever possible, within existing health facilities, and that outpatient services also be provided. New treatment centres, if they are to be sustainable, could be considered only on availability of trained staff and budgets to cover recurrent costs. Hospitals and health centres need specialised assistance to provide drug treatment services. There is a need to develop a core of skilled mental health professionals, to build up psychiatrists, psychologists, psychiatric nurses and counsellors. There are extremely limited mental health professional skills; no in-country training available and no treatment protocols exist.

The spread of ATS to urban and rural areas, and among different population groups, compounds the difficulties of providing treatment and rehabilitation services in the country. As the Government considered that technical expertise on ATS issues was urgently needed, a national drug demand reduction centre was envisaged as a national centre for drug demand reduction expertise – for data collection, resource and training; however, this did not materialise due to lack of funding. The centre, built in Vientiane in 2002, currently serves as a treatment centre for ATS, providing residential treatment for four-six weeks. It is expected to improve and extend its services, including family therapy, relapse prevention, and community participation. The UNODC drug counselling training to the Vientiane Youth Centre, administered by the Lao Women's Union with support from the Save the Children (UK) and the UNFPA, could be linked up with the services provided by the treatment centre. A treatment and rehabilitation training programme for ATS has yet to be developed.

Under the UNODC assistance to the Opium Elimination Programme, all alternative development projects include drug demand reduction components. The community-based approach involved three phases: the preparatory stage (for addicts, as well as communities), detoxification and rehabilitation (including social and economic rehabilitation). The preparatory stage is most important for the community to take responsibility for drug abuse within the community; to understand the linkage with poverty alleviation, and the adverse effects of addiction on human development on the whole community.

Since the number of opium addicts is large, a practical way would have to be found to reduce addiction in a cost-effective way, while giving consideration to additional costs to be incurred for relapse cases. Based on their health condition and motivation, addicts would have to be categorised for different treatment modalities. The location of detoxification, whether in the village or hospital, would depend on the health condition of the addicts involved, as care would have to be taken during detoxification to ensure that lives were not put at risk. It had been observed that some addicts were motivated and fit enough to go through detoxification on their own, without medical care.

The Ministry of Health has issued guidelines for implementation of the community-based approach in treatment and rehabilitation. Training modules for trainers are being developed. Training is required for wider implementation coverage, for many agencies (PCDCs, DCDCs, VHWs and village committees) and on a range of topics (treatment, counselling, data collection, management, etc.) As many agencies are involved, co-ordination of Government agencies is crucial. Moreover, the target beneficiaries span various ethnic groups who are not literate in the Lao PDR, and staff with multi-language skills has to be identified. If the community-based approach is to be properly carried out, the preparatory stage by itself would



*Photo: Handicraft as social and economic rehabilitation of opium addicts*

take at least a few months. Taking into account the protracted period of aftercare required, projects of short duration would have difficulties in completing the whole process. Due to funding constraints, recent projects have had to be considerably shortened.

Some crosscutting issues, which need to be addressed in all aspects of demand reduction, are data collection, information management, expertise documentation and dissemination, and training. There is a need to systematically collect data countrywide, to be collated and analysed at the central level. Information management is needed for this to be done, and without which monitoring and planning would not be possible. Experiences of best practices and lessons learned would also have to be documented and disseminated. Additionally, information materials (brochures, publications and videos) have to be developed. Networking at various levels should be promoted. The need for training is immense - for prevention, treatment and rehabilitation of drug abuse at national, provincial, district and village levels.

#### **7.1.12 Control of licit trade (drugs and precursors)**

##### **Licensing system for manufacture, trade and distribution**

The DFD is responsible for establishing import/export quotas, issuing authorisations, licensing, inspections and reporting as required under the international drug control conventions. It regulates trade, manufacture, import/export, distribution and abuse of narcotic drugs, psychotropic substances, precursors and essential chemicals under Notification numbers 1648/FDD.95, 255/FDD.02. Ministerial Regulation No. 467/MOH regulates the activities of the State factories; Ministerial Regulation 411/MOH regulates importation and exportation; and Ministerial Regulation No. 482/MOH regulates pharmacy practices. However, the Ministerial Regulation does not require warnings to be placed on packages of preparations containing narcotic drugs and psychotropic substances. Two State factories produce about 40% of the needs for medicinal drugs and 60% are imported. Drug distribution is provided either by the State's medical centres or by private pharmacies.

##### **7.1.13 Money laundering control measures**

No information on money-laundering activities in the Lao PDR is currently available. Money laundering regulations will have to be reviewed in the context of the Government's preparations to become a party to the 1988 Convention.



#### **7.1.14 International co-operation**

The Lao PDR is party to the *Single Convention on Narcotic Drugs, 1954*, and to the *Convention on Psychotropic Substances, 1971*. The Lao PDR is in the process of becoming party to the *United Nations Convention against Illicit Trafficking in Narcotic Drugs and Psychotropic Substances, 1988*. It has not ratified the 1972 Protocol.

