

Chapter 5

Trafficking of opiates from Myanmar and Afghanistan into East Asia and the Pacific



NATURE OF THE THREAT

<p>1. Personal and public health: drug-related morbidity and mortality. Risks such as drug dependency and HIV infection.</p>	<p>2. Cost of treatment: cost to the state of treatment for dependent users.</p>
<p>3. Burden on the economy: lost productivity, absenteeism from work, accidents at work.</p>	<p>4. Burden on society: depletion of youth potential, lost school days, family breakdown.</p>
<p>5. Human rights: human rights issues related to forms of compulsory treatment and extra-judicial killings of suspected drug traffickers and users.</p>	<p>6. Cost of crime and law enforcement: increases in crime levels as users fund addiction. Cost to the state of law enforcement to counteract drug crimes.</p>
<p>7. Burden on the criminal justice system: court processes bottlenecks; overcrowding of the prison system.</p>	<p>8. Insecurity and violence: cost to society of violence associated within drug markets. Illicit drugs often a source of funding for criminal groups and insurgencies. Regional and national security impact, particularly in cross-border issues.</p>
<p>9. Corruption: impact of drug-related corruption on the economy and political system undermining governance and rule of law.</p>	

1. What is the nature of the market?

A century ago, the world confronted the single largest drug problem ever to have been recorded: Chinese opium addiction. By a variety of means, this problem was almost entirely resolved by the middle of the 20th Century.” In recent years, unfortunately, there has been a resurgence of opiate use in China. Opium is still consumed, but the main opiate problem in the 21st century involves the more refined form of the drug: heroin.

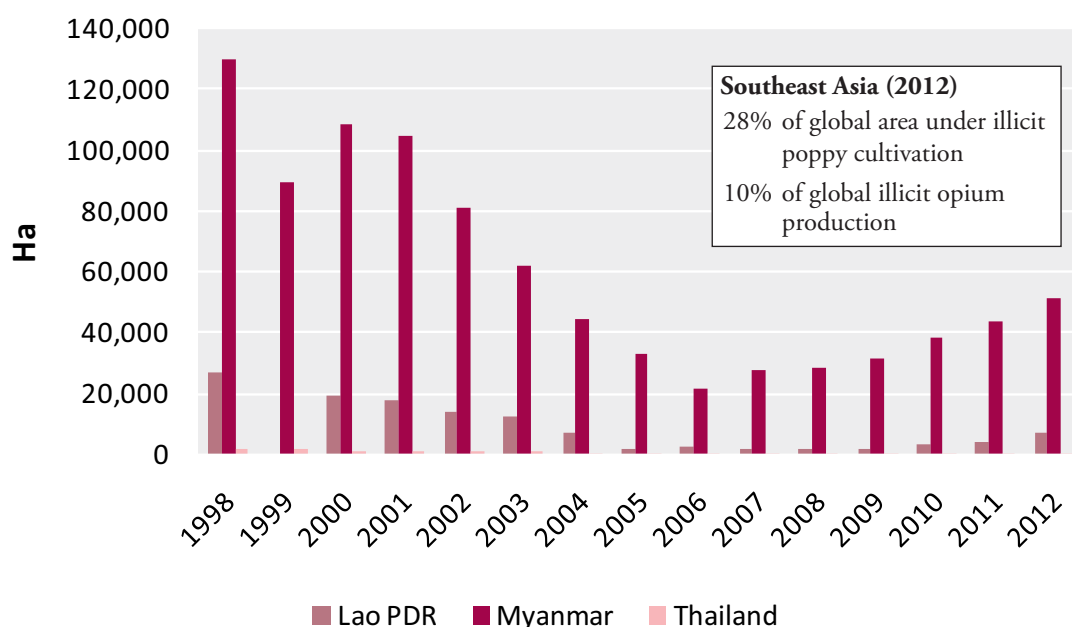
Today, China accounts for around 16% of the world’s heroin users. Consuming between 46 and 60 tons of heroin per year, China represents one of the largest national illicit heroin markets globally. Over one million heroin users are officially registered in China, and the number is rising. Most of these users inject the drug, constituting what is probably the single largest injecting drug user (IDU) population in the world.

