3. Adjustments in Trafficking Routes

3.1. Current Divisions

As opiate processing and distribution networks in East Asia source more of their supplies from Afghanistan they will need to re-organise their supply routes. The likely result will be a growing interdependence of the heroin trades in East Asia and Europe, which most analysts have hitherto seen as independent.\(^{59}\)

\(^{59}\) For example, in discussing price movements resulting from the Taliban’s ban on opium cultivation, Mohammad Amirkhizi, Senior Policy Adviser to the UNODCCP Executive Director, concluded that “the trafficking networks sourcing their supplies from South-West Asia are still largely distinct from those active in South-East Asia” – speech to the Bishkek International Conference on enhancing security and stability in Central Asia: strengthening comprehensive efforts to counter terrorism, Bishkek: September 13-14 December, 2001. Similarly, UNODC’s Global Illicit Drug Trends 2003 notes that “indicators do not provide evidence of frequent substitution effects between the heroin markets of South-West Asia and those of South-East Asia” (p.53).
Figure 3.1 shows significant trafficking routes originating in Myanmar and Laos. Currently, most of the heroin sold in East Asia and Oceania comes from heroin processed in South-East Asia. Much of this processing occurs on the Myanmar-China and Myanmar-Thai borders.

After processing, heroin heads to China for consumption there and for onward shipping to other countries in Asia, Oceania and North America. Well-used routes run through to Guangdong or Fujian provinces on the south-eastern coast to make use of the large port facilities. Moving south from production areas in Myanmar and Laos, opiates travel across the Myanmar-Thailand border to ports in Thailand, Cambodia and Vietnam, as well as through Rangoon.\footnote{This brief description draws on the DEA’s China Country Brief and its Burma Country Brief, as well as UNODC’s Global Illicit Drug Trends 2003.}

Figure 3.2 illustrates the standard view of the level of independence of East Asian and South Asian networks. The division of markets is quite
strong. There is a degree of mingling along the Central Asian-Chinese borders but a north-south line from Almaty to Kashgar essentially divides Burmese opiates from Afghan opiates, where areas to the east of the line source from Myanmar and areas to the west from Afghanistan. This division will likely weaken, however, as a result of the trends discussed in Section II. The current proportion of Afghan opiate consumption in China is unknown (this is discussed in Section IV), but the decline and uncertainty of production in Myanmar and Laos is likely to induce East Asian networks to expand linkages across the division of markets.

3.2. Trafficking costs

The business of drug trafficking faces an unusual cost structure. Opium is the primary input but opium farmers have very little power. In Afghanistan opium farmers face a government that is, on paper, hostile to them. Of more importance, however, are the local leaders who allow or encourage opium cultivation and the dealers who extend credit on the condition that farmers plant poppies.61

Farmgate prices for opium in Afghanistan are substantially higher than they were in the 1990s. In 2003 the CND reported an average of $283/kg for fresh opium, compared with standard prices of around $30/kg in the 1990s.62 The UNODC reported a price of $110 in September 200463 and the Afghanistan Survey 2004 calculated a weighted national average of $92/kg at the time of harvest. Nevertheless, these variations still account for a small proportion of total costs and profits. Given that they are the primary producers, the $2.3 billion earned by opium farmers in 2003 was only a small slice of the estimated $30 billion revenue of the international trade in Afghan opiates.64

The risk of using a smuggling route and the potential loss of product that might occur are the primary concerns for traffickers. For individual couriers, the possibility of capture is a significant risk. For those

61 Pain, 2004; Goodhand, 2000; UNODC, The Opium Economy in Afghanistan,
63 Presentation by Vladimir Fenopetov at Uppsala University, September 23, 2004.
64 Afghan Interim Administration, Counter-Narcotics Technical Annex.
organising the trade the loss of a single mule costs only as much as the amount they were carrying. There is also the possibility that capture could compromise an overall operation but since those at the top of the trade rarely have direct connections to couriers this is not an effective risk.  

3.3. Possible substitution effects

Drug production is demand-driven. Certainly, the availability of supply along trafficking routes can encourage the expansion of consumption markets in transit countries (more on this below), but traffickers only choose transit countries based on the feasibility of smuggling through them to established demand markets. Because of this, the elasticity of demand for heroin is relevant in the prediction of adjustments to trafficking routes. Many Chinese networks are as enthusiastic about producing and trafficking in amphetamine-type stimulants (ATS) as they are about shipping heroin. In many parts of the world the growth in ATS production has been rapid and their use seems to be quite popular along China’s eastern seaboard, amongst other places. If it is possible for dealers and distributors to shift their customers from heroin onto other drugs – such as ATS – then the adjustment in trafficking networks will be different to what will occur if heroin demand is inelastic.

Heroin users are generally poly-drug users, consuming a variety of drugs simultaneously. However, for most people it is heroin that is the most addictive and the difficulties faced in rehabilitation testify to the strength of this addiction – in China 57.4% of those monitored by its Drug Abuse Surveillance Network in 2003 had been using for more than 5 years. In general it seems that, for heroin users, other drugs are complements and

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In a longitudinal study of drug abuse patterns in high-use Chinese regions in 2000, lifelong heroin users reported that they rarely use other drugs. Because heroin is the central drug – even if users consume other drugs simultaneously – demand is inelastic and reductions in supply tend to increase prices more than shift consumers into substitute products. After a period of dosage escalation, individual heroin demand is usually stable, although this can be at widely varying levels depending upon the user. For example, in a Chinese study similar to the one mentioned above, 59.1% of the sample of 67,319 (includes all drugs, although heroin was the dominant choice) used drugs less than seven times a week, but a substantial proportion (15.8%) used more than 21 times a week.