The Lao PDR has also pursued bilateral and regional co-operation in counter-narcotics efforts. In 1993, the Lao PDR signed a Memorandum of Understanding (MOU) with China, Thailand, Myanmar and UNODC. Cambodia and Viet Nam joined the MoU in May 1995. As an ASEAN member, The Lao PDR is an active member of the ACCORD (ASEAN and China Co-operative Operations in Response to Dangerous Drugs) Plan of Action.

In 1997, the Lao PDR signed a co-operation agreement with Myanmar, as well as a joint declaration with Viet Nam on exchange of information on drug control matters. Contact points in Lao-China and Lao-Myanmar border areas have been established to improve co-operation and effective information sharing. Co-operation with Cambodia is envisaged and on the basis of bilateral agreements.

## **8 CRIME**

### **8.1 Legislation and law enforcement**

The Lao PDR is a one-party state, in which the Lao People's Revolutionary Party's leadership permeates from the party down to district and village level. As politics and law and order issues are very closely inter-linked, much of the crime control is informal, not necessarily based on legislation and crime control institutions.

Nonetheless, important progress has been made in the establishment of a formal legal system. In 1989, the Government of the Lao PDR embarked upon a process to transform and strengthen the Lao legal system to establish the foundations for the transition to the Rule of Law. Key laws were enacted, such as: the Law on the People's Courts, the Penal Code Law, the Criminal Procedure Law and the Law on the Office of the Public Prosecutor (all in 1989). Promulgation of a new Constitution in 1991 represented a milestone in this law reform process. This process continues today as the Government pursues its agenda for the creation of new laws.

The Constitution of the Lao PDR divides the judiciary into two components: the Peoples' Courts (PCs) and the Office of the Public Prosecutor (OPP). The investigation and prosecution of crimes and other violations of the law falls under the OPP. The OPP is organised in a hierarchical structure led by a Public Prosecutor General appointed by the Standing Committee of the National Assembly. The Public Prosecutor General appoints on his own authority the provincial, district and military prosecutors. There are presently approximately 120 public prosecutors for the nearly 140 districts of the Lao PDR. In conducting their work, prosecutors face important difficulties, such as the lack of adequate resources and skilled personnel, especially with respect to investigative techniques, as well as inconsistent co-ordination with the police who fall under the jurisdiction of the Ministry of Interior. The Law on Lao Peoples' Courts organises the courts in three tiers that follow the administrative structure of the country: (a) the district peoples' courts; (b) the provincial peoples' courts; and (c) the Supreme People's Court. There are approximately 126 district courts and 18 provincial courts in the Lao PDR. All courts operate on the basis of three-judge panels and act on the decisions of a majority within the panel.

A Bar Association exists and there are a number of private lawyers. However, public and judicial institutions are not always aware of the role and function of private lawyers.

It has been reported that a large number of final court decisions remain unenforced: Several important weaknesses of the legal system have been identified, including: a non-systematic legislative drafting process; low levels of legal discussion and commentary on draft legislation; low public awareness of laws and the legal system; little specialised training of law officials with few training opportunities for officials from supporting institutions; and inconsistent co-ordination among the courts, prosecutors and police.

A major impediment to the uniform application of the rule of law is the insufficient dissemination of legal information to judges, prosecutors and the police. Law enforcement officials often have a rather limited knowledge of laws and regulations. Legal education is the key to creating an effective and fair legal system in the Lao PDR. Training is required for judges, public prosecutors, private civil lawyers, criminal defence lawyers, and lawyers working for ministries and other Government agencies.

Several international donor-assisted projects are currently being implemented to improve the administration of the rule of law in the Lao PDR. Early assistance from the UNDP focused on the drafting of key legislation. Three UNDP projects are currently under implementation to strengthen the judiciary and the OPP, and to build the foundation for the implementation of the rule of law. A project of the Swedish Aid Agency is assisting the Ministry of Justice to improve local courts, publish the Official Gazette, improve the Faculty of Law, and to support the development of Ministry of Justice libraries. Several other donors (principally France, Finland, USA and the ADB) have provided assistance to the legal sector on an *ad hoc* basis.

### **8.1.1 Corruption**

The Lao Peoples Revolutionary Party has clearly taken the stance of eradication of corruption. In November 1999, the Prime Minister issued an Anti-Corruption Decree (Decree no. 193/PM). In 2001, the 7<sup>th</sup> Party Congress raised the issue of combating corruption at all levels, and pursuing transparency and accountability in 'the Government, by identifying and ensuring that wrongdoings are punished.