Other countries of the region are also experiencing high and rising levels of heroin use. Opiate users also

account for the majority of problem drug users in a number of countries in the region, including Viet Nam, Myanmar, Mongolia, Indonesia, Singapore and Malaysia. In response to the 2010 United Nations Annual Reports Questionnaire, six countries from the region – China, Indonesia, Malaysia, Singapore, Thailand and Viet Nam – reported increasing heroin use. There are presently an estimated 3.3 million heroin users in East Asia and the Pacific, and the number is expected to continue to rise.

Southeast Asia is the site of the notorious “Golden Triangle”, an area long associated with heroin production, located where the borders of eastern Myanmar, northwestern Lao PDR and northern Thailand converge along the Mekong River. Thirty years ago, the Golden Triangle was the largest heroin production zone on the planet, supplying the region’s needs and exporting its heroin surplus to Europe and the United States. But, in the intervening period, the countries of Southeast Asia succeeded in eliminating much of the production in the Golden Triangle (see Figure 1).¹

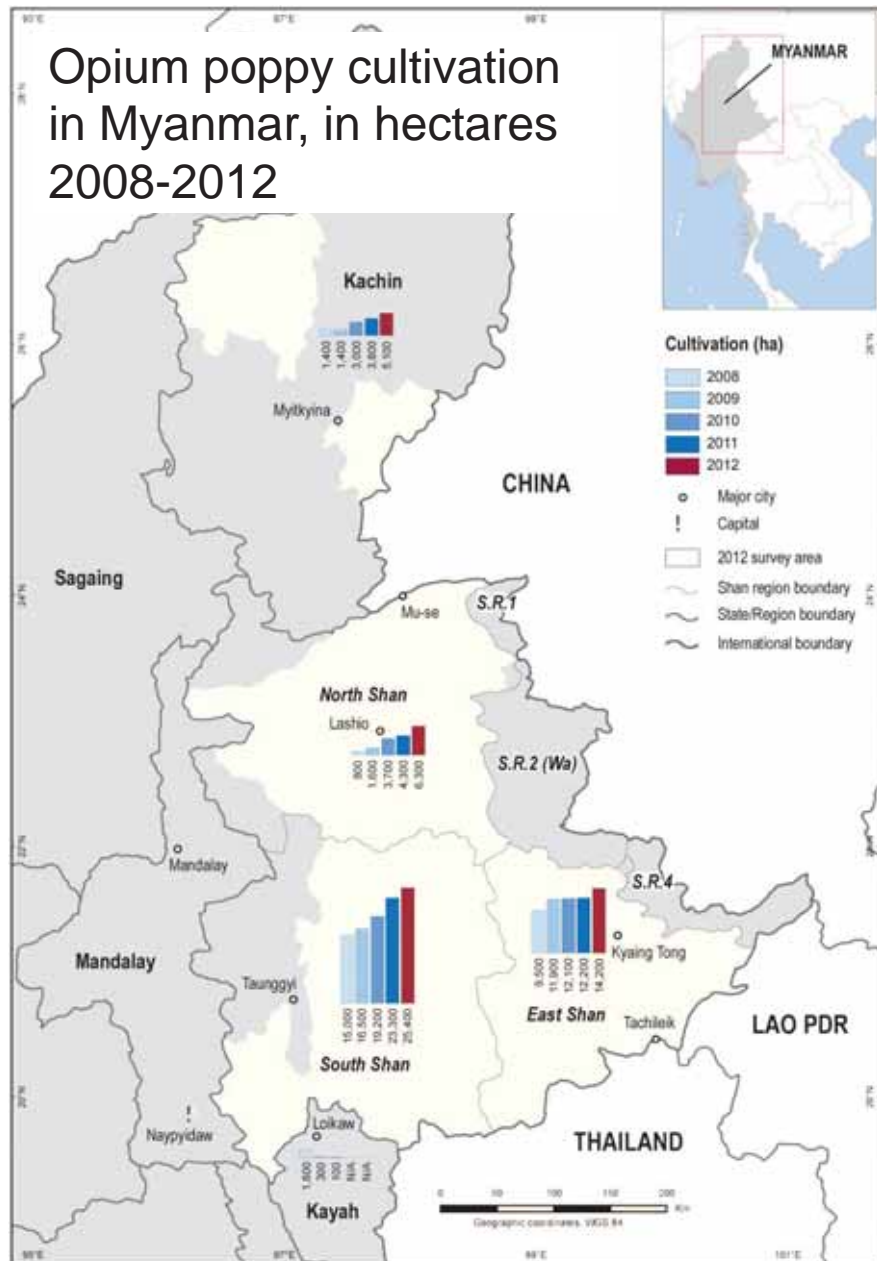
Figure 1: Opium poppy cultivation in Southeast Asia (hectares), 1998-2012



Source: UNODC, *South-East Asia, Opium Survey 2012*, October 2012

¹ Though the 2012 survey data became available immediately before the publication of this report, other calculations in this chapter refer to 2011, the last year for which comprehensive seizure data were available.