For dealers, the implication of this is that a failure to secure heroin supplies raises the risk of losing customers. Those who seek to shift their customers onto substitutes are vulnerable to those with access to alternative sources of heroin. Therefore, there will be immense pressure to find new sources for established markets like China’s and it is more likely that uncertainty in supply will result in shifting routes rather than a drop in demand.

3.4. Adjustment in East Asian networks

Aside from the problems caused by a shrinking supply of raw opium, declining production in Myanmar and Laos will raise risks for networks that source from there. Detection is likely to become easier as the source

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71 In Australia, heroin use has shown a remarkable short-term response to supply problems, apparently decreasing rapidly in the last few years. This may be due to factors peculiar to the Australian market, however – A. Roxburgh, L. Degenhardt, C. Breen, “Changes in patterns of drug use among injecting drug users following changes in the availability of heroin in New South Wales, Australia”, *Drug and Alcohol Review* 23:3, 2004.


shrinks and the motivation for effective enforcement and interdiction will rise as production declines and loses its monetary importance to officials engaged in the trade.

An improbable outcome in the short term is that dealers currently using East Asian distributors (for example, in the US) will begin to source opiates directly from Afghanistan, causing networks through East Asia to wither away. This is unlikely to happen. Firstly, the decline in production in Myanmar and Laos is not occurring so rapidly that dealers in consumption countries will be left without supplies. East Asian distribution networks have the time to build their trafficking capacity from Afghanistan. Secondly, they will have a powerful incentive to do so, not only to maintain immediate profits but also to protect their business from possible encroachment by south-west Asian distributors. As the dominant incumbent networks distributing from East Asia, they are in a position to succeed at this over the medium term. Thirdly, the huge Chinese market will continue to offer profits for distributors quite separate from any onward shipment originating in China.

More likely, therefore, is that East Asian distributors will respond to these incentives by attempting to expand links to Afghanistan in order to increase imports from there. Figure 2.2 above suggests that the most probable possibilities for achieving this are through northern India and/or through north-western China.

3.5. Expansion through India

The expansion of routes through India is problematic for three reasons. Firstly, although both Afghan and Burmese opiates are consumed and smuggled through India, there is little intermingling between the two. As shown in figure 2.3, Afghan opiates have more significant market penetration, entering over the border with Pakistan into Rajasthan, Punjab, Gujarat and Jammu & Kashmir and using Indian ports for onward international transport. The most important of these ports are Mumbai, Delhi and the Tamil Nadu coast. By contrast, opiates from Myanmar are confined to the north-eastern states and there have been no

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74 Figure 2.3 and the description of trafficking in India draw on: UNODC, India Country Profile, 2003; DEA, India Country Brief, May 2002; interview with a senior staff member in India’s Narcotics Control Bureau New Delhi Headquarters October 6, 2004.
reports that they travel further into India or use it as a staging point for shipping.

Secondly, the sourcing of Afghan opiates via Indian routes relies on border conditions with Pakistan. Due to the difficult relations between India and Pakistan these are not always conducive to trafficking, with occasional low-level conflict and high security at border posts. As an example of this variability, the Indian Narcotics Control Bureau attributed a drop-off in the seizures of Afghan heroin in 2002 to the military build-up along the Pakistan-India border following terrorist attacks on the Indian parliament in late 2001.75

Thirdly, having crossed India, Afghan opiates would still face difficulties in entering China. Terrain prohibits direct crossings along most of the Chinese-Indian border, but the Chinese interdiction efforts discussed in Section one remain a problem for any entry attempted via Myanmar.

Finally, constructing networks from Afghanistan to China via India would require East Asian distributors to form relationships with unfamiliar ethnicities. At present, networks in East Asia and Oceania are dominated by ethnic Chinese76 who have had little reason to

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75 UNODC, India Country Profile, 2003; this was also the opinion of a senior staff member in India’s Narcotics Control Bureau New Delhi Headquarters – interview, October 6, 2004.

make connections within South Asia. Indeed, South Asia is somewhat hostile territory because it is dominated by distributors who currently source from Afghanistan. While the lure of profit certainly bridges ethnic divides, this is nevertheless a further difficulty in connecting via India when compared with options through north-western China.

3.6. Expansion through China

Far more attractive on all four fronts is an expansion of routes through north-western China (Xinjiang). Firstly, as illustrated in figure 2.1 and 2.2, the capacity to smuggle heroin across the country already exists, albeit moving in a western direction. The majority of opium consumption in the north-west depends on distribution from the south-east.

Secondly, moving opiates from Afghanistan into Xinjiang relieves on fewer, more open borders than prospective Indian routes. Section IV discusses these borders in more detail but the general point here is that smuggling from Afghanistan to Xinjiang is less risky than transportation from Afghanistan across Pakistan and India, into South-East Asia and then into China.

Finally, ethnic ties are more helpful on routes through north-western China. Established interactions between ethnicities would be useful, first in reaching China and then in reversing the current east-west flow in China. This is discussed further in Section IV and Section V. In all, for East Asian networks, Xinjiang is inviting as a connection to Afghan opiate supplies.