A State Audit Authority (SAA) was created in August 1998 (Prime Minister's Decree no. 174), a major step towards establishing a supreme audit function. The SAA is responsible for auditing the accounts of organisations under-state administration, as well as state-owned enterprises, joint ventures and projects funded by the state budget or through international grants and loans. A State Inspection Authority (SIA) was established in May 2001 (Prime Minister's Decree no. 98). Its main function is to inspect the management of the ministries and other state institutions, provinces and districts, and state-owned and mixed enterprises. The SIA is responsible for the prevention and suppression of corruption. The SIA reports to and is under direct instruction of the Prime Minister. The SIA and SAA operate in close co-operation. In principle, the SAA is responsible for financial audits of publicly financed organisations, while the mandate of the SIA is much wider, ensuring that the organisations are acting in compliance with rules and regulations, and acting on any irregularities found by the SAA. The Party Control Committee used to be the main inspection agency, but since the creation of the SAA and SIA its role has been reduced to focus mainly on the internal control of the party. /3

### **8.1.2 Human trafficking**

A Memorandum of Understanding with Thailand that addresses the trafficking of women, was signed in September 2002. The drafting of a National Action Plan to Combat Sexual Exploitation of Children is underway. A national committee will be set up as an umbrella organisation, and provincial and district counterparts have already been nominated.

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<sup>3</sup> Prime Minister's Office, *Public Service Reform, People's Participation, Rule of Law and Sound Financial Management*, background paper on governance.

### **8.1.3 International terrorism**

The Lao Government condemned all forms of terrorism and supports the global fight against terrorism. The Lao PDR is a member of the Association of Southeast Asian Nations (ASEAN), which has adopted the *ASEAN Declaration on Terrorism* on 3 November 2002. An *ASEAN Declaration on Joint Action to counter Terrorism* was also signed by the Lao PDR in November 2001. The Government has indicated that it is committed to implement Resolution 1373, adopted by the Security Council at its 4385<sup>th</sup> meeting, on 28 September 2001, in the area of international cooperation to prevent and suppress any acts of terrorism through all lawful means.

### **8.1.4 Adherence to international treaties**

When the Lao People's Democratic Republic was established in 1975, it did not terminate or suspend the operation of multi-lateral treaties that had been entered into by previous Governments. The Lao PDR is party to:

- The *International Covenant on Civil and Political Rights*, New York, 16 December 1966 (but not to the Optional Protocol aiming at the abolition of the death penalty, New York, 15 December 1989);
- The *Convention for the Suppression of the Trafficking in Persons and the Exploitation of the Prostitution of Others*, Lake Success, New York, 21 March 1950.

The Lao PDR is not a party to:

- The *Convention against Torture and Other Cruel, Inhuman and Degrading Treatment or Punishment*, New York, 10 December 1984;
- The *Rome Statute of the International Criminal Court*, Rome, 17 July 1998.

The Lao PDR is party to the following seven out of the twelve universal instruments in the prevention and suppression of international terrorism:

- On 23 October 1972, the Lao PDR became a party to the *Convention on Offences and Certain Other Acts Committed on Board Aircraft* (1963);
- On 6 April 1989 the Lao PDR ratified the *Convention for the Suppression of Unlawful Seizure of Aircraft* (1970);
- On 6 April 1989, the Lao PDR ratified the *Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation* (1971);
- On 22 August 2002, the Lao PDR acceded to the *Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, Including Diplomatic Agents* (1973)
- On 22 August 2002, the Lao PDR acceded to the *International Convention against the Taking of Hostages* (1979);
- On 7 October 2002, the Lao PDR became a party to the *Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation* (1988);
- On 22 August 2002, the Lao PDR acceded to the *International Convention for the Suppression of Terrorist Bombings* (1997);
- The Lao PDR has not signed the *Convention on Transnational Organized Crime*.

The Lao PDR has not signed, nor ratified the following universal instruments:<sup>4</sup>

- The *Convention on the Physical Protection of Nuclear Material* (1987);
- The *Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation* (1988);
- The *Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms Located on the Continental Shelf* (1988);
- The *Convention on the Marking of Plastic Explosives for the Purpose of Detection* (1991);
- The *International Convention for the Suppression of the Financing of Terrorism* (1999).

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<sup>4</sup> / N.B. Some of these instruments may not be relevant to the Lao context

### **8.1.5 Extradition agreements**

The Lao PDR has signed extradition agreements with China, Thailand and Viet Nam.

### **8.1.6 Cooperation with international bodies**

In 1997, the Lao PDR became a member of the Commission on Narcotic Drugs (CND). It was also one of the main supporters of the ten-year plan for the elimination or significant reduction of illicit cultivation (2008 objective), adopted by the Special Session of the UN General Assembly (UNGASS), June 1998. The Lao PDR is fulfilling its reporting obligations to CND/UNODC (*Annual and Biennial Reports*) and to INCB.

The Lao PDR is a member of the Interpol.

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