Today, almost all of the heroin production in the region is confined to the politically-contested parts of Myanmar, and traffickers are compelled to import heroin from Afghanistan to meet local demand.² On the one hand, this is an encouraging development, showing that supply reduction is possible. On the other, it is disheartening, because it demonstrates that even if opium poppy cultivation were eliminated in East Asia, regional demand can be met by external sources. In recent years, opium cultivation in Myanmar has shifted away from the former growing areas in Wa and Kokang regions (which eventually became effectively poppy-free) to South Shan, East Shan and North Shan State (see map). Opium production in Myanmar is mainly found in the Shan State (91% of the total in 2011, of which more than half occurs in the South Shan and more than a quarter in East Shan). Most of Myanmar's heroin processing also takes place in the Shan State. The next largest producing area is the Kachin province, located to the north of the Shan State (bordering India and China).

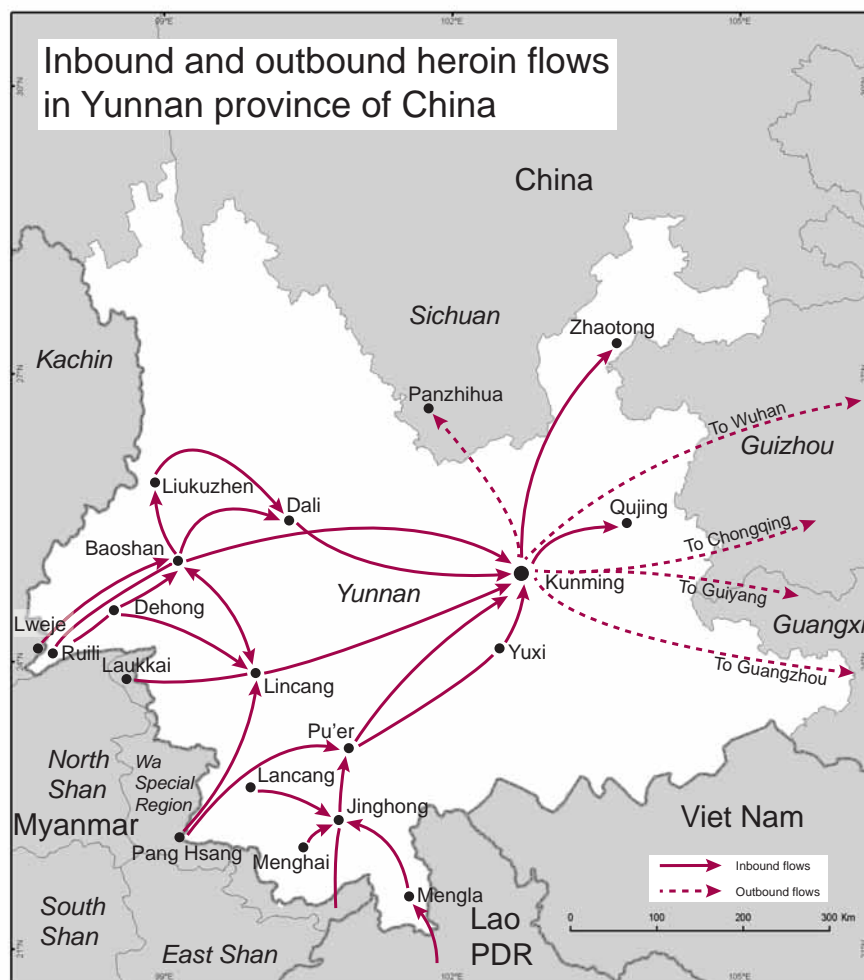


Source: Government of Myanmar - National Monitoring System supported by UNODC. The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

2. How is the trafficking conducted?

East Asia gets almost all its heroin from two sources: Myanmar (about two-thirds) and Afghanistan (the remaining third). Since about 70% of the heroin users in East Asia reside in China, the two most significant flows need cross only a single border, the one between Shan State in Myanmar and Yunnan province in China (see map). There are a large number of lesser flows by land, sea, and air from these two major sources to the other countries of the region. A significant amount of heroin is re-exported from China to the rest of the region.

² There is a small amount of poppy cultivation (about one-tenth of what is cultivated in Myanmar) in Lao PDR, but most of this is consumed locally in the form of opium. A relatively small amount (less than two tons) is converted to heroin for export, mainly to Viet Nam. However, this production has more than doubled in the last five years, so the situation merits continued monitoring.



Source: UNODC elaboration based on Huifeng and Zugoing (2011) and Ting (2007)

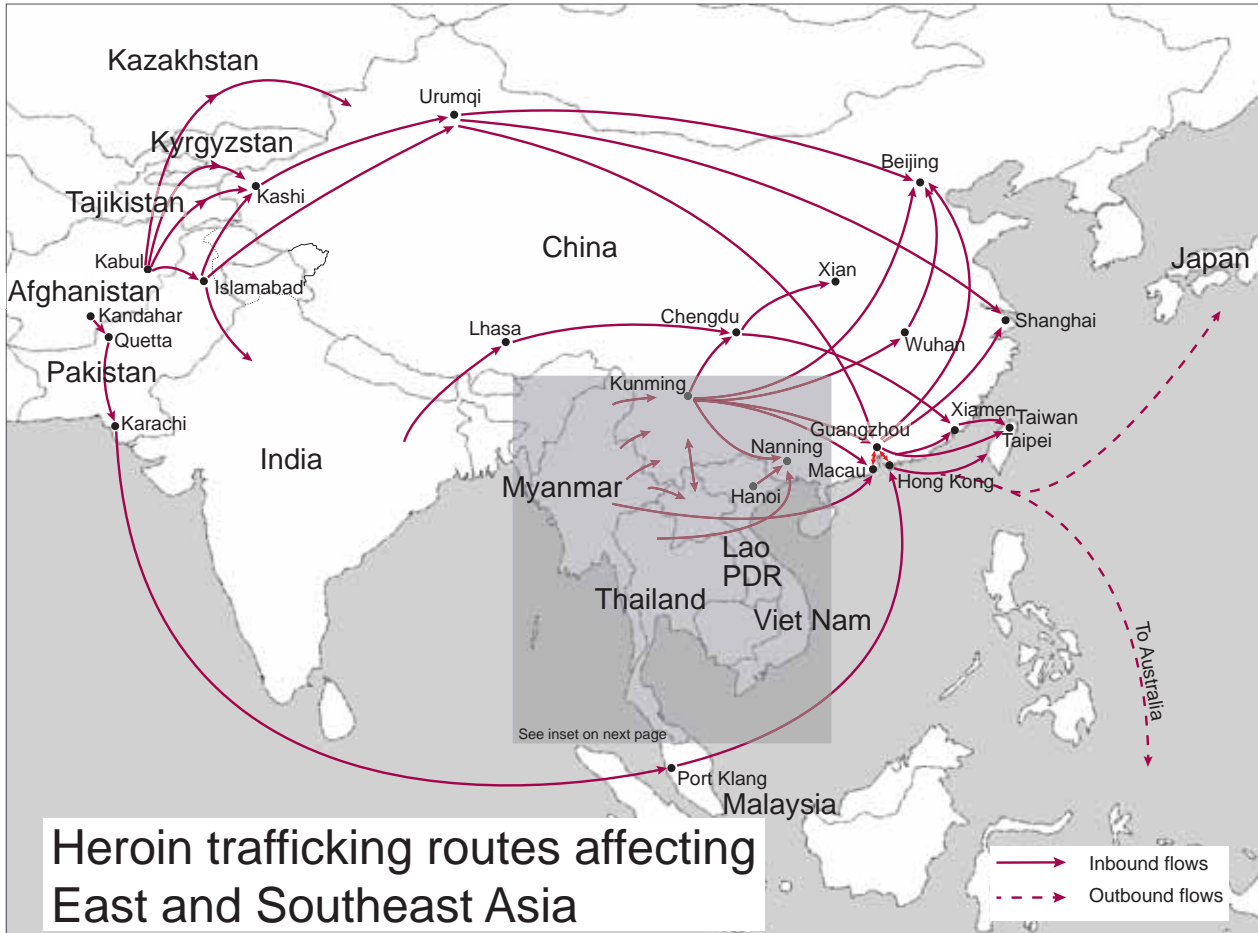
Myanmar's Shan State – which borders China, Lao PDR, and Thailand – is the primary heroin production site in East Asia. Historically, the drug has been produced in other parts of Myanmar, but success in reducing cultivation elsewhere has pushed production into Shan State, the home of a number of insurgent groups. It is not only these groups that are responsible for the heroin production, however. Rather, the insurgents also provide protection to the cultivators and traffickers and tax the trade in return. Government-backed paramilitary groups and local officials have also been found to be complicit in the areas they control.³ The flow has waxed and waned since the 1950s, but it has become a staple of the local economy and insurgent finance. As a result, it has proven extremely difficult to dislodge.

³ This has not always been the case; leaders of armed groups have been active traffickers in the past. For example, Lo Hsing-han was commander of the counter-insurgency 'Ka Kwe Ye' home guards in the Kokang area of Shan State from 1963. By the early 1970s, Lo was directly controlling the opium and heroin business to gain the reputation of one of the Golden Triangle's most prominent drug-lords. See Lintner and Black 2009: p. 25, p. 151.

they were at their zenith in the early 1990s.

Heroin is produced in laboratories close to Myanmar's borders with China, Lao PDR and Thailand. Some of this heroin is transshipped by land across Lao PDR and Thailand, and some is trafficked by sea through ports in southern Myanmar. But the largest portion crosses by land directly into Yunnan Province of China. In 2009, Chinese officials seized 5.8 tons of heroin, and 3.3 tons of this was seized in Yunnan Province. This massive total is all the more impressive because most of these seizures were actually rather small. Although larger consignments were popular in the past, most of the flow today is carried by individual couriers, a system referred to in China as 'ants moving house'.⁴

⁴ See Zhang and Chin 2008: p. 189; Zhang and Chin 2007: p. 4.



The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Source: UNODC elaboration based on Huifeng and Zugoing (2011) and Zhang and Chin (2007)

The Shan/Yunnan border is close to 600 km long and highly underdeveloped. There are many places where individuals travelling on foot can cross unnoticed. These small loads are consolidated in Yunnan before being trafficked further on within China. Kunming, Yunnan’s capital, is a major hub for redistribution. Some is trafficked on by land through Guangxi to major cities such as Shanghai and Beijing. Heroin destined for overseas is generally moved overland to ports in Guangdong and Fujian provinces and from there to Hong Kong (China) and Taiwan (Province of China). The heroin flow from Hong Kong has strongly declined compared with the late 1980s and early 1990s, when large quantities were shipped to the United States and Europe. Today, most of this flow proceeds to Australia and other international markets.

The traffic between China and Myanmar flows both ways, because the processing of heroin requires precursor chemicals, particularly acetic anhydride. Globally, some two million tons of acetic anhydride are used each year in a variety of industrial

applications, including heroin processing. China is a major producer of industrial chemicals – in 2009, over 3000 tons of precursor chemicals were seized in China, including large amounts of acetic anhydride.

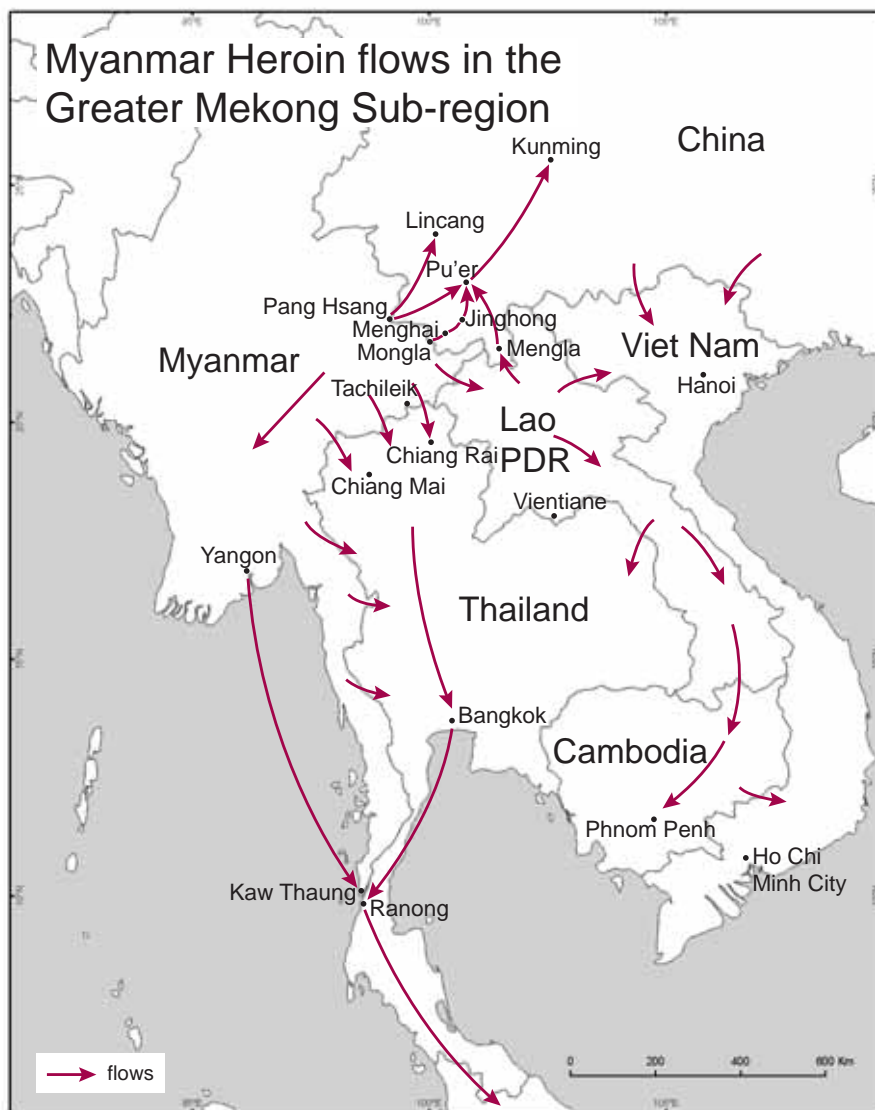
The flow of heroin from Afghanistan into the region is more complicated. This is because a wide range of players make use of an equally complex network of trafficking routes. Heroin travels by land, sea, and air though a variety of intermediary countries, as well as directly across the common land border. The Xianjiang Uyghur Autonomous region is the main distribution hub for heroin crossing into western China. Guangzhou is the main hub for Afghan heroin nationally, directing supplies to national consumption sites, as well as for export to Southeast Asia.⁵

Southeast Asian countries are subject both to flows of Afghan heroin moving north and flows of Myanmar heroin going south, as well as inflows to satisfy local

⁵Tanner 2011: pp. 1-2.

demand. From Shan state, Myanmar heroin enters northern Thailand and is moved into Malaysia, Indonesia and Australia. It also enters Lao PDR and is moved into Viet Nam through Huaphan province for onward trafficking to China and Australia. Lao's Oudomxay province is also used for trafficking heroin to China. Cambodia has become a transshipment hub of growing importance, and a major source of heroin shipped to Australia. Heroin from Afghanistan enters Thailand and Malaysia by air on incoming flights from India, the United Arab Emirates and Pakistan.

Despite substantial reduction in consumption since 2001, Australia remains a key target market due to high local prices – the purity-adjusted retail price (see Table 2) in Australia exceeds US\$1,000 per gram, which is among the highest in the world. The routes to Australia have become increasingly diverse: in 2000-2001, heroin entered Australia from just 10 countries, but by 2010-2011, the number was 20, of which the most prominent (by weight) were Malaysia, Pakistan, Viet Nam, Cambodia and Singapore.⁶ New Zealand has seen no significant heroin seizures since 2001. In the Pacific islands, several seizures of heroin have been reported from Fiji, Papua New Guinea and Vanuatu, including the seizure of 357 kg of heroin in Fiji in 2007.⁷ Local demand is not sufficient to justify these quantities, so vigilance is needed to ensure the Pacific does not become a transshipment zone.



The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.
Source: UNODC

3. Who are the traffickers?

Such a wide variety of people are involved in getting heroin from the production site to the consumer that it is difficult to generalize. Over 50,000 people are arrested for heroin trafficking in East Asia and the Pacific each year. Many of these are very small-scale traffickers. Globally, the average heroin seizure in 2010 involved 0.23 kg of heroin, while in East Asia and Pacific, the amount was just 0.11 kg.⁸ Many of those who are apprehended smuggling across borders could be labeled “mules”, but for many, a more appropriate term would be “ant traffickers”, because they display more agency than mules found in other parts of the world. They often come from ethnic groups that straddle international borders (such

⁶ ACC 2012: p. 66.

⁷ UNODC EAP 2011: pp. 35-37.

⁸ This information is based on the information from 11 countries in East Asia and two countries in the Oceania region, reporting together 6.5 tons of seized heroin in close to 58,000 seizure cases.

as the Shan, Lao, Karen, Akha, Wa and Panthay peoples), and some come from families that have been involved in trafficking for generations. Though poor, many are professional providers of clandestine transportation services.

Behind these ant traffickers are the buyers and traders that run the market. Since the 1950s, these have mainly been ethnic Chinese traffickers. Chinese traders are found throughout Southeast Asia, including in Shan state. They may deal in a wide range of goods besides opium and heroin. Of course, Chinese traffickers work with nationals from a wide range of countries. Almost 6% of those arrested for heroin trafficking in China in 2010 were foreign, including prominent representation from nationals from Myanmar, Viet Nam, Nigeria and Pakistan.⁹ Traditionally, many of the key organizers of Chinese transnational heroin networks were based in Hong Kong (China) and Taiwan (Province of China).

They were commonly associated with the Triads, and trafficked heroin from the Golden Triangle to markets in the United States and Europe. More recent research has indicated that these traditional hierarchical groups are no longer prominent, and that trafficking networks are increasingly decentralized.¹⁰ Very little of the heroin used in Europe and the US comes from the Golden Triangle today.

As Afghan heroin has become more important in local markets, a new crop of traffickers has entered the scene, including Nigerian and Pakistani groups. In Malaysia, for example, Pakistani networks are active. They use Malaysia as a hub to redistribute Afghan heroin to other countries in the region, including China and Australia. In Indonesia, trafficking networks originating from India, Nepal, the Islamic Republic of Iran and Pakistan operate across the archipelago, particularly in Bali. Recent arrests indicate that international drug syndicates have recruited Cambodian, Indonesian and Thai nationals in place of the Iranians and Malaysians formerly used to smuggle heroin into Indonesia, mostly by air.¹¹ In addition, West African criminal

groups, particularly Nigerian groups, have increased their involvement in heroin trafficking though the region, making use of commercial air couriers of various nationalities. These groups are active in the Greater Mekong Subregion, Indonesia and the Philippines.

In Australia, Chinese organized crime groups reportedly use Vietnamese gang members to sell heroin sourced from Myanmar in major cities such as Sydney and Melbourne.¹² West African networks are also active in this market.

4. How big is the flow?

Estimates of the number of heroin users in the region can be produced, but they are weaker than in many other parts of the world, because many countries in the region do not conduct regular national drug use surveys. In particular, there remains substantial uncertainty about the number of users in China, although the number of government registered heroin users topped 1.1 million in 2010. For this reason, estimates of total consumption must remain highly tentative.

It does seem clear, however, that the overwhelming bulk of heroin produced in Southeast Asia is consumed in East Asia and the Pacific, because this heroin is rarely encountered outside the region today. UNODC conducts an annual survey of poppy cultivation in region, as well as periodic yield assessments. On this basis, total regional heroin production can be estimated, providing a minimum figure for regional consumption. In addition, a number of sources give indications as to the share of the total heroin supply that comes from Myanmar, including both seizure data and forensic studies. This work indicates that about two thirds of the regional supply comes from Myanmar and one third from Afghanistan. This picture can be tallied with other information about the global market in heroin, as well as local seizure totals.

These supply-side estimates can be reconciled with regional demand data, even though this information is limited. In order to produce an estimate of total regional demand, one takes the estimated number of consumers and multiplies this by the estimated amount consumed by each user annually. These figures can be further verified with local retail

⁹ UNODC Annual Report Questionnaire data.

¹⁰ Zhang and Chin 2007: pages 46, 49, 53.

¹¹ The Jakarta Post 2010 "Foreigners nabbed for smuggling 6 kgs of meth, heroin" in *The Jakarta Post* (28 September 2010). The Jakarta Post 2011 "Hundreds of Indonesians overseas jailed for drugs" in *The Jakarta Post* (2 January 2011)

¹² Berry and others 2003: p. 5.

Table 1: Estimates of potential heroin production in Southeast Asia in 2010 and 2011 in metric tonnes

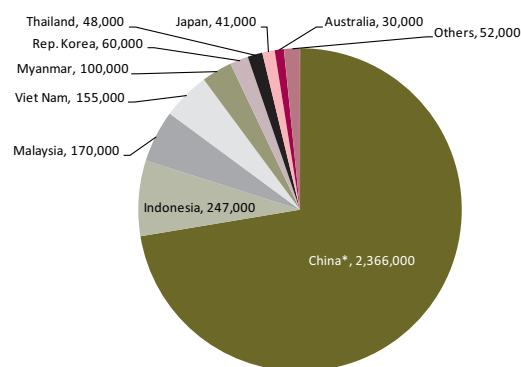
	2010	2011	2012
Opium production in metric tonnes			
Lao PDR	18	25	41
Thailand	5	3	3
Myanmar	580	610	690
Total opium production in Southeast Asia	603	638	734
- Opium seizures in East and Southeast Asia	2.2	1.9*	N/A**
- Domestic opium consumption (150-160 tons)	155	155	N/A
Opium available for transformation into heroin	445.8	480.8	N/A
Potential heroin production in Southeast Asia (10:1 ratio)	45	48	N/A

* For countries that had not – as yet – reported their 2011 opium seizures, seizures made in 2010 were used as a proxy. ** At the time of publication, information on opium seizures and domestic opium consumption was not available. Source: UNODC, Annual Reports Questionnaire and UNODC, Southeast Asia Opium Survey 2011 and UNODC Southeast Asia Opium Survey 2012.

price data. (If the per user expenditure estimates were found to be unreasonable, this would tend to indicate a faulty demand estimate.) Per user consumption rates can also be compared to what is known about heroin consumption patterns globally. Since dependent users must maintain a minimum level of consumption to avoid withdrawal, it is actually easier to profile universal consumption patterns with heroin than with some other drugs. There is a physiological maximum to the amount of heroin that users can consume without overdosing.

Starting with supply, it appears that some 48 tons of heroin were produced in Southeast Asia in 2011 (Table 1). Adding in the amounts that came from Afghanistan (about 22 tons), total demand amounted to close to 70 tons in 2011. Subtracting local seizures (equivalent to more than 4 tons if purity adjusted), would indicate a regional heroin consumption of slightly more than 65 tons of pure heroin in 2011.

How do the tentative use estimates reconcile with this supply side estimate? Based on the best readings of the data, it appears that there are about 3.3 million heroin users in East Asia and the Pacific (see Figure 2). Global analysis suggests an annual consumption rate of about 28 grams of pure heroin per user per year, which would imply regional demand of about 92 tons per year. Since these global figures also reflect consumption patterns in some of the wealthier countries, the per user rate could be adjusted downward to 20 grams per year, roughly reconciling with the supply side figures.

Figure 2: National estimates of the number of heroin users in 2010

Source: UNODC estimates

* Including Taiwan (Province of China), Hong Kong (China) and Macao (China).

The value of this market can be calculated at the wholesale and retail level – both figures are relevant because locally-based traffickers profit at both levels. Multiplying the national level consumption estimates by the local price data and adjusting for purity is a fairly straightforward exercise, although the data is tentative in many instances (see Table 2). Based on these calculations, retail sales of heroin in the region amounted to about **US\$16.3 billion** in 2011.

Table 2: Tentative estimate of the retail and wholesale value of heroin consumed in East Asia and the Pacific in 2011

	Consumption kg consumed	Retail level		Value in million US\$	
		Purity adj. retail price per gram in US\$	Purity adj. wholesale price per gram in US\$	Retail	Wholesale
China (all provinces)	47,316	222	169	10,496	7,985
Republic of Korea	1,192	452	413	538	493
Japan	829	1,395	270	1,157	224
North East Asia	49,338	453	213	12,191	8,702
Indonesia	4,931	213	149	1,048	735
Malaysia	3,397	222	171	755	581
Myanmar	2,006	96	64	193	128
Viet Nam	3,101	140	29	433	90
Philippines	523	222	118	116	62
Other SE Asia	1258	633	64	796	82
Southeast Asia	15,216	601	119	3,342	1,679
East Asia	64,554	545	154	15,534	10,381
Australia	602	1,069	346	645	208
New Zealand	58	2,257	674	132	39
Other Oceania	146	218	146	32	21
Oceania	806	1,181	510	809	269
East Asia / Pacific	65,360	682	194	16,342	10,650

Source: UNODC estimates based on UNODC, Annual Report Questionnaire Data